

# Annual Report

2022-23



*Celebrating diversity - Valuing people*



# Reconciliation Commitment Statement

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We pay our respect and recognise Aboriginal people as the traditional custodians of the land in New South Wales.

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

We honour and thank the traditional owners of the land on which our office is located, the Gadigal people of the Eora nation, and the traditional owners of the lands on which our employees live and work.

We pay our respects to their Elders past and present, and to the next generation of leaders.

Image: Extract from 'Yarning Circle' by Caitlin Liddle, Audit Office Indigenous internship program participant, used with permission.

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## Our vision

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

## Our purpose

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

## Our values

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

## About this report

This annual report summarises the activities and performance of the Audit Office of New South Wales for 2022–23 against the main goals, strategies and targets in its Corporate 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 in the 'Who we are' section of our website [audit.nsw.gov.au](https://audit.nsw.gov.au)

**Cover:** We are proud of the many backgrounds of people who make up the Audit Office. In this year's annual report, we showcase some of the many ways we have celebrated, acknowledged and benefited from our diverse workforce in 2022–23. From left to right: Paola Rigby, Sarah Potter, Quentin Wong, Christian Spyrou, Kamal Colah, and Kevin Hughes.

All links correct at the time of publication.

# Auditor-General's message



Margaret Crawford PSM  
Auditor-General for New South Wales

I am pleased to present the Audit Office of New South Wales' (NSW) annual report for 2022–23. This has been another year of achievement against our core purpose, to help the Parliament hold government accountable for its use of public resources and deliver insights that inform and challenge government to improve outcomes for citizens.

## The importance of trust and integrity in government

During 2022–23 there has been an ongoing focus and public discourse on government acting with integrity in the delivery of public services. This debate was heightened by inquiries here in NSW and in other jurisdictions, and by the Royal Commission into Robodebt at the Commonwealth level.

While much of government works well, some audits during this and previous years have contributed findings that call into question the integrity of the systems, processes and controls that support good governance. Too often, findings include records of advice and key decisions not being kept, conflicts of interest not declared, procurement guidelines and delegations not followed.

Based on these findings, we built a focus on integrity, on the provision of good advice and good governance, into our work program this year and next. A full list of financial audit reports and performance audits tabled in the NSW Parliament in 2022–23 can be found on pages 118–119 of this report.

## Our work supports the NSW Parliament

Our audit reports are a trusted source of information for the Parliament of NSW. They are often cited in debates, and we provide evidence to parliamentary committees and inquiries. For example, during 2022–23, we were invited to give evidence to the Public Accountability and Works Committee's inquiry into the government's use of consultants.

In addition, the Public Accounts Committee tabled their reports examining performance audit reports published between June and December 2020, and our 2021 financial audit reports to the Parliament.

## Amendments to the *Government Sector Audit Act 1983*

Recognising the importance of the assurance provided by the Audit Office, long overdue amendments were made to the *Government Sector Audit Act 1983*, in the lead up to the 2023 state election. The amendments enhance the mandate of the Auditor-General by providing 'follow the dollar' powers and access to confidential information, including cabinet-in-confidence and legal professional privilege documents.

These hard-won reforms help secure the independence of the role of the Auditor-General. They are described in more detail on page 18 of this report.

Recommendations proposing these legislative reforms were included in the 2022 Quadrennial Review of the Audit Office tabled by the Public Accounts Committee in September 2022. Overall, the review concluded that the Audit Office is a well-functioning office that is staffed by professional and dedicated auditors.

As I approach the end of my term as Auditor-General I want to endorse and amplify this conclusion. The quality of work that all the staff in this office deliver every day, and the values-based manner in which they do this is exceptional.

## Our focus on diversity and inclusion

In addition to our focus on quality, and our investment in technologies to support our staff and clients, this annual report showcases our commitment to promoting an inclusive environment for all employees and how we celebrate diversity. Our staff come from 44 countries and speak 35 languages. In the foreword to my first annual report, I committed to improving the representation of Aboriginal and Torres Strait Islander people and to continue to support and develop more women into leadership roles.

I am pleased today to report that we have enjoyed a constructive partnership with the CareerTrackers organisation that has seen some 16 interns work with us over the last seven years. A number of this cohort have continued as graduate recruits in our financial audit practice. More recently we engaged an experienced Aboriginal leader to build cultural competence and support performance audits that include First Nations people.

In respect of women employees, I am proud to report they now make up over 50 per cent of roles at every level, including the Office Executive, and we have almost eliminated an historical gender pay gap.

I want to thank staff who have shared their story for publication in this report. They demonstrate our values in action.

## Two hundred years of impact

This will be my last introduction to an annual report of the Audit Office of NSW. My eight-year term as Auditor-General will end on 3 April 2024. I am very proud of the important role we have played as one of a small number of integrity bodies that support good government in NSW. I am also honoured to be just one of a long line of Auditors-General for NSW dating back to 1824.

Next year, the Audit Office will celebrate its bicentenary. This is a significant milestone in the history of our system of government here in NSW. Our bicentenary is shared with the NSW Treasury and Parliament's Legislative Council. Assurance over government spending and the colonial accounts by an Auditor-General was considered necessary for the proper workings of the fledgling Parliament in 1824, and remains just as vital today.

I am privileged to finish my term in our 200<sup>th</sup> year and to share this celebration with my current executive team and all the staff of the Audit Office. I thank them for their loyalty, support and friendship over my term to date. They are an exceptional group of people.



**Margaret Crawford PSM**  
**Auditor-General for New South Wales**

Sydney, 23 October 2023



GPO Box 12  
Sydney NSW 2001

Ms Helen Minnican  
Clerk of the Legislative Assembly  
Parliament House  
Sydney NSW 2000

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of members this report of the activities of the Audit Office of New South Wales for the year ended 30 June 2023.



Margaret Crawford PSM  
Auditor-General for New South Wales  
23 October 2023

\* This annual report has been prepared and tabled under the requirements of the *Government Sector Finance Act 2018*.



**Images.** Top: Audit Office staff with the Auditor-General at her Garran Oration (page 14). Bottom: In 2024 we celebrate 200 years of Auditors-General in New South Wales.

# 2022–23 at a glance

Operational measures of success

20

performance audit and special reports tabled in Parliament

Target: 20, page 27

15

financial audit reports tabled in Parliament

Last year: 14, page 30

498

financial statement audits completed

Last year: 494, page 29

668

other assurance reviews completed

Last year: 691, page 29

100%

of audit conclusions reviewed in quality assurance program assessed as supportable

Target: 100%, page 39

20

diversity and wellbeing events recognised and celebrated

Pages 59 and 61

83%

of employees felt there were effective resources to support employee wellbeing

Page 58

8

average training days per employee

Target: 7, page 36

- Jul 2022**
- Hosted Australasian Council of Auditors-General meeting
  - [Celebrated NAIDOC Week](#) (page 7)

- Aug 2022**
- Participated in the 2022 NSW public sector People Matter Employee Survey (page 32–33)
  - Launched our [Annual Work Program 2022–25](#)
  - [Celebrated Wear it Purple Day](#) (page 105)
  - Tabled one Auditor-General's Report to Parliament\*

- Shared results of our 2022 WHS survey with employees
- [Promoted R U OK? Day](#) (page 58)

- Sep 2022**
- Tabled one Auditor-General's Report to Parliament\*
  - Attended two parliamentary committees\*\*
  - Public Accounts Committee's [Quadrennial Review of the Audit Office of New South Wales](#) tabled in Parliament

- Oct 2022**
- Tabled our [2021–22 Annual Report](#)
  - Attended one parliamentary committee\*\*

- Nov 2022**
- Tabled two Auditor-General's Reports to Parliament\*
  - Launched a new Audit Communication Portal (page 15)
  - [Celebrated Diwali](#) (page 19)

- Dec 2022**
- Tabled 14 Auditor-General's Reports to Parliament\*
  - Legislation was passed to provide the Auditor-General with 'follow the dollar' powers and an entitlement to access confidential information. The Auditor-General was also made an Independent Officer of the Parliament (page 18)
  - Welcomed the New Zealand Parliament Governance and Administration Committee to our office
  - Celebrated International Day of People with Disability

- Tabled one Auditor-General's Report to Parliament\*

- Jan 2023**
- Welcomed our [2023 graduate cohort](#)
  - Tabled five Auditor-General's Reports to Parliament\*

- Attended the first in-person Pacific Association of Supreme Audit Institutions (PASAI) congress since 2019
- Celebrated International Women's Day (page 55)
- Celebrated Sydney WorldPride and set up an Audit Office Pride Network (page 61)
- Celebrated Harmony Week
- Tabled one Auditor-General's Report to Parliament\*

- Mar 2023**
- Launched 'Everyone's Business: Learning about Stolen Generations' training for all employees (page 62)

- Tabled three Auditor-General's Reports to Parliament
- Hosted the 11th meeting of the [Regional Working Group on Environmental Auditing](#) in partnership with the Office of the Auditor-General New Zealand and PASAI
- Tested our business continuity and disaster recovery plans
- Celebrated [Eid-ul-Fitr](#) (page 65)

- Apr 2023**
- Received a [Gold Australasian Reporting Award](#) (page 50)
  - Hosted a forum with over 70 State Audit and Risk Committee chairs on key audit findings and recommendations
  - Promoted volunteer leave
  - Launched 'Understanding your role in the *Modern Slavery Act 2018* (NSW)' training
  - Tabled seven Auditor-General's Reports to Parliament\*
  - Attended one parliamentary committee\*\*

\* A full list of our Auditor-General's Reports to Parliament can be found at pages 118–119.

\*\* More information on our appearances at parliamentary committees can be found at pages 22 and 111.

# Overview

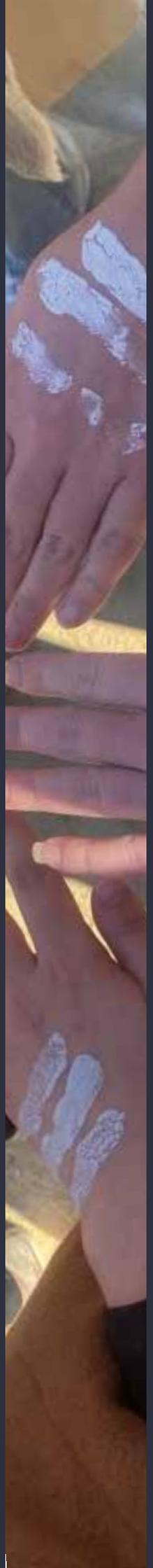
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## *Celebrating diversity*

### **NAIDOC Week 2023 – For Our Elders**

We are committed to strengthening our community engagement and cultural competency. In 2023, we celebrated NAIDOC Week by inviting a guest speaker to talk about this year's theme 'For Our Elders' and what it meant to them. This year we also offered Aboriginal cultural tours where employees had the opportunity to immerse themselves in the native history of Warrane (Sydney Harbour) and learn the importance of the land to Australia's Aboriginal heritage, particularly clans of the Eora Nation. Hands were painted with ochre as a way of deepening connection to country, three stripes representing past, present and future.



# Our organisation

## Who we are

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

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

## What we do

The Auditor-General reports to the Parliament of New South Wales and is responsible for audits and related services.

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

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

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

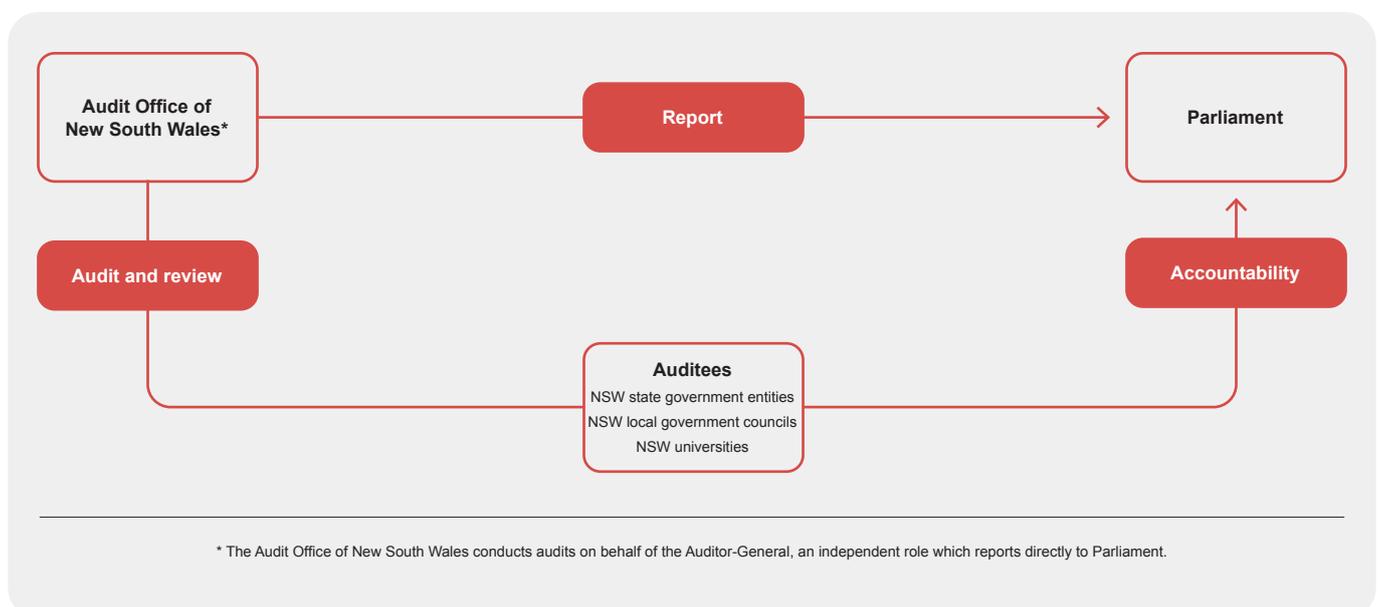
Legislation allows the Treasurer, ministers and both Houses of Parliament to request that we perform other audit or audit-related services. These can include audits of agencies' compliance with specific legislation, directions and regulations.

## Our main stakeholders

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

## Our resources

- 322 full-time equivalent employees at 30 June 2023.
- \$62.2 million revenue from government entities, councils and universities for audits of their financial statements and other assurance activities.
- \$13.4 million from the government for performance and other audit work, and Auditor-General's Reports to Parliament.
- 34 per cent of our financial audit work delivered in partnership with external Audit Service Providers.



# History of the Auditor-General

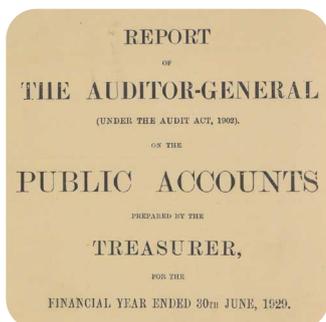


**1824** William Lithgow appointed Colonial Auditor-General to compile and examine the colony's accounts and report on government departments to the Governor.

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

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

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



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

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

**1989** Auditor-General's Office declared a statutory body, allowing it to be both more independent and more commercial.

**1991** *Public Finance and Audit Act 1983* expanded the Auditor-General's role to include performance audits, limited tenure to seven years (no age limit), and prevented acceptance of any other post in the New South Wales public service.



**2001** Auditor-General's role expanded to report on issues of waste, probity and financial judgement.

**2004** Auditor-General given power to employ staff directly, and set wages and conditions.

**2013** Tenure of the Auditor-General extended to eight years.

**2016** The *Local Government Act 1993* expanded the Auditor-General's mandate to include financial and performance auditing of local government.



**2021** *Public Finance and Audit Act 1983* renamed to the *Government Sector Audit Act 1983*. Amendments included the formal recognition that the Auditor-General is an independent and accountable statutory officer responsible for providing independent audit and audit-related services in New South Wales.

**2022** The *Government Sector Audit Act 1983* and the *Local Government Act 1993* expanded the Auditor-General's mandate to include 'follow the dollar' powers, and the power to access cabinet information and information subject to legal professional privilege.

**Images.** Top: William Lithgow, first Auditor-General for New South Wales. Second: Front cover of Auditor-General's Report for the financial year ended 30 June 1929. Third: Previous Auditors-General (left to right) Anthony 'Tony' Harris, Robert 'Bob' Sendt, Peter Achterstraat, and Kenneth Robson. Bottom: Greg Piper MP signing the Government Sector Audit and Other Legislation Amendment Bill 2022 at NSW Parliament. To Mr Piper's right is financial auditor Alison Buskens and Nicolle Gill from the Public Accounts Committee.

# Office Executive

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



**Margaret Crawford PSM, Auditor-General**

*Bachelor of Arts, Graduate Diploma of Recreation Management, Master of Business Administration, Fellow Institute of Public Administration Australia, Fellow Australian Institute of Company Directors, Fellow Certified Practising Accountant*  
 Margaret has many years of experience as a senior executive across large, complex public sector organisations – local, state and the Commonwealth governments – including the Victorian Department of Human Services, the Australian Taxation Office, the former NSW Roads and Traffic Authority, and Australia’s largest local government, Brisbane City Council. Before becoming Auditor-General, she held the position of Deputy Secretary at the former NSW Department of Family and Community Services.

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



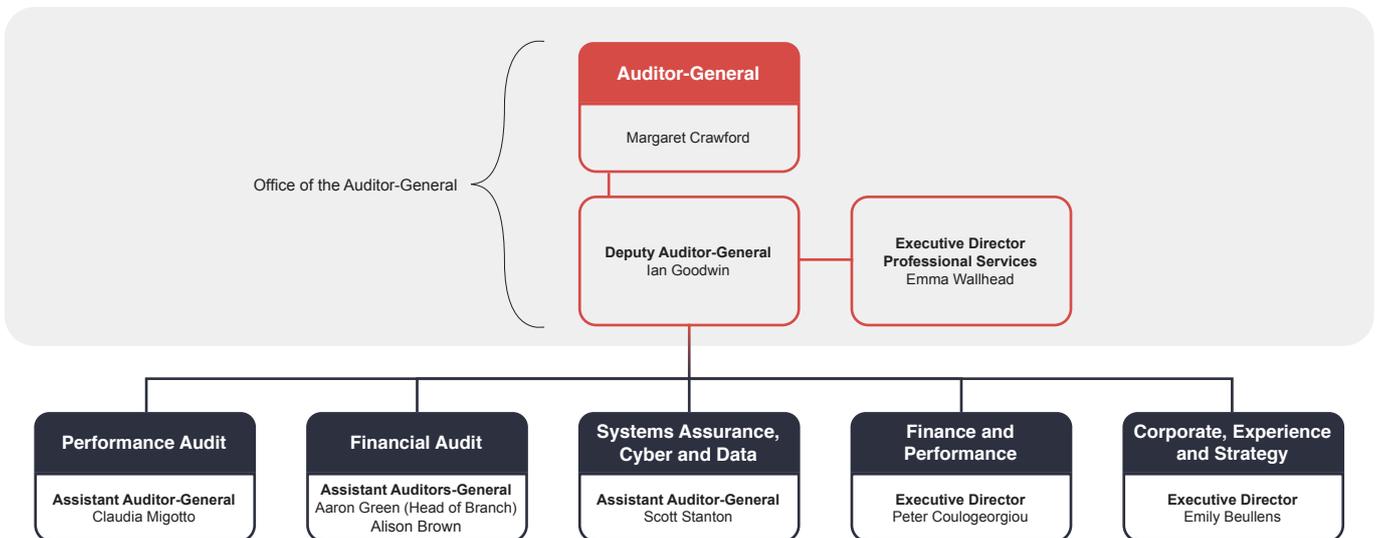
**Ian Goodwin, Deputy Auditor-General**

*Bachelor of Business, Fellow Chartered Accountant Australia and New Zealand, Fellow Certified Practising Accountant, Graduate Australian Institute of Company Directors*

Ian’s early career was in the financial services and the international aid and development sectors. He worked in risk management, audit and stakeholder engagement roles at the Reserve Bank of Australia, a large audit firm and the International Monetary Fund in Washington D.C.

Ian joined the Australian National Audit Office (ANAO) as Group Executive Director, leading the Assurance Audit Services Group and the audit of key central agency departments, government business enterprises and the Australian Government’s Consolidated Financial Statements.

Ian is also a commissioned officer in the Australian Army Reserve who has deployed on Australian Defence Force overseas and domestic operations. He continues to dedicate time as an active officer in the Army Reserve, which has included leading two cavalry squadrons.





**Claudia Migotto, Assistant Auditor-General, Performance Audit**

*Bachelor of Arts (Honours), Master of Public Health, Master of Policy Studies, Graduate Australian Institute of Company Directors*

Claudia has over 20 years' experience across Commonwealth and NSW government agencies in policy and program development, implementation and evaluation. Claudia has also held leadership roles in agencies tasked with providing independent information to the community on the performance of governments – including the COAG Reform Council and the National Mental Health Commission. Her work in reporting on the performance of governments has touched on a diverse range of sectors including health system performance, disability, mental health, drug and alcohol issues, gender equity, Indigenous communities and housing.



**Aaron Green, Assistant Auditor-General, Financial Audit (Head of Branch)**

*Bachelor of Commerce, Chartered Accountant*

Aaron joined the Audit Office in 1999 and was appointed Assistant Auditor-General in January 2019.

Aaron has significant experience in leading the delivery of audit services to a diverse range of public sector auditees including those in the education, university and local government sectors. Aaron now leads our financial audits in the state government sector.



**Scott Stanton, Assistant Auditor-General, Systems Assurance, Cyber and Data**

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

Scott joined the Audit Office in 1987 and has significant experience leading the delivery of financial audit services to diverse public sector auditees, including those in the transport, electricity and university sectors. From 1 January 2023, Scott leads the new Systems Assurance, Cyber and Data Branch, which seeks to respond through our audits to the pervasive risks and opportunities associated with Information Technology, and the growing availability of large amounts of data within the NSW public sector. Scott has previously served on CPA Australia's NSW Divisional Council and is a past chair of CPA Australia's NSW Public Sector Committee.



**Alison Brown, Assistant Auditor-General, Financial Audit**

*Bachelor of Commerce, Fellow Chartered Accountant Australia and New Zealand, Graduate Australian Institute of Company Directors*

Alison has had audit and finance roles in both the private and public sectors. Prior to joining the Audit Office, Alison worked at the Australian National Audit Office, Westpac and KPMG's Orange County Office in California. Alison now leads our financial audits in the local government and university sectors.

Alison serves on the Chartered Accountants Australia and New Zealand Trans-Tasman Audit Advisory Committee and contributes strongly to the profession, the sector and the community through her roles on boards and advisory panels.



**Emily Beullens, Executive Director, Corporate, Experience and Strategy**

*Master of Business Administration in Change*

Emily joined the Audit Office in 2015 and now leads the Corporate, Experience and Strategy Branch. Prior to this, Emily led the Audit Office's communications, business support and records management functions.

With a wide range of industry experience in the government and private sector, Emily's expertise extends to leading high-performing teams and managing complex projects including workplace experience and digital transformation projects. As a driver of change, she is passionate about harnessing stakeholder and employee engagement, as well as innovative approaches and technologies, to achieve new levels of service.



**Peter Coulogeorgiou, Executive Director, Finance and Performance**

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

Peter Coulogeorgiou has over 25 years' experience in audit and finance roles. Peter's early career was in financial audit before moving into senior finance roles. He is a fellow of CPA Australia. Peter originally joined the Audit Office in 1998 and after leaving to work in other areas of the NSW public sector, returned in 2016. He was appointed as Chief Financial Officer in 2017 prior to his appointment as Executive Director, Finance and Performance in March 2023.

Peter is currently the Deputy Chair of CPA Australia's NSW Public Sector Committee.



**Emma Wallhead, Executive Director, Professional Services**

*Bachelor of Laws, Master of International Studies, Master of Arts (History), Graduate Certificate of Management*

Emma leads the Professional Services Branch with responsibility for our governance, quality and technical accounting teams. With over 25 years' experience in the public sector (across public policy, statutory and regulatory frameworks, compliance and governance), Emma's expertise extends to advising on, and leading, best practice governance and assurance frameworks.

Emma originally joined the Audit Office in 2017 and, after leaving to work in other areas of the NSW public sector, returned in 2022 as Director, Governance (Legal) prior to her appointment as Executive Director, Professional Services.

# Strategy

Our [Corporate Plan 2020–2024](#) provides a clear focus and direction for the Audit Office of New South Wales and each year we report our progress against the performance targets we set for ourselves.

Our four Corporate Plan strategic objectives are detailed in this section, along with our key achievements and measures of success.

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- 13** Enhancing Our Impact, Demonstrating Our Value
  - 15** Building Capability For The Future
  - 17** Quality In Everything We Do
  - 18** Securing Our Future
- 

## *Celebrating diversity*

### **International Day of People with Disability**

Each year, the Audit Office recognises International Day of People with Disability (IDPWD), celebrating the many achievements of people with disability in our organisation, and discussing how we can together make our workplace more inclusive for people with a disability.

In 2022, we held an afternoon tea to watch the Public Service Commission's virtual event together on the importance of diversity and inclusion.

Our commitment to ensuring an inclusive workplace is supported by our Diversity, Inclusion and Accessibility Roadmap 2021–25 and disability awareness training for all employees.



# Enhancing Our Impact, Demonstrating Our Value

## Objective

We will be recognised by Parliament and stakeholders for our value as a source of accountability and integrity.

## Key achievements:

- Attended three parliamentary committee hearings and provided evidence at an inquiry into the NSW Government's use and management of consulting services, page 22
- Began developing a new impact reporting framework, page 14
- Delivered a briefing to parliamentarians on our Annual Work Program, page 13
- Developed and implemented a focused introductory campaign to new parliamentarians, particularly key committee members, following the state election, page 13
- Delivered a number of financial and performance audits that have helped to improve public sector accountability and performance. The impact of our recommendations is described on page 23

## Measures of success

Parliamentarians are satisfied with our reports and services  
Actual: 79% | Target: 90%, page 20\*



Our audit recommendations were accepted  
Actual: 91% | Target: 80%, page 23



Auditees value the assurance obtained from our audit of statutory financial statements  
Actual: 90% | Target: 80%, page 24



Auditees believe performance audits help improve the performance of the audited activity  
Actual: 77% | Target: 70%, page 24



**Key:** Actual  Target 

\* The most recent survey results are included here (2022) as no survey was conducted in 2023 due to it being an election year.

The Enhancing Our Impact, Demonstrating Our Value strategic objective aims to increase the impact of our work, and help us achieve our vision of ensuring our insights inform and challenge government to improve outcomes for citizens.

## Improving our engagement with stakeholders

Engaging effectively with external stakeholders to ensure our audits are relevant and lead to improved public sector reporting and performance is core to this objective. Our External Stakeholder Engagement Strategy helps us consistently communicate our role and work, provides opportunities to interact with stakeholders and drives how we undertake external engagement. It is supported by a roadmap to guide activities.

### Connecting with stakeholders

We briefed parliamentarians and their staff on our [Annual Work Program 2022–25](#) after its publication in August. We continually seek and receive valuable feedback to help us shape meaningful programs of work in the future.

We participated in four parliamentary inquiries. We also invited key stakeholders to speak at or attend our all staff forums including the Chair of the Public Accounts Committee, Chair of the Public Accountability and Works Committee, the Treasurer of New South Wales, and the Secretary of NSW Treasury.

This year's March state election meant there were new parliamentarians with a stake in the work of the Audit Office. We made a focused effort to ensure those undertaking new roles and responsibilities were aware of our work and of what they can expect from us during their term.

Our ability to work constructively and efficiently with auditees throughout an audit was enhanced with the development and roll-out of a new secure online portal. This has helped eliminate manual processes and improved the user experience for auditees, auditors and Audit Service Providers. More information on the Audit Communication Portal can be found on page 15.

## Broadening our collective impact

During the year we continued to actively seek opportunities to connect with our public sector auditing peers across Australia and the broader region, with a view to continuous improvement through knowledge sharing. We attended and participated in the International Meeting of Performance Audit Critical Thinkers (IMPACT) conference and hosted the Regional Working Group of Environmental Auditors (RWGEA) event (page 6). We also attended the Pacific Association of Supreme Audit Institutions (PASAI) congress (page 41), contributed regularly to PASAI publications, and participated in secondment opportunities to share information and experiences with our auditing colleagues in the region (pages 40–41). We continued to develop and deliver regular Professional Updates (page 119) to auditing professionals.

## Innovations in our reporting process

Report process innovations help us engage more effectively with external stakeholders. To identify areas of continuous improvement, our Reporting Committee meets regularly throughout the year.

This year, we streamlined a number of internal processes to ensure clear, concise and insightful reports to Parliament and we continued to embed improvements to our financial audit report structures to more clearly present sector results. We focused on improving how we produce and present infographics, and increased the accessibility of our publications (page 62), including an 'Easy English Fact Sheet' for citizens with a stake in a [performance audit](#) when it opened for contribution.

## Expanding and managing our social media content

This year, we continued to implement our digital content plan to support social media engagement. We also continued to identify relevant media and stakeholders to notify when publishing our work. We launched training to support a refreshed [Social media policy](#), ensuring employees are well equipped to avoid potential risks and threats to the independence, reputation, and integrity of the Audit Office through their use of social media.

## Measuring our impact and value

Evaluating how our work contributes to improved outcomes for citizens, and how it is perceived by key stakeholders, is a priority and significant work took place during the year to improve how we do this. Routine assessment measures of how we are valued include asking if parliamentarians feel our reports and services improve public sector administration (page 20), ascertaining how many recommendations are accepted by our auditees (page 23), and finding out if auditees believe our performance audits help improve performance (page 24).

When it comes to accurately measuring impact, we recognise that additional indicators are needed and we progressed the development of an Impact Reporting Framework during the year. This will guide us in better assessing, documenting and communicating the effect that our work has on public administration in New South Wales. This year we established a small focus group of representatives to consider and recommend how we measure impact. This group is benefitting from the input of an external authority on the theory and practice of evaluation.

## The year ahead

In 2023–24, we will continue to engage regularly with stakeholders to ensure that our work is relevant, constructive and valued. We will progress our Impact Reporting Framework and will stay focused on increasing the accessibility of our work.

Stories that matter



**Margaret Crawford PSM,**  
Auditor-General for  
New South Wales

'I can still recall my induction as a junior public servant working in the grand institution that is the State Library of Victoria in the heart of Melbourne. I started, absolutely, at the bottom! I loved it from the day I walked in, and continue to love the public service today, while facing challenges along the way.

'Fast forward to today and I recently had the huge honour of delivering the Garran Oration, where I spoke on the topics of integrity and accountability, from my perspective as the first female Auditor-General for New South Wales. I reflected on the importance of diversity of thought and the role of the public service being to serve the government of the day, while needing to be apolitical and deliver frank and fearless advice. I like to think that our audits are a gift to the agencies we audit and to the government of the day!

When I call out weaknesses in a process or system, I do it because I think that it's in everyone's interest to make sure that we continue to have a system that is of high standing and integrity and that the community can trust in.

**'Reflecting on my career, I would tell myself – and all women – to have more confidence and higher expectations.'**

# Building Capability For The Future

## Objective

We will continually adapt the organisation and our way of working to meet future challenges.

## Key achievements

- Strengthened our commitment to diversity, inclusion and accessibility by launching training on the Stolen Generations and establishing a women's leadership networking group for employees, pages 61–62
- Progressed the delivery of our Digital Employee Experience Program with the launch of a new internal collaboration platform
- Strengthened our flexible work practices by making enhancements to workplace technology and equipment
- Progressed our Workforce Strategy (page 35) and Leadership Development Framework, page 36
- Supported 53 employees towards their professional qualifications and 15 employees to study across a broad range of other disciplines. Eighty-four per cent of staff agreed our organisation is committed to developing its employees (page 33)

## Measures of success

Employee engagement  
Actual: 75% | Target: 80%, page 32

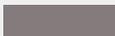


Employees believe that personal background is not a barrier to participation\*  
Actual: 91% | Target: 90%, page 32



Employee core data literacy skills  
Actual: 96% | Target: 90%, page 35



**Key:** Actual  Target 

\* In previous years, we reported on the number of employees who agree our organisation respects individual differences, and our Corporate Plan included a 90% target for this measure. In 2022, this question was removed from the NSW Public Sector People Matter Employee Survey so we instead now report on this alternate measure of diversity and inclusion.

Our Building Capability For The Future strategic objective aims to prepare employees for an evolving professional environment, attract and retain the workforce we need, and equip our people with the right tools, processes, culture, skills and resources to deliver insightful audits now and in the future. In 2022–23, we progressed key projects that will help us deliver on this objective.

## Implementing our Digital Employee Experience Program

The Digital Employee Experience Program (DEX) was established to simplify a complex digital environment and enhance the employee experience of our digital platforms. The goal is that regardless of where our people work, they feel connected to our purpose, values and culture.

DEX is underpinned by our Digital Workplace Strategy, which sets out strategic aspirations, strategic intent and guiding principles for our digital environment, as well as a roadmap of activities and projects that we aim to deliver.

### Delivery of the CoLab Project – our collaboration laboratory

CoLab – a foundation project of DEX – incorporates several Digital Workplace Strategy roadmap activities that we progressed during the year. Aimed at enhancing interactions between our people, auditees and Audit Service Providers (ASPs), CoLab is creating a contemporary digital working environment with integrated records management.

This year, we designed, configured, piloted and launched a new Audit Communication Portal (ACP), for auditees and ASP's. The portal improved how we exchange information during audits by centralising and streamlining communication channels, improving tracking and visibility of task status, and enhancing information security.

In parallel, we also designed and configured a new Internal Collaboration Platform (ICP) with integrated records management, and began deploying this across the organisation. The ICP enables document collaboration in real time, enhances how we work together in a hybrid world, better organises corporate information, and improves communication, productivity and task management.

Comprehensive change management has been a key priority, and a focused working group was established to consult and engage with stakeholders throughout the process, manage expectations, address concerns, and facilitate a smooth transition to new ways of working.

## Progressing our Workforce Strategy

We aim to build a workforce that is diverse, flexible, resourced and has the right capability to support current and future needs. This year, we reflected on key achievements against the Workforce Strategy, identified changes and emerging risks in our operating environment, and refreshed our focus areas to ensure delivery remains relevant and a key priority in 2023–24.

### Building information technology audit capability

Our audits are underpinned by a strong technology knowledge base, and they maintain a focus on cyber security risks in the NSW Public Sector. Key achievements include:

- increased use of data in performance audits
- reviewing agencies conflict of interest registers by cross checking with the Australian Securities and Investment Commission company director data
- our [Annual Work Program](#) maintains a focus on cyber security challenges facing NSW public sector agencies.

### Improving our resourcing approach

Progress was made in establishing a data-led, demand-driven resourcing model as part of the Workforce Strategy. A review of our resourcing systems and processes identified opportunities to stabilise peaks and troughs, evenly distribute workloads across teams and ensure employee wellbeing remains a key priority. Consultation helped inform a three-year roadmap of improvement activities.

### Upgrading our graduate experience

This year we sought to improve our three-year graduate program by streamlining the induction process, enhancing training and better aligning the timing of training with audit cycles. A new graduate handbook was produced to help graduates develop essential skills in conducting financial statement audits, as well as the competencies identified in the NSW public sector capability framework.

## Embedding our flexible work practices

We continued to embed our Flexible Work Practices Model across the organisation. Centred on a hybrid approach to working, the model balances in-person attendance for connection, innovation and collaboration, with remote working. It relies on trusting and empowering our people and is underpinned by a collective connection to purpose, vision and values. Flexible work practices are also central to our employee value proposition, helping us attract and retain high quality employees.

The model is supported by a Flexible Work Practices Toolkit that helps our leaders and individuals determine the best mix of working arrangements for themselves and their teams. This year, a Flexible Work Practices Committee was established to further embed the model into practice and ensure it evolves to meet the changing needs of the organisation and its people.

To further enable our flexible work practices, we commenced an assessment of our physical working environment to determine whether the technology, equipment and working spaces in our head office effectively support hybrid working. Through employee and leadership team consultation, we identified the experiences and activities that our people most want the office environment to support. We will use this feedback to consider how best to enable these and determine if any adjustments are needed to the design and technology in our workplace.

## Implementing our Diversity, Inclusion and Accessibility Roadmap

Our [Diversity, Inclusion and Accessibility Roadmap 2021–25](#) outlines focus areas, objectives and planned activities that guide us towards a stronger, more representative workforce and help us achieve our Diversity, Inclusion and Accessibility Framework objectives (page 61). Progress against the roadmap is detailed on page 61.

## The year ahead

In 2023–24, we will close the CoLab project by transitioning our new communication and collaboration platforms to business-as-usual. A key focus of this transition is to ensure that continuous improvement processes are in place to help us maximise the benefits of these new systems, including to find further efficiencies in our work.

We will also progress the Workforce Strategy, deliver against the resourcing roadmap and adjust our workplace to better support our flexible work practices.

Stories that matter



**Sarah Potter,**  
Receptionist, Corporate,  
Experience and Strategy

'I came to the Audit Office initially through a disability employment service. My interviewers here were very friendly and accepting of my disability. In fact, the Audit Office was the first employer to ever ask me what my disability actually is and how it would affect me, so that they could consider my needs within the role. They then split the role into two part-time roles to make it work for me. It's been a challenge in the past to disclose my disability, but I was made comfortable enough to share my needs here.

'I am also regularly supported to take time to care for my husband or for myself when I need it, and I'm always given the time and resources that I need to complete my work.

**'You don't need to hide what your disability is here. The Audit Office has strategies in place to help you and does a great job of making working here inclusive, so you feel comfortable and valued for who you are.'**

'I think our annual celebration of International Day of People with Disability acknowledges this.

'You can just be yourself, share your disability and how it affects you, do as much as you can do, and know that there is no judgement or fear involved when you work at the Audit Office.'

# Quality In Everything We Do

## Objective

Our credibility, and the trust and confidence people have in us, will be sustained and enhanced by the quality of the work we do and our independence and objectivity.

## Key achievements

- The Quality Audit Review Committee found audit quality to be supportable, page 39
- The Technical Issues Committee advised on complex audit matters, page 40
- Implemented an updated System of Quality Management in line with new quality management standards, page 39
- Progressed the development of a stand-alone transparency report to complement our annual reporting framework.
- Uplifted our cyber resilience by renewing our ISO27001:2013 security certification, introducing a new cyber monitoring tool and improving our vulnerability detection capabilities, page 38

## Measures of success

Parliamentarians agree we operate independently from government\*  
Actual: 92% | Target: 90%, page 20



Parliamentarians believe we perform audits with integrity\*  
Actual: 86% | Target: 90%, page 20



External reviews confirm we have a robust system of quality control  
Actual: 100% | Target: 100%, page 39



**Key:** Actual  Target 

\* The most recent survey results are included here (2022) as no survey was conducted in 2023 due to it being an election year.

Our Quality In Everything We Do strategic objective ensures a continued focus on the delivery of objective and trustworthy audits for our stakeholders. We maintain this focus on quality by performing according to the highest standards, safeguarding our independence and ethics, upholding data security, and driving effective monitoring and learning. More information on our quality processes, including our System of Quality Management and the reviews we conduct each year, can be found at pages 39–41.

## Improving our Quality Assurance Framework

Our Quality Assurance Framework ensures we have the necessary controls, processes, internal capability, monitoring and reviews in place. It is essential in delivering audits to the highest standard.

In 2021–22, we updated our Quality Management Framework in line with the updated quality management standards issued by the Australian Auditing and Assurance Standards Board in March 2021. This included conducting a gap analysis against each standard, and training all employees.

Our updated framework, renamed as the System of Quality Management, was implemented in December 2022.

## Uplifting our cyber resilience

Cyber resilience is an evolving and integral part of our System of Quality Management. Managing our strategic cyber security risk requires us to continuously evaluate threat and control landscapes, and ensures our defences are consistent, appropriate, reasonable and effective. This helps us keep pace with the constantly evolving environment, and ensures our initiatives and controls remain effective in mitigating cyber security risks.

This year, we maintained our ongoing focus on uplifting cyber resilience, including continuous improvements against the Australian Cyber Security Centre's 'Essential 8' cyber security risk mitigation strategies. Our achievements in uplifting cyber resilience are outlined in more detail on page 38.

## Improving our transparency reporting

The Audit Office embraces the principles of transparency reporting outlined in the *Corporations Act 2001* and voluntarily reports against key indicators of audit quality each year in our Annual Report.

This year we continued to review our approach to transparency reporting. Using a benchmarking matrix of commonly reported measures, as well as specific information about auditing in the public sector context, we identified a number of relevant transparency reporting measures for our organisation. We will develop our first stand-alone transparency report using these measures, and plan to publish the report in late 2024.

## Audit software upgrade

This year, we sourced and began implementing new audit software to improve how we deliver audits. The upgrade will deliver a cloud-based platform with enhanced system performance and stability, increased visibility of audit status and progress, and a more consistent approach throughout the audit process.

Progress to date includes assessing, procuring and configuring a suitable software solution, conducting a pilot, and developing and delivering an effective change management program.

## The year ahead

In 2023–24, we will complete the implementation of our new audit software, and utilise the new software across all of our audits. We will also continue the development of our first stand-alone transparency report, and further advance our cyber security resilience.

# Securing Our Future

## Objective

Our operating model demands we provide value for money services that pay their way and support investment in contemporary tools and methodologies.

## Key achievements

- Uplifted our data analytics capability by establishing a Systems Assurance, Cyber and Data Branch, and progressing the implementation of our data strategy, page 18
- Developed a new finance strategy and roadmap to support fiscally responsible decisions and ensure our sustainability, page 18
- Increased our investment in innovation to 3.5 per cent of our operating expenditure, page 18

## Measures of success

Audit employee available hours charged to audits  
Actual: 77% | Target: 75%, page 42



2% annual operating expenditure spent on innovation  
Result: Achieved page 18



Our finances break even over the medium-term  
Result: Achieved, page 66



**Key:**      Actual      Target

The Securing Our Future strategic objective focuses on providing sustainable value-for-money audits and investing in tools and methodologies to ensure our continuous improvement. We will secure our future by developing fiscally responsible financial frameworks, utilising advances in data and technology to deliver greater insights, and promoting innovation across our business.

## Legislative framework

In August 2022, NSW Treasury issued a consultation paper proposing the introduction of ‘follow the dollar’ powers that would empower the Auditor-General to carry out performance audits of the use of public resources given to non-public sector entities for certain purposes. We provided comment on the consultation paper. We also provided advice to Treasury on subsequent legislative proposals which included a number of other amendments to implement recommendations made by the Public Accounts Committee in its Quadrennial Review of the Audit Office tabled in September 2022.

In November 2022, the Government Sector Audit and Other Legislation Amendment Bill 2022 was introduced into the Parliament. In addition to introducing ‘follow the dollar’ powers, the Bill established the Auditor-General as an Independent Officer of the Parliament and confirmed the Auditor-General’s entitlement to access confidential information, which includes Cabinet in Confidence information, and information subject to legal professional privilege. The Bill received assent on 28 November 2022 and commenced on the same day.

## Uplifting our data analytics capability

Our audits are increasing the use of structured and unstructured data to inform audit findings and insights that improve public sector administration and outcomes for citizens. Our Systems Assurance, Cyber and Data Branch is responding to increased risks and opportunities associated with information technology, and the growing availability of large amounts of data. Its aim is to leverage data tools and analytics to enhance audit effectiveness, planning, procedures, control testing, risk assessments and quality.

We progressed the initiatives on our data strategy and roadmap including implementing a number of data analytics tools to improve audit process efficiencies, and appointing 20 internal data partners from across the organisation to champion and role model their use. We also generated additional insights through data analytics for some of our audits, and investigated options for an e-discovery platform and local government dashboard.

Our objective to leverage advances in data analytics capabilities will be further supported by government funding secured for the next two years.

## Ensuring our financial frameworks are sustainable

This year, we developed a new finance strategy and roadmap to advance our financial operating model. We commenced a budget re-baseline review to confirm the sufficiency of government funding and commenced an upgrade of our finance and practice management software. We introduced data analytics tools to assist with the financial statement process and upskilled our finance team in business intelligence reporting.

## Implementing our Innovation Roadmap

In 2022–23 we invested 3.5 per cent of our operating expenditure on innovation, an increase compared with the previous year’s investment of 3.1 per cent, and above our target of two per cent. This included the establishment of a data analytics team and investment in our innovation team.

During the year, our innovation team advanced the delivery of our Innovation Roadmap by developing our new Audit Communication Portal (page 15), embedding a new survey tool to collect data for financial audits, supporting data analytics tools and investigating a new digital signature solution.

## The year ahead

In 2023–24, we will continue to deliver against the data and innovation roadmaps. We will implement our new finance strategy and roadmap, to advance work already completed in ensuring our financial frameworks are sustainable.

We will also support financial and performance audits that integrate data, advance training of data partners and continue to upskill employees in data analytics tools. We will complete our budget re-baseline review in time for the 2024–25 State Budget process and will continue to monitor and coordinate the implementation of ‘follow the dollar’ amendments.

# Operations and performance

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## *Celebrating diversity*

### **Diwali – Festival of Lights**

In 2022, we celebrated Diwali for the 11th year with an event filled with colour, tradition, delicious food and fun games. We also learned more about important Diwali traditions and what the celebration means to some of our employees.

Our people enthusiastically create meaningful opportunities to connect with each other and enjoy special cultural events. This popular festival means 'row of lights' and generally symbolises the victory of light over darkness, a topic our employees enjoy celebrating together.



# Our value to Parliament

92% of parliamentarians agree we operate independently from government

79% of parliamentarians are satisfied with our reports and services

## Our relationship with Parliament

Parliament needs reliable information on the operation of New South Wales' government entities, and the use of public money. The Audit Office provides independent audit opinions on NSW public sector financial statements, increasing confidence in their reliability. We also conduct performance audits that provide information on how well government programs and services are delivered.

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

## What Parliament thinks of us

We strive to ensure parliamentarians value our work and that we meet their expectations. We continuously enhance our public sector knowledge to ensure our work is relevant and impactful. This is driven by the Enhancing Our Impact, Demonstrating Our Value strategic objective (page 13).

In 2023, our scheduled survey of parliamentarians coincided with the March 2023 state election. We do not survey parliamentarians in election years as the participation rate is likely to be low during the caretaker and settling-in period.

Of the 134 parliamentarians invited to complete the 2022 survey, 25 per cent responded, consistent with 23 per cent in 2021.

### Overall satisfaction

Parliamentary satisfaction with the Audit Office's reports and services in 2022 was high, with seventy-nine per cent of parliamentarians satisfied overall, compared to 86 per cent in 2021.

Our performance improved from the last survey period for some measures and results showed several areas of strength. Parliamentarians agreed that our:

- reports and services provide valuable information on public sector performance, the 100 per cent result up from 96 in 2021
- reports communicate issues clearly, the 94 per cent result up from 86 in 2021
- reports and services help improve public sector administration, the 92 per cent result down from 96 in 2021
- organisation operates independently from government, the 92 per cent result down from 96 in 2021
- organisation provides high quality reports and services, the 88 per cent result down from 96 in 2021
- organisation performs audits with integrity, the 86 per cent result down from 100 in 2021.

## Satisfaction with financial audit reports increased

In 2022, satisfaction with financial audit reports was up from or consistent with all 2021 survey results. The percentage of parliamentarians who agreed our financial audit reports clearly communicated the significant issues and their implications increased to 98 per cent from 89 per cent in 2021. There was an increase in the number of parliamentarians who agreed the reports were easy to understand, from 85 per cent in 2021 to 94 per cent in 2022.

The percentage of parliamentarians who agreed our reports were presented effectively in terms of layout and design was 92 per cent in 2022, the same result as 2021. In terms of our financial audit reports helping them monitor the accountability and financial performance of the NSW public sector, 85 per cent of parliamentarians agreed, consistent with 84 per cent in 2021.

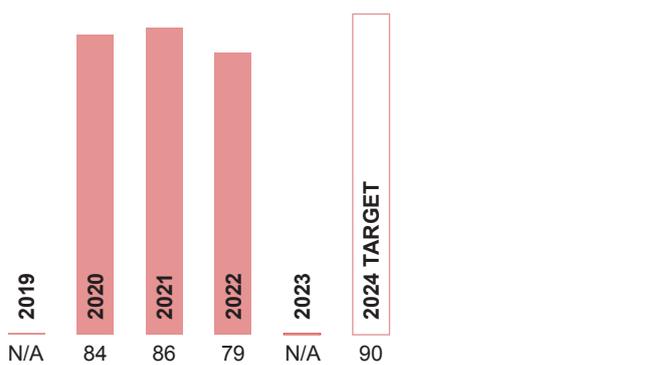
## Performance audit satisfaction generally increased

Parliamentarians satisfaction with performance audits generally increased in 2022. One hundred per cent agreed the reports were easy to understand, up from 95 per cent in 2021. Similarly, 92 per cent of parliamentarians agreed the reports clearly communicated significant issues and their implications, compared to 95 per cent in the previous survey. Agreement that the reports were effectively presented in terms of layout and design increased, with 100 per cent agreeing compared with 87 per cent in 2021.

Fifty-eight per cent of parliamentarians feel our performance audits addressed their key areas of interest to a high or very high extent, down from 61 per cent in 2021. Eighty-five per cent of parliamentarians agreed the reports help monitor the performance of the NSW public sector, consistent with 87 per cent in 2021.

## Satisfaction with our reports and services %

Survey not conducted in 2019 and 2023 due to election years



## How we compare to other audit offices

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

On an overall measure of satisfaction with reports and services, 79 per cent of parliamentarians were satisfied in 2022, the last survey results available. This is below the 89 per cent average of other participating audit offices.

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

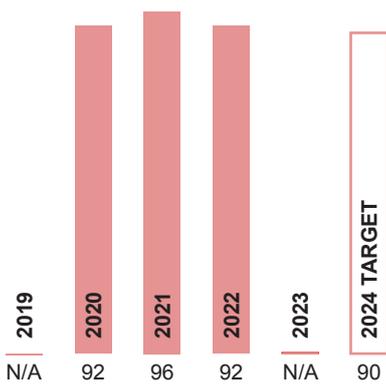
- 100 per cent agreed our reports provide valuable information on public sector performance, above the 96 per cent average
- 92 per cent agreed that our reports help improve public sector administration, above the 83 per cent average
- 94 per cent agreed our reports communicate issues clearly, above the 90 per cent average
- 94 per cent agreed our financial audit reports are easy to understand, above the 90 per cent average
- 98 per cent agreed our financial audit reports clearly communicate the significant findings and implications, above the 93 per cent average
- 100 per cent agreed our performance audit reports are easy to understand, above the 93 per cent average
- 100 per cent were satisfied with the responsiveness of the Auditor-General or their office, above the 92 per cent average
- 100 per cent agreed the advice and information provided by the Auditor-General or their office met their needs, above the 85 per cent average.

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

- 85 per cent agreed our financial audit reports assisted them to monitor the accountability and financial performance of the public sector, below the 93 per cent average
- 92 per cent agreed our performance audit reports clearly communicated the significant findings and implications, below the 99 per cent average.

## Agreement we operate independently from government %

Survey not conducted in 2019 and 2023 due to election years



## Satisfaction compared with other participating Australian audit offices %\*

Overall satisfaction with reports and services  
AONSW: 79 | Other participating Audit Offices: 89



Help improve public sector administration  
AONSW: 92 | Other participating Audit Offices: 83



Provide valuable information on public sector performance  
AONSW: 100 | Other participating Audit Offices: 96



Reports communicate issues clearly  
AONSW: 94 | Other participating Audit Offices: 90



Financial audit reports help monitor the accountability and financial performance of the public sector  
AONSW: 85 | Other participating Audit Offices: 93



**Key:**

- Audit Office of New South Wales (AONSW)
- Other participating Audit Offices

\* Survey not conducted in 2023 due to election (2022 results are included here as the most recent indication of parliamentary satisfaction with our work).

# Our work with parliamentary committees

We appeared at 3 parliamentary committee hearings and supported 1 committee briefing

The Public Accounts Committee examined agency responses to issues raised in performance and financial audits reports

## Public Accounts Committee

The Public Accounts Committee (PAC) is a statutory committee of the NSW Parliament's Legislative Assembly that examines the government's use of resources and agencies' financial operations. It also looks at financial probity and regularity, and focuses on whether agency programs achieve their aims. The PAC reviews the Auditor-General's reports to ensure that agencies respond appropriately to recommendations. The PAC also reviews the operation of the Audit Office every four years (page 40). Results of the PAC's Quadrennial review that was tabled in Parliament on 21 September 2022 are available on their [website](#).

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

In 2022–23, the PAC published its report, [Examination of the Auditor-General's performance audit reports June – December 2020](#). The report examined ten performance audits, and made nine recommendations for further improvements in areas such as credit card management in local councils, transparency on the review of the

NSW waste levy, and monitoring the wellbeing of doctors and nurses. This year the PAC also released its report, [Examination of selected Auditor-General's Financial Audit Reports 2021](#). The report examined ten issues reported on by the Audit Office in 2020–21 and made five recommendations for improvements in areas such as the Treasury Returns on Equity Investments Policy, data integrity of Crown land databases, and compliance with the mandatory requirements of the NSW Cyber Security Policy.

## Public Accountability and Works Committee

The Public Accountability and Works Committee (formerly the Public Accountability Committee) is a committee of the NSW Parliament's Legislative Council. The committee was established to inquire into and examine the public accountability, financial management, regulatory impact and service delivery of government departments, statutory bodies or corporations.

In 2022–23, we attended one public inquiry hearing conducted by the Public Accountability and Works Committee, for its inquiry into the [NSW Government's use and management of consulting services](#).

Our appearances before parliamentary committees, including three parliamentary committee hearings and one briefing provided to a parliamentary committee, are listed at [Appendix three](#).

## Examination of performance audit reports

In October 2022, the Public Accounts Committee released its report, [Examination of selected Auditor-General's Performance Audit Reports June – December 2020](#).

In the report, the Chair, Greg Piper MP said:

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

'The Committee has made nine recommendations to NSW Government agencies. Two recommendations aim to provide guidance to local councils in regard to credit card use and procurement practices, four recommendations address the waste levy 5-yearly review and three recommendations are aimed at managing the health, safety and wellbeing of nurses and junior doctors through the use of surveys and by publishing data.'

## Examination of financial audit reports

In November 2022, the Public Accounts Committee released its report, [Examination of selected Auditor-General's Financial Audit Reports 2021](#).

In the report, Chair Greg Piper MP thanked the Auditor-General and Audit Office staff for their assistance in the inquiry and said:

'Overall, the Committee is pleased to note that each agency has worked to address the issues identified by the Auditor-General. We are satisfied that most agencies have either fulfilled or are on track to fulfill the intent of the Auditor-General's recommendations.'

'The Committee has made five recommendations to agencies. The first recommendation aims to ensure that there is sufficient guidance in NSW Treasury's new accounting policy on General Government Sector investments in State Owned Corporations. The next two recommendations aim to improve the data integrity of Crown land databases and to improve agencies' compliance with the mandatory requirements of the NSW Cyber Security policy. The final two recommendations aim to strengthen the Lord Howe Island Board's user access controls. The recommendations should ensure that the risks identified by the Auditor-General are mitigated and that agencies operate effectively.'

# The impact of our work

99% of our financial audit recommendations accepted

75% of our performance audit recommendations accepted or agreed in principle

## Improving public sector accountability and performance

Our audits identify opportunities for improving public sector accountability and performance. Our recommendations are reported to those charged with the governance of the entities involved and, for the more significant matters, to Parliament. Most entities agree to implement our recommendations.

### Financial audit recommendations accepted

We track all financial audit recommendations made to the entities we audit. Our [Internal Controls and Governance 2022](#) Auditor-General's Report to Parliament covered the 25 largest financial entities in the NSW public sector, excluding state-owned corporations and public financial corporations. Of the 279 recommendations made to these entities from our 2021–22 audits, 99 per cent were accepted, exceeding our target of 95 per cent.

In 2021–22, the same 25 entities implemented 52 per cent of the recommendations made during the 2020–21 audits. The effect of recent emergencies and the ongoing pandemic on agency time and resources has contributed to the limited progress in implementing financial audit recommendations.

### Performance audit recommendations accepted

During the conduct of performance audits, audit teams work constructively with audited agencies to develop recommendations that are relevant, timely, impactful and implementable. Of the 124 total performance audit recommendations made to each audited entity, 75 per cent were accepted either in full or in principle, close to our target of 80 per cent.

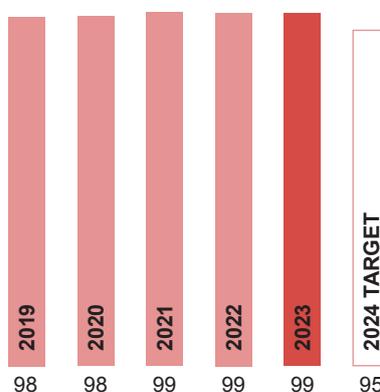
### The impact of our recommendations

Our report on [Bushfire recovery grants](#) found the process to administer fast-tracked grants lacked transparency and consistency. The NSW Government has now committed to refer all emergency relief grants to the Auditor General for consideration as part of a performance audit.

Our performance audit report on the [Design and implementation of the Transport Asset Holding Entity](#) found the process to establish the entity was not cohesive or transparent and delivered an outcome that was unnecessarily complex. The report included recommendations for the audited agencies to improve accountability and transparency for major new fiscal transformation initiatives, and ensure the financial impact of such significant initiatives is not included in the Budget while there is still uncertainty about their impact.

#### Recommendations accepted %

Financial audits



#### Recommendations accepted %

Performance audits



# Our value to the agencies we audit

90% value the assurance obtained from our financial audits

77% believe performance audits help them improve the performance of the audited activity

## Our relationship with auditees

The Audit Office audits state government entities, local government councils and universities in New South Wales. Although Parliament is our primary stakeholder, we work constructively to add value to the entities we audit, and ultimately to the citizens of New South Wales.

## What auditees think of our services

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

In 2022–23, for our financial auditees, we invited agency heads or their delegates from state government, local government, and university auditees to participate in the survey. We also invited Audit and Risk Committee Chairs (ARC Chairs) from state government and university auditees and Audit, Risk and Improvement Committee Chairs (ARIC Chairs) from local government auditees to participate. Response rates from agency heads was 59 per cent, consistent with the response rate of 60 per cent in 2021–22. Seventy-one per cent of ARC and ARIC Chairs responded, up from 65 per cent last year.

Performance auditees were also invited to respond to the survey and we received a response rate of 58 per cent, lower than last year's 68 per cent.

## How auditees rate us overall

This year, local government ARIC Chairs were included in the survey for the first time and made up 38 per cent of the results. This was a challenging year for the local government sector, with 43 councils receiving qualified audit opinions on their 2022 financial statements. The overall agency heads' performance index for financial audits remained consistent with last year, at 72. ARC and ARIC Chairs' satisfaction was 80 compared with 84 in 2021–22. The overall performance index for performance audits increased to 73 from 68 last year.

## Satisfaction with audit process

The overall agency heads' performance index for our financial audit process was 73, consistent with last year's 75. Agency heads were positive about our:

- financial auditors conducting themselves professionally during the audit, the 96 per cent result the same as last year
- senior audit staff's involvement in the audit, the 90 per cent result the same as last year
- auditors having the professional skills and knowledge required to conduct the audit, the 89 per cent result consistent with 91 last year.

Local government agency heads were less positive about our understanding of the local government sector, although the 61 per cent result was an improvement on last year's 52 per cent.

ARC and ARIC Chairs' ratings of our overall financial audit process was 82, lower than last year's result of 85. One hundred per cent agreed our annual engagement plan kept them adequately informed of audit strategy, milestones and costs. Ninety-four per cent of ARC and ARIC Chairs agreed our financial auditors adequately understood their organisation, 93 per cent agreed the organisation was promptly informed of significant issues identified during the audit, and 94 per cent felt our senior auditors had the professional skills and knowledge to conduct the audit.

The overall audit process performance index for performance audits was 76, up from 72 last year. Auditees agreed our performance auditors:

- conducted themselves professionally during the audit, the 100 per cent result up from last year's 97
- demonstrated they have the professional skills and knowledge to conduct the audit, with 86 per cent agreeing up from 70 last year
- met agreed deadlines, the 82 per cent result down from 90 last year
- communicated effectively, the 96 per cent result up from 87 per cent.

Auditees were less positive about our performance auditors:

- adequately understanding their organisation and operating environment, with 55 per cent agreeing, down from 63 per cent last year
- using the organisation's staff time efficiently, the 77 per cent down from 86 last year.

## Satisfaction with audit reporting

The overall agency head performance index result of 75 for financial audit reporting was consistent with 74 last year. Agency heads were positive about:

- audit opinions being issued in a timely manner, the 90 per cent result up from 87 last year
- our management letters communicating audit findings and issues clearly, the 87 per cent result down from 92 last year
- our report on the conduct of the audit being presented effectively at local council meetings, the 89 per cent result up from 76 last year
- our reports to Parliament presenting audit findings and issues in an accurate manner, the 88 per cent result up from 79 last year
- our report highlights communicating key audit findings and issues clearly, the 91 per cent up on 70 per cent in the previous year.

The overall ARC and ARIC Chairs' performance index for financial audit reporting was 80, down from 83 last year. ARC and ARIC Chairs were positive about our engagement closing reports and management letters communicating findings and issues clearly, at 96 and 97 per cent agreement respectively. ARC and ARIC Chairs were also positive about financial audit reports to Parliament presenting audit findings and issues in a balanced, fair and accurate manner, the 96 per cent result consistent with 95 last year. ARC and ARIC

Chairs were less positive about management letters being issued in a timely manner, the 86 per cent result down from 95 last year.

The overall performance index for performance audit reporting increased from 67 last year to 73 this year. We received 91 per cent agreement that auditees were provided with adequate opportunities to comment on the audit findings and issues before the report was tabled, similar to last year's result of 90. Agreement was at 95 per cent that the tabled audit report contained 'no surprises', up from 87 per cent. Sixty-four per cent of auditees agreed our report highlights were balanced and fair, up from 57 per cent last year.

Auditees noted that our tabled reports:

- communicate audit findings and issues clearly, with 76 per cent agreeing, compared with 73 last year
- are factually accurate, with 67 per cent agreeing, compared with 60 last year
- are balanced and fair, with 71 per cent agreeing, compared with 63 last year.

**Satisfaction with audit value**

Our overall agency head performance index for financial audit value was 68, consistent with 67 last year. Ninety per cent of agency heads agreed they value the assurance obtained from our financial statement audits, consistent with 89 per cent last year and above our target of 80. Eighty-eight per cent agreed they value our recommendations to improve the financial management and internal controls of their organisation, the same as last year. Forty-nine per cent of agency heads agreed audit fees are reasonable relative to the scale, complexity and financial risks of our operations, up from 42 per cent last year.

The overall performance index for financial audit value with ARC and ARIC Chairs was 79 this year, down from 84. ARC and ARIC Chairs valued:

- the assurance they obtain from our statutory financial statement audits, the 97 per cent result consistent with 99 last year
- our recommendations to improve the financial management and internal controls of their organisation, the 95 per cent result down from 99.

Seventy per cent of ARC and ARIC Chairs were positive about audit fees being reasonable, down from 73 last year.

The overall audit value performance index for performance audits increased from 64 to 70.

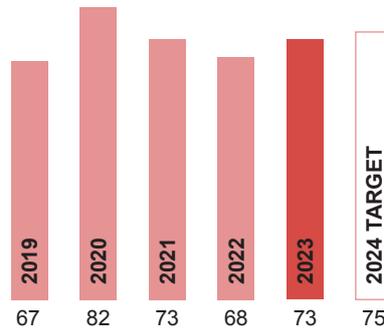
Sixty-eight per cent of auditees agreed appropriate time was taken to undertake the audit, down from 73 last year. Seventy-seven per cent of auditees agreed the audit will help them improve the performance of the audited activity, up from 60, and 67 per cent agreed the audit provided a balanced assessment of the management of the activity, up from 53.

**Comparing to other audit offices**

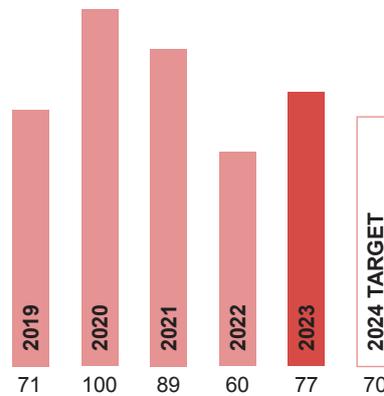
We have been comparing our auditee satisfaction with other Australian audit offices since 2005. In 2022–23, for our performance audits, our auditee survey results are comparable to the other audit offices. The overall benchmarked performance index for our performance audits is 75 compared to 74 across all offices. On audit process, our index is 77 compared to the average of 75, on audit reporting our index is 74, compared to the average of 76 and on audit value our index is 73 compared to the average of 71.

For financial audits, our auditee survey results were below other audit offices. The overall benchmarked performance index for our financial audits is 74, below the average of 79 for all offices.

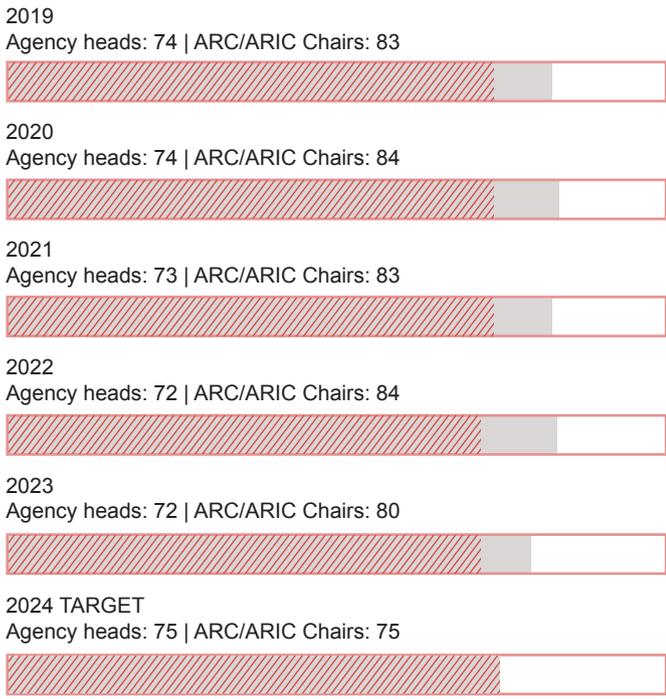
**Performance audit overall performance index**



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

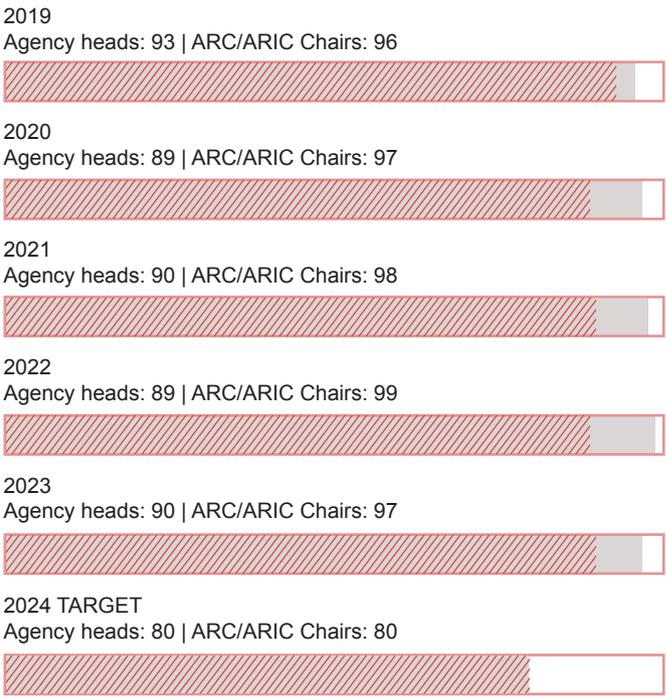


**Financial audit overall performance index**



**Key:**  
 Agency heads  
 Audit and Risk Committee (ARC) Chairs and Audit, Risk and Improvement Committee (ARIC) Chairs

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



**Key:**  
 Agency heads  
 Audit and Risk Committee (ARC) Chairs and Audit, Risk and Improvement Committee (ARIC) Chairs

Stories that matter



**Kamal Colah,**  
 Business Support Officer –  
 Corporate, Experience and  
 Strategy Branch

‘When I first requested to host a small Diwali get together in 2012 just for Indians, I was encouraged to open it up to the whole office. It was our very first diversity event, and since then it’s grown to many. The 2023 event will be my 12th Diwali at the Audit Office and I’ve never once repeated a theme! My colleagues celebrate with me and support it.

**‘I feel closer to home when we celebrate these events. There are so many cultures at the Audit Office; it’s a home away from home, a place where we can celebrate and feel connected.’**

‘I also really enjoy learning about other cultures, and now I understand them better. Hosting these events broadens our knowledge.

‘The Audit Office respects and supports people from diverse backgrounds – just look at how many people from non-English speaking countries and diverse cultures we engage.

‘I keep in touch with people who have left who have gone on to host their own celebrations at other government offices, thanks to their experience here. Sharing learnings and fostering a culture of participation, contribution, and respect creates enthusiasm and connection within our work environment.’

# Performance audits and special reports

19 performance audits completed

1 other assurance engagement undertaken

## What is a performance audit?

Performance audits are in-depth assessments of whether government entities are effective, efficient and economical in the programs and services they deliver, and that they are delivered in accordance with the law. A performance audit may cover the whole of an entity's operations, one particular activity of an entity, or an activity across a number of entities.

We report the results of state government performance audits to the head of each audited entity, the responsible minister, and the Treasurer. We report the results of local government performance audits to each of the councils subject to audit, the Department of Planning and Environment, and the Minister for Local Government. All reports are also tabled in NSW Parliament and published on our website. A list of all performance audits tabled in is available in [Appendix six](#).

## Helping to improve public administration

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

In 2022–23, the Auditor-General tabled 19 performance audit reports on the effectiveness, efficiency and economy of the NSW public sector. These reports made a total of 124 recommendations to improve public administration, and involved 46 audited agencies and local councils.

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

## Increasing audit coverage of the sector

The number of agencies we include in performance audits has increased. This reflects the additional assurance work undertaken to ensure accuracy and completeness, as well as the undertaking over this period of complex reports such as those on the [NSW government agencies' use of consultants](#).

In 2022–23, we audited 46 agencies. Over five years, there has been an increase in the average number of agencies audited for each performance audit with 1.6 agencies per audit in 2018–19 compared with an average of 2.5 agencies per audit in 2022–23.

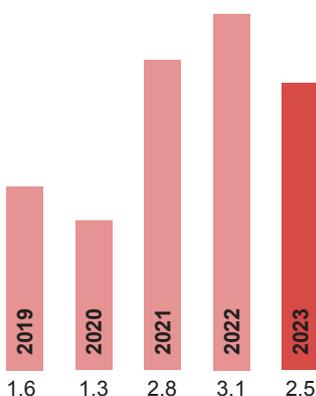
## Choosing a performance audit topic

There are a multitude of government activities and programs we could audit. Our resources are limited, so we have a robust process to determine the performance audits we undertake. The NSW Government provides around seven cents towards performance audits for every \$1,000 spent in the general government sector, so it is important we ensure we are targeting our program to areas where we can have the greatest impact.

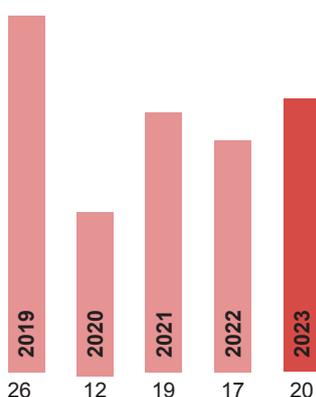
Our performance audits are set out in the Auditor-General's [Annual Work Program](#) and conducted under section 38EA of the *Government Sector Audit Act 1983*. Our audit program is shaped by the risks and challenges faced by the government of the day, the interests of the community, and the context in which the NSW Government is delivering its key services.

We continue to work with NSW Parliament's Public Accounts Committee, Public Accountability and Works Committee, senior members of agencies, members of Parliament and other key stakeholders, to identify important issues and areas of concern to help refine and focus the scope of our audits. We invite citizens to suggest performance audit topics, and to contribute to open performance audits, on the [upcoming reports](#) section of our website.

### Average number of agencies included in an audit



### Number of performance audits and special reports completed



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

Our program is published on our website and is reviewed annually to ensure broad coverage of the sectors we audit. This ensures that we continue to address significant issues of interest to Parliament and that our [Annual Work Program](#) incorporates relevant challenges faced by contemporary public sector management.

## Special reports

Legislation allows the Treasurer, ministers and both Houses of Parliament to request that we perform other audit or audit-related services. These can include audits of agencies' compliance with specific legislation, directions and regulations. In addition, the Auditor-General can report on any matter that relates to the exercise of her audit or other functions.

Each year, we review whether members of NSW Parliament complied with certain requirements outlined in the Parliamentary Remuneration Tribunal's Determination. In 2022–23, we tabled the results of this audit in Parliament in a special report, [Members' Additional Entitlements 2022](#).

In addition, this year we published [a special report into the financial affairs of the Catholic Metropolitan Cemeteries Trust](#) following a request made on 10 December 2021 under section 27B of the *Government Sector Audit Act 1983* by the, then, Minister for Water, Property and Housing.

## Auditee responses to our work

The following are some published responses to our reports, indicating the value the entities we audit attach to our recommendations in improving public administration.

*‘The audit report accurately details the challenges Cyber Security NSW and other similar organisations face in measuring how its activities contribute to cyber security maturity uplift. The audit includes recommendations that will enhance the capability of Cyber Security NSW to lead the uplift of NSW Government’s cyber security resiliency.’*

**Secretary, Department of Customer Service, in response to our report on [Cyber Security NSW: governance, roles and responsibilities](#).**

*‘I would like to thank the Audit Office of NSW for their professionalism during the conduct of the performance audit, and for their collaborative approach to working with officers from the Department. The audit process has been beneficial and the report provides constructive feedback on the Department’s practices.’*

**Secretary, Department of Education, in response to our report on [Student attendance](#).**

*‘I appreciate the opportunity to work with the Audit Office to review these important functions which will assist Heritage NSW in its ongoing work to improve performance.’*

**Acting Secretary, Department of Planning and Environment, in response to our report on [State heritage assets](#).**

# Financial audits

498 financial audits and 668 other assurance reviews completed, 1,166 in total

## What is a financial audit?

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

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

## Our financial audit base

This year, we completed 497 financial audits of NSW state, local government and university entities, compared to 494 last year. The entities we audit cover a diverse range of services and vary in size from large government departments, universities, state superannuation entities and utilities, and local and county councils, to small boards and trusts (see [Appendix one](#) for the full list of entities we audited during this period).

We also provided 668 other assurance audits and reviews (691 last year), most of which were acquittals or attestations of compliance.

## Total State Sector opinion

In addition to the 497 audits of individual state, university and local government entities, we audit the Total State Sector and General Government Sector Accounts. These accounts are the consolidated whole-of-government financial statements of the NSW Government tabled in Parliament.

## Modified opinions and conclusions

Modified audit opinions or review conclusions can be qualified, adverse or disclaimed. Qualified opinions and conclusions are issued when:

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

Adverse opinions and conclusions are issued when:

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

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

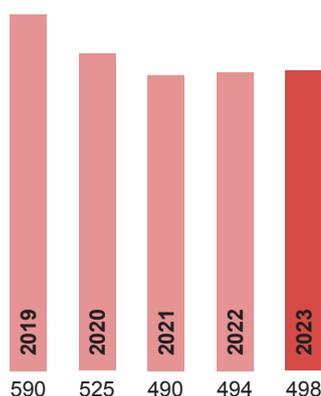
During 2022–23, we issued 60 modified auditor's opinions:

- 7 disclaimed opinions on an entity's general purpose financial statements
- 46 qualified opinions on an entity's general purpose financial statements
- 1 disclaimed opinion on an entity's special purpose financial statements
- 6 qualified opinions on an audit of compliance with requirements.

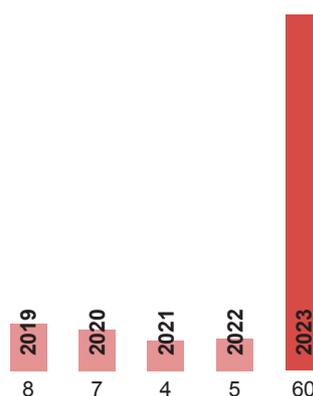
Of the 60 modified auditor's opinions, 43 relate to local councils that received qualified audit opinions on their 2022 financial statements.

More information on modified auditor's opinions and conclusions can be found in [Appendix five](#).

### Number of financial audits



### Modified auditor's opinions and conclusions



## Our financial audit reports

The results of our 2022 financial statement audits were reported in 15 Auditor-General's Reports to Parliament in 2022–23.

Our [State Finances 2022](#) report focuses on the State's consolidated financial statements. It comments on the key matters we have focused on in our audits and highlights significant factors that have contributed to the State's financial results.

Our [Internal controls and governance 2022](#) report brings together the findings and recommendations from financial audits that relate to the internal controls and governance of the 25 largest agencies in the NSW public sector, excluding state-owned corporations and public financial corporations, for the year ended 30 June 2022.

Our report on [Natural disasters](#) draws together the financial impact of natural disasters on agencies integral to the response and impact of natural disasters during 2021–22. This report was primarily drawn from our financial audits for the year ended 30 June 2022.

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

- [Premier and Cabinet](#)
- [Customer Service](#)
- [Education](#)
- [Health](#)
- [Regional NSW](#)
- [Stronger Communities](#)
- [Planning and Environment](#)
- [Enterprise, Investment and Trade](#)
- [Transport and Infrastructure](#)
- [Treasury](#).

Each year we also report on the outcomes of the [university](#) and [local government](#) sectors.

### Financial audits per sector\*

|                       |                       |                            |
|-----------------------|-----------------------|----------------------------|
|                       |                       |                            |
| State entities<br>57% | Local councils<br>30% | University entities<br>13% |

\* Based on the number of financial audits.



Stories that matter

**Furqan Yousuf,**  
Audit Leader,  
Local Government & Utilities (FAB)

'The Audit Office not only provides its staff a variety of opportunities to enhance their technical, analytical and communication skills by working on a diverse range of audits, it also encourages staff to participate in external secondment opportunities to experience different cultural contexts and accelerate their skills and career development.

'I am excited to be part of the Office Executive at the Office of the Auditor-General of Solomon Islands (OAGSI) on a six-month secondment program, leading the financial audit teams of its provincial government agencies, clearing audit backlogs and aligning current audit methodology with the Pacific Association of Supreme Audit Institutions (PASAI) Regional Financial Audit Manual.

'It has been an interesting journey relearning the cash basis of accounting, getting used to auditing the statement of receipts and payments directly from bank statements and discussing different types of modified opinions. I am very fortunate to be part of this capability-building journey at the OAGSI, supporting their staff to step up and gain valuable experience.

**'It has been an incredibly rewarding and enjoyable experience.'**

# Management and accountability

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## *Celebrating diversity*

### International Day of Older Persons

International Day of Older Persons, celebrated on 1 October each year, is an opportunity to highlight the important contributions that older people make to society and raise awareness of the issues and challenges of ageing in today's world.

The focus of our Diversity, Inclusion and Accessibility Roadmap 2021–25, was broadened to include age diversity in 2022 and an employee shared her own experiences with it in an article shared on our intranet.

The Audit Office also promotes inclusivity as part of its graduate recruitment campaign and recruitment processes, promotes flexible work practices and provides carers leave, and has noted the impacts of ageing on NSW government outcomes through various performance audits.



# Employee engagement

75% employee engagement

98% of employees feel their manager supports flexible working in their team

## Survey participation high

In 2022–23, 89 per cent of our employees participated in the NSW public sector People Matter Employee Survey, up from the 78 per cent last year. Given the survey was conducted during our busy period, we were pleased with our participation rate this year.

## Engagement and job satisfaction remains steady

Employee engagement was 75 per cent, the same result as 2021–22, but below our target of 80 per cent. This result is above the NSW public sector engagement result of 64 per cent. Job satisfaction remained high at 74 per cent, up from 70 last year.

## Several areas of strength

This year's People Matter Employee Survey results show several areas of strength for the Audit Office. Employees felt:

- their manager supported flexible working in their team, the 98 per cent result up from 95 last year
- they supported the organisation's values, with 96 per cent agreeing
- satisfied with their ability to access and use flexible working arrangements, the 95 per cent result consistent with 94 last year
- comfortable notifying their manager if they became aware of any risks at work, the 94 per cent consistent with 95 last year
- their organisation shows a commitment to ethical behaviours, with 93 per cent agreeing.

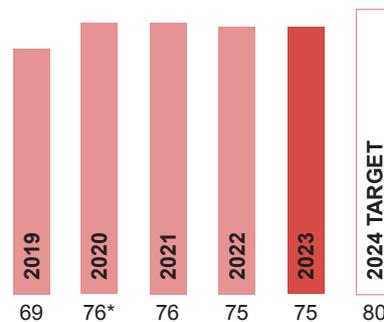
## Areas we are focused on improving

Our lowest favourable areas remained largely consistent compared with the 2021–22 results, including

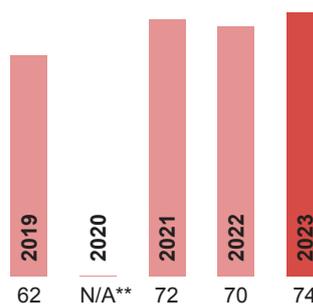
- 56 per cent of employees felt they had time to do their job well, down from 59 last year
- 59 per cent of employees felt they could keep work stress at an acceptable level, similar to 61 last year
- 61 per cent of employees felt they were paid fairly for the work they did, consistent with 63 last year.

A new question to help assess burnout was included this year. Around 64 per cent of respondents were neutral or said they had not experienced burnout at work. We are focused on understanding how we can improve in this area for the 36 per cent of respondents who reported that they have experienced burnout in the past year.

Employee engagement %



Employee job satisfaction %



\* Employee engagement in 2020 was measured in our pulse surveys.

\*\* Employee job satisfaction was not measured in 2020 as the People Matter Employee Survey was postponed.

## We perform well against NSW public sector benchmarks

The People Matter Employee Survey allows us to benchmark our results against other NSW public sector organisations. In 2022–23 we had a better result compared with the rest of the sector on most measures. The areas we compared most favourably were:

- 79 per cent were confident our organisation will act on the results of the survey, 36 per cent above the rest of the sector
- 97 per cent were satisfied overall with our flexible working arrangements, 34 per cent above the rest of the sector
- 73 per cent agreed change is managed well in our organisation, 34 per cent above the rest of the sector
- 84 per cent agreed our organisation is committed to developing its employees, 32 per cent above the rest of the sector
- 81 per cent agreed senior managers provide clear direction for the future of the organisation, and 75 per cent agreed senior managers support the career advancement of all employees, 31 per cent above the rest of the sector on both measures.

One area where we did not compare as favourably was mobility, with employees citing lack of visible opportunities, lack of promotion opportunities and geographic location as barriers to moving to another role.

## Managing resourcing and workloads

Based on the People Matter Employee Survey results, key areas of focus have been resourcing, work allocation and workload management. This year, we increased recruitment, actively went to market earlier and more often, and tried to recruit above our budgeted employee establishment to counter resignations. Further attention was given to improving scheduling and adjusting timeframes, and we continued to encourage employees to prioritise wellbeing, and focus on quality over timelines.

More information on how we support the wellbeing of our employees can be found on pages 58–59.

## Recognising our people

Our Audies Recognition Program continued this year with 118 nominations. There were 23 individual winners, including two recipients of the Karyn Neal Leadership Award, and six team award winners. Further details on this year’s winners can be found at [Appendix twelve](#).



**Christian Spyrou,**  
Auditor 2, Financial Audit

### ‘Indigenous thinking can save the world’

‘Growing up as an Indigenous boy in primary school, we were taught colonisation was the best thing that had happened to our people in their 60,000 years of existence. In contrast to this, now as a proud Indigenous man born and raised on Dharug country with ancestral ties to the Kamilaroi Mob, I have witnessed the need for Indigenous solutions to our current issues.’

‘I began my journey at the Audit Office as an intern through the Indigenous internship program and have been supported through my career with opportunities such as working part time, engaging in cultural training, and endorsing my connection to Mob. Now I’m working full time as a graduate financial auditor! On this journey, I’ve made friends, strengthened my relationship with culture and just became President of the recreational club.’

‘For me, the start of reconciliation begins with acknowledgement, acknowledging that “Indigenous thinking can save the world”; and by celebrating the thinking of diverse cultures.’

# Workforce management

322 full-time equivalent employees

11% employee turnover, close to our target of 12–15%

## Employee turnover close to our target

Our brand, reputation and opportunities for personal and career development help us attract and recruit high quality employees. This positively impacts our ability to sustain a regular supply of specialist talent, as well as our capacity to meet auditee needs.

Notwithstanding an employee turnover of only 11 per cent in 2022–23, we faced challenges in attracting and retaining employees due to a competitive employment market. Our target employee turnover range is 12 to 15 per cent.

We gathered feedback from 91 per cent of employees who exited the Audit Office. Of these employees, 79 per cent resigned due to a career change, and 21 per cent for other reasons such as study, travel and sabbatical. Some of the feedback gathered in exit surveys revealed employees:

- appreciated the people and work-life balance at the Audit Office
- felt supported by colleagues and made to feel part of the team
- believed they received adequate training to develop in their roles
- were not given adequate time and resources to do their work
- suggested improvements in having more opportunities to build connectedness in the workplace
- suggested improvements in the allocation of workloads.

Of the employees who resigned from the Audit Office in 2022–23, 30 per cent moved elsewhere in the public sector and 48 per cent moved to the private sector.

## Number of employees increased

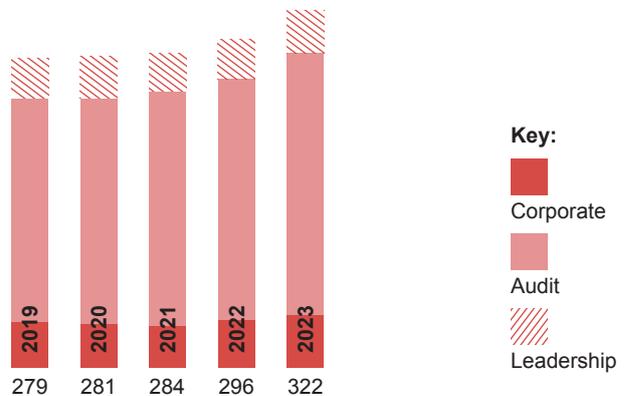
The number of full-time equivalent employees at 30 June 2023 was 322, higher than 296 last year. The increase is largely due to recruiting additional employees in the audit branches.

## Our graduate recruitment program

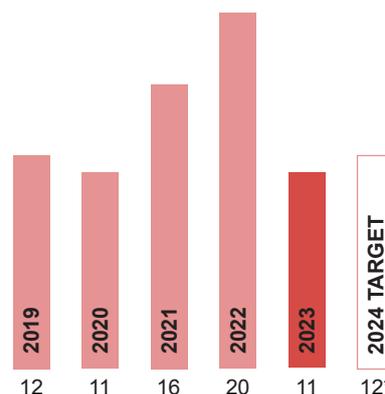
In January 2023, we began recruiting graduates for 2024. We continued to promote our graduate attraction campaign which focused on our refreshed graduate value proposition. We promoted our program through targeted emails to university students, social media campaigns, and advertising across a number of platforms. We also presented at a university’s public sector careers event, that provided a valuable opportunity to connect with university students.

The graduate assessment centre was held virtually in June 2023. Of the 70 completed applications received for our graduate program (down from 78 in 2022), 29 candidates were invited to attend the assessment centre. We offered a role to 13 candidates.

Full-time equivalent employees at 30 June



Employee turnover %



\* Target range is 12 to 15 per cent.

## Strengthening our employee value proposition

This year began a project to refresh and strengthen our Employee Value Proposition (EVP) to improve our attraction and retention of quality talent, and to remain competitive in the market. Market research, interviews and focus groups will be conducted to understand the different perceptions of our organisation. These insights will be used to develop a refreshed EVP, and a roadmap of activities to bring it to life for candidates and employees.

## Designing a workforce for the future

The Workforce Strategy is a key part of our Building Capability For The Future strategic objective (page 15). It aims to build a workforce that is diverse, flexible, resourced and has the right capability to support current and future needs. Spanning a wide range of activities, some of the most notable achievements under the Workforce Strategy this year include:

- prioritising the wellbeing of our employees (pages 58–59), encouraging our people to choose wellbeing before work and quality before timelines
- implementing an Audit Communication Portal (ACP) as part of our Innovation Roadmap (page 15) to help streamline our audit processes
- introducing additional data tools for audit efficiencies and maintaining a focus on data literacy. Ninety-six per cent of employees completed a five-module data literacy program and an additional 20 employees were inducted as data partners
- advancing the design of a data-led and demand-driven resource management model through a series of workshops. A roadmap of activities has been developed that will see us enhance our systems and processes and harness the skills and capabilities of our people in the financial audit branch
- embedding our Diversity, Inclusion and Accessibility Roadmap 2021–25 with training on the Stolen Generations, the launch of an internal women’s leadership networking group and the creation of a new role to drive delivery of our diversity and wellbeing strategies and supporting roadmaps (page 62)
- establishing a project to improve the experience for our graduates (page 15)
- continuing to implement our study support program to promote continuous learning and increase the diversity of employee skills.

## Focus on performance management

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

In 2022–23, we remained focused on managing performance by:

- cascading the Audit Office Corporate Plan into branch activities and individual performance agreements
- strengthening our performance management process, including performance conversations, two-way feedback and the use of performance objective libraries
- holding collaboration sessions for all classification levels to ensure managers have an agreed and collective understanding of performance expectations.

## Fair and responsible remuneration

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

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

The Remuneration Committee met twice in 2022–23 to consider auditor and analyst progression and the year-end remuneration review.

The committee reviews recommendations to the Auditor-General on the appropriateness and application of the Audit Office’s remuneration policies and practices. These recommendations continue to improve the remuneration assessment process.

The Audit Office conducts twice-yearly gender pay gap analysis of the average earnings of women and men in our workforce. At 30 June 2023, the gap was 4.3 per cent, which in dollar terms means on average men earn \$5,670 more than women (compared with a gender pay gap of one per cent or \$1,210 at 30 June 2022). Our recruitment of a larger intake of women compared to men at lower graded roles has contributed to this outcome. Although our result compares favourably to the NSW public sector statistics published in the [Public Service Commission’s Workforce Profile Report 2022](#), there is more we can do in this space and reducing the gender pay gap continues to be a priority.

**Gender pay gap at 30 June % (actual)**



# Leadership and professional development

8 training days per employee

63 employees supported through our study support program

## Well-developed skills

Our learning and development program is contemporary and flexible, building skills and capabilities for now and in the future. It is designed to enable employees to further their career at the Audit Office as well as more broadly across the NSW public and private sectors.

A core part of our learning program occurs on the job, supplemented by internal coaching. Throughout the year, subject matter experts delivered training on key technical skills and new software. Employees also accessed a range of self-paced online programs, and instructor-led external courses, seminars and conferences delivered virtually and in-person.

In 2022–23, our program included training on presenting well, negotiation and influence, data analytics and visualisation tools, information technology service management, and maintaining wellbeing in periods of peak demand. Our data champions attended targeted training on data tools and audit-specific data analytics use cases. We also rolled out a revised, face-to-face version of the Public Service Commission's 'Everyone's Business: Learning about Stolen Generations' cultural capability training, which was delivered by an external Aboriginal-owned business.

Compliance training for all employees included:

- gifts, benefits and hospitality
- behaving ethically and the code of conduct
- cyber security awareness
- social media
- work health and safety
- fraud and corruption control
- understanding modern slavery.

In addition to the above, compliance training for all new hires included training on diversity and inclusion, Aboriginal cultural competency, disability awareness, and respectful workplace.

Our graduate induction program was revised, with a greater emphasis on providing consistent opportunities for graduates to learn on the job. More information on the enhancements to our program is available on page 15.

In 2022–23, we continued to offer a diverse range of development opportunities, including external secondments, internal transfers and opportunities to act at higher levels, and all employees had access to a wide array of online courses.

We maintained our ongoing commitment to offering external development experiences, seconding four employees to a 'Big Four' accounting firm. Another three employees were offered development opportunities in the broader NSW public sector including the Parliamentary Budget Office and the Department of the Legislative Assembly. One employee was seconded to the Solomon Islands Audit Office.

## Technical development

In 2022–23, financial audit employees were upskilled in a range of technical subject areas including audit methodology, accounting standards, Higher Education Research Data Collection (HERDC), delegations on expenditures, internal controls, risk assessment, substantive analytics, test of details, client interview and communication skills, determining materiality, developing an audit plan, and training for financial and data analytics systems. They were also supported to attend professional accounting and superannuation conferences.

Performance audit employees attended relevant industry conferences and Australasian Council of Auditors-General (ACAG) practice sharing events. New team members attended 'Introduction to Performance Audit' training conducted by subject matter experts from ACAG. Select performance audit staff also attended training in distilling audit findings, managing audit projects, and root cause analysis facilitated by the Canadian Audit and Accountability Foundation (CAAF).

## Supporting further education

We continued to help our people gain professional accounting qualifications by reimbursing 100 per cent of fees and providing study leave. We supported 53 employees towards their professional qualifications, with 11 becoming fully qualified Chartered Accountants and three becoming Certified Practising Accountants during this period.

We continued to support employees in other tertiary education and formal certifications by paying a percentage of fees for studies relevant to their current or future role, our organisation or the public sector. Approved employees were also granted study leave to maximise their potential for success. In 2022–23, we supported 15 employees to study across a broad range of disciplines, and three obtained their qualification.

We also approved support for three staff to complete accredited tertiary education and a formal qualification which were deemed essential to the strategic capability needs of the organisation. Support is provided through the reimbursement of 100 per cent of fees and the provision of study leave.

## Leadership development

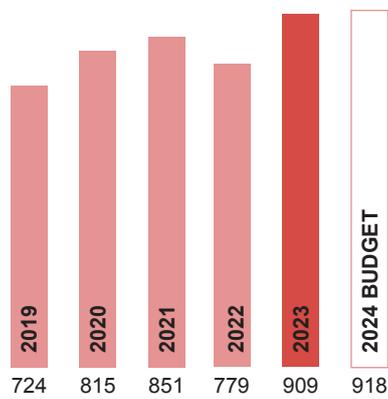
In 2022–23, we continued implementing and investing in our Leadership Development Framework to support the Building Capability For The Future strategic objective (page 15). We continued to roll out the Leadership Essentials program and the Public Service Commission's People Management Fundamentals course. We also investigated leadership development opportunities for junior staff.

Six employees participated in a NSW Public Service Commission Leadership Academy program. New managers completed eLearning on disability awareness, and instructor-led Respectful Workplace and Managing for Team Wellbeing programs. We supported 12 employees to attend formal leadership courses through our sponsored leadership program. This included three female leaders who attended a building visibility for women in the public sector masterclass and six emerging and current female leaders who attended the ANZSOG Women Leading in the Public Sector course. We continued to partner with the Committee for Economic Development in Australia (CEDA), enabling our Office Executive and Leadership Team to attend virtual webinars and face-to-face events with government and private sector leaders.

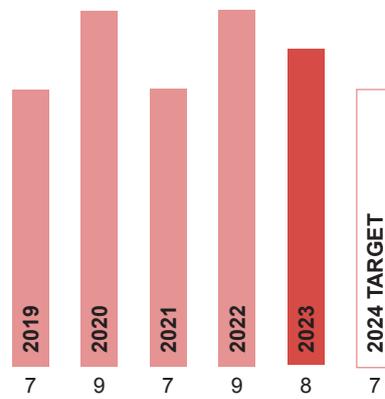
### Investment in development increased

In 2022–23, we delivered an average of eight training days per employee, a decrease from last year’s nine days but exceeding our target. We increased our learning and development investment, with \$908,683 invested in developing our employees, up from \$778,796 last year.

Learning and development spending \$'000



Average training days per employee



Stories that matter

**Paola Rigby,**  
Director, Governance,  
Professional Services

**‘Age discrimination is a hidden challenge; less spoken about and often unrecognised. I requested we add International Day of Older Persons to our diversity calendar to highlight this, a suggestion that was warmly welcomed.’**

‘The Audit Office’s approach is age-inclusive in many ways. The recruitment process and graduate program are not targeted towards a particular age group, and we always have a range of ages come through. Many employees have worked with us for a very long time, which is quite unique – I don’t think many organisations have such longevity of their employees. Our superannuation programs, our approach to work health and safety, and the flexibility that we’re offered, spans across the age diversity range because people at different stages of life face different personal challenges. The Audit Office allows us to manage those commitments, regardless of our age.

‘I’ve been supported personally with that flexibility – my kids were little when I first started, and they are now entering adulthood. Now, I’m caring for elderly parents while looking towards retirement. Throughout all this, I’ve never been made to feel old or young! I’ve always just been accepted for who I am.’

# Technology

**Technology systems availability kept above our 99 per cent target**

**New cyber monitoring system implemented**

## Enhancing technology and systems

In 2022–23, we enhanced audit delivery through improved technology systems and processes and uplifted our cyber resilience by continuously evolving our cyber security environment. Our technology achievements include:

- supporting the delivery of our Audit Software Project (page 15) and the CoLab Project (page 15)
- supporting the operationalisation of our data strategy (page 18)
- improving the effectiveness of our workplace with a review of technology to support hybrid working (page 16)
- enhancing flexibility and mobility for our people through the procurement and rollout of a new fleet of laptops
- continuously optimising our use of public cloud services
- celebrating Cyber Security Awareness Month, with technology employees participating in additional external information systems training
- implementing a new automated cyber monitoring system focused on our most sensitive systems
- introducing new tools to reduce web browser-based vulnerabilities for our devices.

We continued to meet compliance and operational stability requirements by:

- renewing our ISO27001:2013 security certification and increasing our alignment to the NIST Cyber Security Framework
- adhering to the requirements of the NSW Cyber Security Policy
- uplifting our Australian Cyber Security Centre's 'Essential Eight' controls to meet new maturity requirements and reporting on our maturity
- maintaining systems availability above our target of 99 per cent
- reviewing and testing our business continuity plan, disaster recovery plan and cyber security incident response
- completing an annual penetration test and cyber incident exercise
- increasing staff awareness by providing mandatory cyber training and conducting a phishing exercise.

# Quality

**100% of audit opinions reviewed through the quality assurance program were supportable**

**8 submissions made to professional bodies**

## Our System of Quality Management

Our System of Quality Management (SQM) is an important mechanism to ensure that Audit Office employees, and Audit Service Providers (ASPs), comply with Australian Auditing Standards, relevant ethical requirements, and applicable legal and regulatory requirements. It also ensures our reports are appropriate in the circumstances.

Our SQM aims to demonstrate the Audit Office's compliance with ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements' (ASQM 1), ASQM 2 'Engagement Quality Reviews' (ASQM 2) and ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information' (ASA 220).

## Quality Audit Review Committee

Our Quality Audit Review Committee monitors the quality of audit products and provides the Auditor-General with assurance that the Audit Office complies with the requirements of ASQM 1, ASQM 2 and ASA 220.

The Quality Audit Review Committee consists of an independent chair (an experienced external member from the profession) and the Deputy Auditor-General. Two other internal practitioners with appropriate experience and qualifications, as well as representatives from the Professional Services Branch, are standing invited attendees.

## Audit file quality reviews

We recognise the importance of audit quality in achieving our vision. Audit quality is supported through the Audit Office's comprehensive quality assurance program and annual reviews of the quality of our financial and performance audits. Quality reviews may consist of coaching (hot) reviews where targeted aspects of files are reviewed while audits are in progress, or monitoring (cold) reviews where files are reviewed on audit completion.

### Financial audit

The quality review program for financial audits covers the audits the Audit Office conducts and those carried out in partnership with Audit Service Providers (ASPs).

This year, we continued the engagement of a 'Big Four' professional services firm to review financial audits conducted internally, with the objective of benchmarking our quality review and audit practices with others in the profession.

During 2022–23, our quality review program included monitoring reviews as well as limited scope coaching reviews of financial audits where the review focused on specific aspects of the audit file. A pilot review of an Auditor-General's report to Parliament cluster volume was also undertaken. The monitoring reviews found the assurance opinion were supportable.

## Performance audit

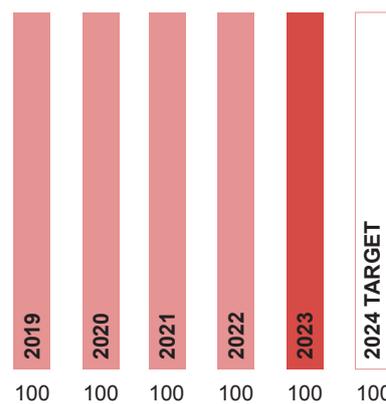
During 2022–23, a performance audit monitoring review was conducted. The review found that the assurance report for the reviewed audit was supportable.

The results of reviews conducted under our quality review program were reported to the Quality Audit Review Committee. The committee is responsible for ensuring the process, conclusions and any remedial actions are communicated to the Auditor-General, the Audit and Risk Committee, the Office Executive, audit teams, and our ASPs. Quality findings inform the Audit Office's learning and development program (page 36) to promote an environment of continuous improvement.

Based on these reviews, the Auditor-General is satisfied that the System of Quality Management functioned effectively in 2022–23 ([Appendix nine](#)).

In 2023–24, the quality review program will include coaching (hot) reviews and monitoring (cold) reviews for both financial and performance audit.

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



## External quality reviews

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

The Audit Office is subject to, or has participated in, the following reviews of our audit quality system:

- A quadrennial review by a person appointed by Parliament's Public Accounts Committee to examine the auditing practices and standards of the Auditor-General. The most recent [2021–22 review](#), tabled in Parliament on 21 September 2022, concluded that we conduct audits in compliance with current professional standards and under the *Public Finance and Audit Act 1983* and the *Government Sector Audit Act 1983*, and that the Audit Office is a well-functioning office that is staffed by professional and dedicated auditors.
- Periodic peer reviews of aspects of the Audit Office arranged under a Quality Assurance Framework, sponsored by the Australasian Council of Auditors-General. No peer reviews were conducted during 2022–23.

## Ensuring the quality of our Audit Service Providers

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

## Technical Issues Committee

To maintain audit quality, we have a robust process to deal with complex or significant accounting, audit or legislative compliance matters that our auditors encounter. The Technical Issues Committee (TIC) is responsible for considering these matters and making recommendations to the Auditor-General on the inclusion or removal of modifications to our auditor's reports, including:

- key audit matters in our independent auditor's report for the Consolidated State Financial Statements or other auditees if referred to the TIC
- retrospective restatements and accounting treatments of complex, contentious or significant accounting issues
- auditing issues which may set a precedent or affect a range of our auditees.

The TIC is a forum where technical issues are debated to enhance audit quality. It is comprised of internal stakeholders, including:

- independent representatives from the business
- the director responsible for the Total State Sector Accounts' audit
- representatives from relevant audit teams
- the Executive Director, Professional Services or delegate.

The TIC considers the technical merits of contentious matters, the views of external parties, peak bodies and central agencies, and practices in other jurisdictions. Accordingly, technical matters are considered in detail and from multiple perspectives. The TIC is chaired by the Deputy Auditor-General and includes senior financial audit executives, with technical support provided by the Professional Services Branch.

In 2022–23, the TIC met 46 times to advise on complex matters.

## Safeguarding our independence

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

The Audit Office has two important policies (one for Audit Office employees and one for ASPs) to address how other engagements are accepted. These policies have a range of protections to ensure we only accept (or approve ASPs to accept) other engagements that do not compromise independence.

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

Our mandate under the *Government Sector Audit Act 1983* and *Local Government Act 1993* permits us to perform additional assurance work, such as grant acquittals. This can be requested by the Treasurer, a minister, councils, the Secretary of the Department of Planning and Environment, or both Houses of Parliament. A new provision was included in the *Government Sector Audit Act 1983*, effective 28 November 2022, which requires the Parliament, Treasurer or a minister to consult with the Auditor-General about the scope of the additional assurance work before requesting the Auditor-General to perform the work.

Before undertaking these engagements (or approving ASPs to do so), we evaluate the appropriateness of the work. We monitor compliance with these policies and our approach to undertaking (or approving ASPs to undertake) other engagements to ensure our independence is beyond reproach.

To safeguard our independence, we foster a culture that instils high standards of conduct and ethical behaviour. This includes all employees completing a conflict of interest and professional independence declaration when they commence at the Audit Office, and annually thereafter. Staff must also report a new, or change to an existing, conflict of interest or threat to independence as soon as they become aware of it.

The Audit Office has a detailed [gifts, benefits and hospitality policy](#). Employees must declare all gifts, benefits and hospitality valued over \$25, regardless of whether it was accepted or declined. We report all gifts, benefits and hospitality valued over \$25 in a register that is publicly available on our website. See page 47 for more information.

## Transparent quality reporting

*The Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the Audit Office is not subject to these requirements, we have embraced the principles of transparency reporting. For our 2022–23 Annual Report, [Appendix ten](#) summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this report.

## Building capability

To deliver quality audits we must support the capability of our people. We have a comprehensive learning and development program (page 36) that ensures we continuously build the capabilities and knowledge of our people. The program focuses on audit quality, including core accounting, auditing and legislation technical competencies, and includes non-technical competencies such as professional scepticism and use of professional judgement, external stakeholder management, presentation and writing skills

## Influencing quality internationally

In 2022–23, we assisted the Australian National Audit Office to arrange and host two staff secondments from the Audit Board of the Republic of Indonesia, BPK Republic Indonesia (BPK). These secondments allowed the BPK's staff to work with our financial audit teams to gain practical insights and on the job experience in applying a contemporary audit methodology, and auditing financial statements prepared using accrual accounting. This activity was funded by the Australian Department of Foreign Affairs and Trade (DFAT).

We extended this knowledge sharing through our ‘twinning’ relationship with the Solomon Islands Office of the Auditor General (SIOAG), also funded by DFAT, which builds SIOAG’s capacity to perform its audit functions. One employee from our Financial Audit Branch assisted with the development of a new three-year twinning arrangement for 2023–25 and one employee worked as an executive officer of the SIOAG in the delivery of its Provincial Audit Portfolio.

The Audit Office is a member of the Pacific Association of Supreme Audit Institutions (PASAI), the official association of supreme audit institutions (SAIs) in the Pacific region. PASAI seeks to promote transparent, accountable, effective, and efficient use of public sector resources in the Pacific.

This year, we attended the PASAI congress in Palau, where representatives from PASAI member offices, supporting development partners and dignitaries from local and overseas ministries met to reflect on issues related to institutional independence, securing quality in a SAI’s core mandate, and enabling audit impact.

### Promoting quality through ACAG

The Audit Office is an active participant in the Australasian Council of Auditors General (ACAG), established in 1993 to encourage sharing and cooperation between audit offices in Australasia. In 2022–23, we participated in and supported various ACAG subgroups and working parties.

We also contribute to the collaborative efforts of Australian audit offices by helping develop responses to professional bodies on pronouncements exposed for comment. In 2022–23, we prepared or contributed to eight ACAG responses to standard setters (see [Appendix four](#) for further details).

The Auditor-General for New South Wales is Chair of the ACAG Financial Reporting and Accounting Committee until 30 June 2023 with the Audit Office of New South Wales providing secretariat support.

Stories that matter



**Meher Maliha,**  
Auditor 3,  
Central Agencies & Transport (FAB)

‘Here, people are not just colleagues; they become friends. Regardless of one’s cultural background, there is an unwavering commitment to treating everyone equally. This inclusive atmosphere has given me the confidence to be my authentic self and contribute meaningfully.

‘One significant milestone on my path to becoming a part of this community was reached when I celebrated Eid-ul-Fitr with the Audit Office team this year. It marked my first Eid celebration with colleagues, and it was nothing short of extraordinary. The warmth and wholeheartedness with which everyone embraced the event made it feel like a homecoming. I was no longer thousands of miles away from my homeland, nor did I feel like a stranger in a foreign country anymore.

‘I understand the fear of not being fully accepted for who you are or being seen differently because of different background and values one holds dear. However, within the welcoming and inclusive culture of the Audit Office, I have seen those fears fade away.

**‘I am proud of the friendly and inclusive culture here and know for sure, anyone can thrive in such an environment.’**

# Audit and reporting

**99% of local government financial audit opinions issued within legislation and approved time frames**

**96% of state and university financial audit opinions issued within four months of agencies financial year-end**

**93% of financial audits reported to Parliament on time**

## Timeliness of our performance audits

Our average time to complete performance audits was 13 months, slightly longer than last year's average of 12 months. The average time increased as it took longer to access some information, we had to mine large volumes of data on some audits and some audits required extensive stakeholder consultation. The average time to complete an audit is longer than the average of 12 months taken by all Australian audit offices that participate in the Australasian Council of Auditors General (ACAG) macro benchmarking. While prioritising staff wellbeing and quality, we continue to look for opportunities to implement efficiencies in processes to ensure our reports are delivered in a timely way.

## Timeliness of our financial audits

Parliament and other stakeholders need timely reports to allow prompt scrutiny of government entities' financial information. We have different timeframes for reporting financial audits to Parliament, and for reporting financial audit opinions and issuing management letters to auditees (see below).

### Timeliness of parliamentary reporting improved

Our internal benchmarks promote timeliness of parliamentary reporting. We aim to report to Parliament:

- before the end of the calendar year for state government entities with a 30 June balance date
- by 31 March the following year for our local government auditees who also have a 30 June balance date
- by the end of June the following year for university financial audits that have a 31 December balance date.

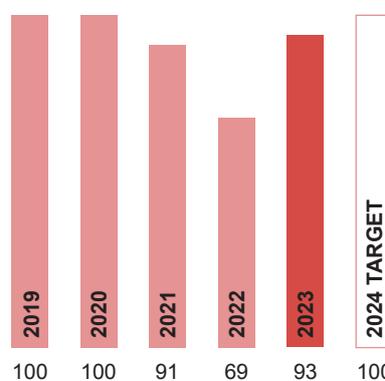
In 2022–23, we reported 93 per cent of financial audits to Parliament in line with our internal benchmarks, an improvement from 69 per cent last year. Results of local government audits were reported in June 2023, after our internal benchmark of 31 March. The timeliness of parliamentary reporting was impacted by reporting extensions in the local government sector.

### Timeliness of issuing financial audit opinions consistent

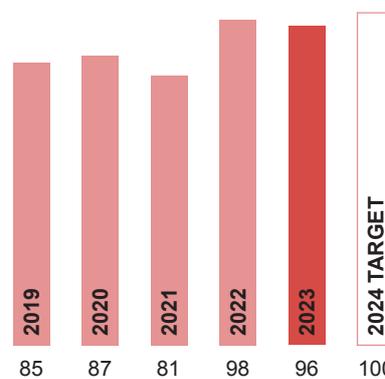
Of our opinions for state and university auditees, 96 per cent were issued no later than four months after the auditees' financial year-end. This year we changed how we measure timeliness of issuing financial audit opinions to align with the new NSW Treasury directive that requires us to audit the financial statements as soon as practicable. Under the previous legislative requirements, we were required to issue opinions for state and university auditees within ten weeks of receiving the financial statements.

In 2022–23, we provided 99 per cent of audit opinions for local government entities by 31 October 2022, or within the extended timeframe approved by the Office of Local Government, consistent with last year.

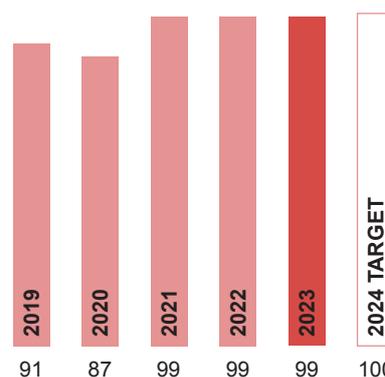
Financial audits reported to Parliament on time



On time financial audit opinions – state / universities entities %



On time financial audit opinions – local government entities %\*



\* The reporting deadline is 31 October, unless an exemption is granted by the Office of Local Government. In 2020, the deadline was extended to 30 November due to the COVID-19 pandemic.

## Efficient resource utilisation

Key to delivering cost efficient audits is effectively managing our audit employee resources. In 2022–23, 77 per cent of our available audit time was charged to audit activities, exceeding our target of 75 per cent. Audit time includes all time available from both our performance and financial auditors. It does not include our technical accounting and audit policy and research employees in professional services, or our corporate support employees.

## Cost of our audits

### Our performance audit costs

The average cost of performance audits published in 2022–23 was \$538,000. This was 11 per cent higher than the 2021–22 average cost of \$486,000 and slightly above the target of \$515,000. The higher average cost in 2022–23 reflected the complexity of several performance audits. The average cost is commensurate with the average cost of other Australian audit offices with a performance audit program of a similar or larger size.

### Our financial audit costs

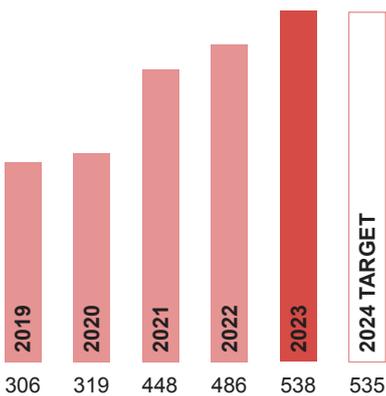
Our average cost per financial audit opinion in 2022–23 was \$101,000. This is a two per cent increase in cost from the \$99,000 per audit opinion last year, and includes the cost of auditing the state, university and local government sectors.

In 2022–23, our cost per financial audit was above the average of \$84,400 across other Australian audit offices. The difference between our cost and the average in other jurisdictions is driven by the number of entities audited and their size and complexity. It is also influenced by the different cost of operating an audit office in each state and territory, such as market salaries and rent.

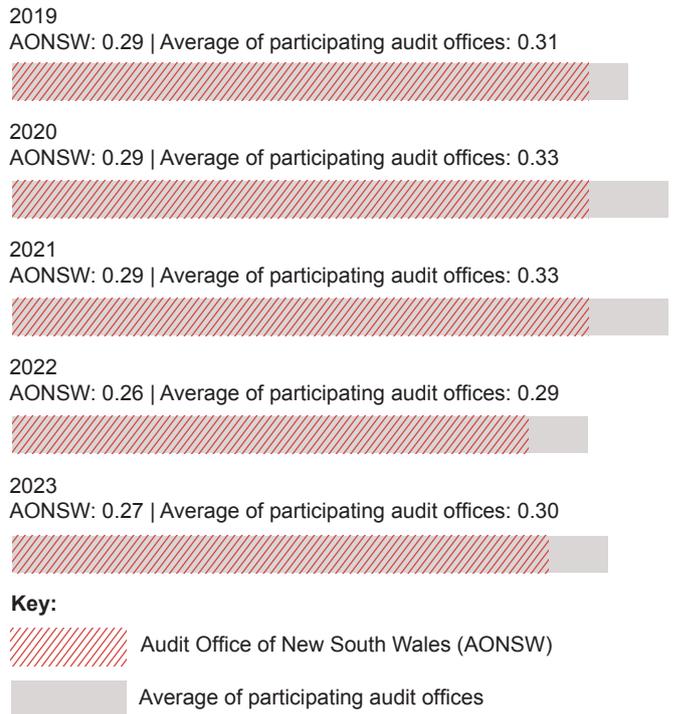
### Benchmarking our total audit costs

We benchmark our costs to other Australian audit offices, comparing our total audit costs as a proportion of total public sector transactions and total public sector assets, to compare 'like for like' across jurisdictions. On these comparisons, our costs compare favourably with other Australian jurisdictions.

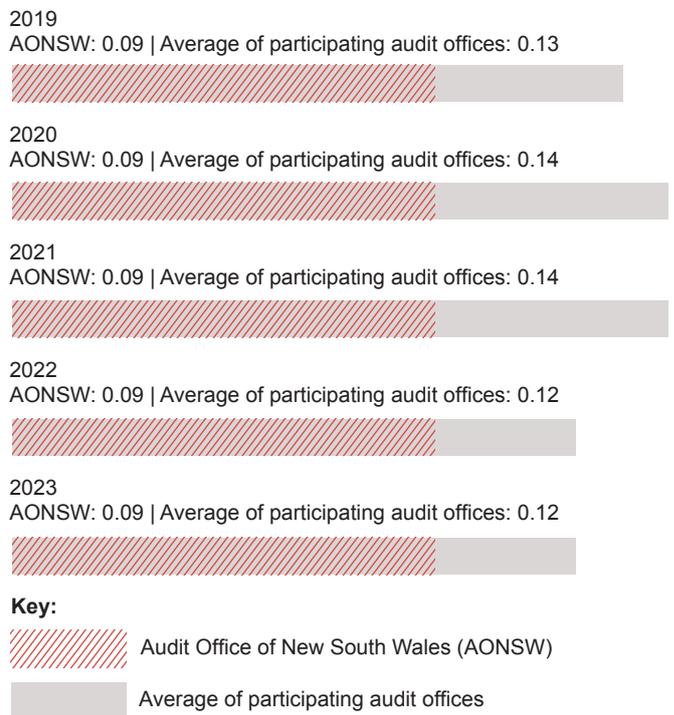
#### Average cost of performance audits \$'000



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



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



\* The 2022–23 measure is based on 2021–22 public sector transactions escalated by consumer price index and therefore does not reflect actual government expenditure over the last 12 months.

# Framework and structures

## Strong governance foundations

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

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

### ASX Principle 1: Management and oversight

#### Our Corporate Plan

Our [Corporate Plan](#) was developed to help us achieve our vision and meet the strategic priorities of the Audit Office. Our Corporate Plan is summarised on pages 13–18.

### ASX Principle 2: Structure

#### Structured to add value

The Audit Office has a well-defined governance structure consisting of its key committees: the Office Executive, independent Audit and Risk Committee, and externally chaired Quality Audit Review Committee and Remuneration Committee. To support the Office Executive there is also a:

- Strategic Technology Committee
- Finance and Performance Committee
- Diversity Committee
- Workplace Wellness Working Group (page 58)
- Learning and Development Committee (page 36)
- Quality Audit Review Committee (page 45)
- Flexible Work Practices Committee (page 46)
- Technical Issues Committee (page 40)
- Work Health and Safety Committee (page 60)
- steering committee for each significant project.

#### Office Executive

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

- setting a clear strategic direction and monitoring performance
- overseeing the delivery of key strategic projects
- establishing and monitoring strategic key performance indicators

- defining the organisation's [Risk Appetite Statement](#) and ensuring strategic risks are identified, assessed and treated appropriately
- developing the forward [Annual Work Program](#)
- monitoring assurance over the Audit Office's key processes including internal and external audit, Quality Audit Review Committee reviews, quality assurance peer reviews, and Public Accounts Committee reviews
- monitoring compliance with relevant laws, directions, codes and practices, and periodically reviewing Audit Office policies
- role modelling ethical and lawful behaviour
- overseeing the Audit Office's financial performance and sustainability.

The Office Executive consists of the Auditor-General as Chair, the Deputy Auditor-General, Assistant Auditors-General from Financial Audit, Performance Audit and Systems Assurance, Cyber and Data and Executive Directors from Corporate, Experience and Strategy, Finance and Performance, and Professional Services. The Chief Audit Executive and Chief Risk Officer also attend monthly meetings.

#### Formal Office Executive meetings attended

A total of ten monthly meetings held.

|                       |    |
|-----------------------|----|
| Margaret Crawford     | 10 |
| Ian Goodwin           | 7  |
| Claudia Migotto       | 8  |
| Scott Stanton         | 9  |
| Alison Brown          | 8  |
| Aaron Green           | 9  |
| Emily Beullens        | 9  |
| Liz Basey*            | 7  |
| Peter Coulogeorgiou** | 6  |
| Karen Taylor***       | 2  |
| Paola Rigby****       | 1  |
| Vinh-on Martinez***** | 2  |

\* Liz Basey left the Audit Office in March 2023.

\*\* Peter Coulogeorgiou attended a formal Office Executive meeting in October 2022 when acting in the role of Executive Director, Corporate Services, prior to his appointment to the Executive Director, Finance and Performance role in February 2023.

\*\*\* Karen Taylor was acting in the role of Assistant Auditor-General in April and June 2023 and attended formal Office Executive meetings during that time.

\*\*\*\* Paola Rigby attended one formal Office Executive meeting when acting in the role of Executive Director, Professional Services in March and April 2023.

\*\*\*\*\* Vinh-on Martinez attended formal Office Executive meetings when acting in the role of Executive Director, Professional Services in May and June 2023.

Key focus areas for the Office Executive during 2022–23 included:

- overseeing the implementation of our [2020–24 Corporate Plan](#)
- developing an [Annual Work Program](#) of key audit focus areas for the year ahead that incorporates relevant challenges faced by contemporary public sector management
- continuing to promote and support employee wellbeing (page 58)
- cyber security framework, systems and processes (page 38)
- engaging with Members of Parliament, including following the NSW election in March 2023
- monitoring the Audit Office's strategic risks and mitigating actions to ensure they are at an acceptable level (page 51)
- monitoring the delivery of quality products and the effectiveness of our internal controls and governance (page 51)
- adopting new technologies to improve business operations and gain greater insights through our audits (page 18)
- structuring the organisation to meet current and future workforce needs
- overseeing the introduction of new standards and legislation (page 48).

Further details on our Office Executive, including how it is structured, are on pages 10–11, and its [charter](#) can be found on our [website](#).

## Audit and Risk Committee

The Audit and Risk Committee provides oversight and review of the Audit Office's governance, risk management and internal control frameworks.

We assessed the committee's 2022–23 activities to confirm compliance with Treasury's Internal Audit and Risk Management Policy for the General Government Sector (TPP 20-08). A copy of the Internal Audit and Risk Management Attestation is at [Appendix seven](#). The committee's charter, and an annual report of the committee's activities, can be found on our [website](#).

The committee consists of three independent members – Bruce Turner AM (Chair), John Gordon and Elizabeth Gavey. The independence, integrity, and experience of committee members are key strengths, providing insight and enhancing our operations.

Bruce Turner AM brings extensive audit and risk committee experience within the state government and not-for-profit sectors, as well as audit, risk and improvement committees in the local government sector. Bruce also held chief audit executive roles in large and diverse state and federal government agencies and currently serves on several audit and risk committees. Bruce's final four-year term on the Audit Office's Audit and Risk Committee ends on 16 February 2025.

John Gordon has over 40 years' experience providing assurance, advisory and corporate governance assistance to a broad range of clients in the private and public sectors. This includes 22 years as an audit and assurance partner with PwC Australia until retiring in 2008. Since 2009, John has served as an audit and risk committee chair or member of more than 25 ACT, NSW state and local government agencies. He currently serves on several NSW state government and local government audit and risk committees. John has been reappointed for a final term on the Audit Office's Audit and Risk Committee until 31 October 2024.

### **Audit and Risk Committee meetings attended\***

A total of six meetings held, including one special meeting to review the annual financial statements and one to review early close financial statements.

Bruce Turner 6

John Gordon 6

Elizabeth Gavey 6

\* Individual committee members sit on various boards and audit and risk committees for councils, Commonwealth and state government agencies, not for profit, and public companies. These memberships are captured and appropriately managed on a conflict of interest register, available on our website.

Elizabeth Gavey is a qualified solicitor with over 30 years' experience in commercial law, investment banking and the health sector. She currently serves on several audit and risk committees in the state and local government sector. Elizabeth's three-year term on the Audit Office's Audit and Risk Committee ends on 28 August 2024.

The Auditor-General, Deputy Auditor-General, Chief Finance Officer, Chief Audit Executive and Chief Risk Officer, internal and external auditors, and management representatives attend committee meetings. The committee meets independently, without management, with internal and external auditors, the Chief Audit Executive and Chief Risk Officer at least once a year, and also meets with the Auditor-General and Deputy Auditor-General prior to each meeting.

Committee members provide annual written conflict of interest declarations to the Auditor-General, verbally confirmed at the start of each meeting. No conflicts of interest were declared that prohibited the continuing engagement of members.

## Quality Audit Review Committee

Our Quality Audit Review Committee monitors the quality of audit products and provides the Auditor-General with assurance that the Audit Office complies with the requirements of ASQM 1, ASQM 2, and ASA 220. See page 39 for more information on these standards and the Quality Audit Review Committee.

The committee consists of an independent external member – Denis Thorn – and the Deputy Auditor-General. Denis was appointed to chair the committee for an initial four-year term, due to expire in November 2023. This term has been extended for an additional four years to November 2027. Denis has extensive experience providing assurance and advisory assistance in the private and public sectors as a former partner with EY. He now provides advice on audit quality and expert witness reports to public and private sector clients.

## Remuneration Committee

The Remuneration Committee, chaired by an independent person, provides advice on the appropriateness and application of the Audit Office's remuneration policies and procedures. More information on the Remuneration Committee can be found on page 50.

## Strategic Technology Committee

The Strategic Technology Committee provides advice to the Office Executive regarding the strategic direction, operational decisions and investment in information technology, business systems and cyber security. The committee also provides advice on managing information and technology-related organisational risks.

## Finance and Performance Committee

The Finance and Performance Committee provides advice to the Office Executive regarding the strategic financial direction and financial sustainability of the Audit Office. The committee also oversees the organisation's financial management framework, the management of financial risks, organisational efficiency, and performance against key measures of success.

## Diversity Committee

We embrace and celebrate our diversity by delivering on key areas identified in the Diversity, Inclusion and Accessibility Roadmap (pages 61–62). The Diversity Committee lead, advocate for, coordinate, inform and monitor the Audit Office's Diversity, Inclusion and Accessibility Framework and roadmap of activities. The roadmap is developed using input from representatives with lived experience before being considered by the Diversity Committee.

## Flexible Work Practices Committee

The Flexible Work Practices Committee monitors the effectiveness of our Flexible Work Practices Model and makes recommendations to the Office Executive to ensure the model remains fit for purpose in the long-term. The committee are responsible for seeking feedback, and considering ways to adapt the model to changing work requirements, including auditee and employee needs and stakeholder perspectives.

## Clear and consistent project governance

Strong project governance helps us deliver our strategic objectives and achieve our purpose. Our Project Management Framework ensures we have a consistent approach to the projects we undertake. It outlines project management principles and highlights systems, tools and processes important to the successful delivery of our projects.

Stories that matter



**Kristian Putro,**  
Auditor 4,  
Local Government & Utilities (FAB)

'I started at the Audit Office as an international secondee, and I was surprised by the diversity of the team. You can find people from different ethnicities, cultural backgrounds or countries of origin in each team. Diversity in the workplace is important to me because I came from Indonesia, a totally different culture from Australia, or so I thought before I started working at the Audit Office. I felt very welcome and supported in a multicultural environment. The Audit Office respects and supports employees from diverse backgrounds.'

'Earlier this year, I became a full-time employee, and the Audit Office gave me the opportunity to work remotely from Canberra so that I could stay with my wife who is finishing her PhD. Once or twice a month I come to the office to meet my team for a lunch together, where we celebrate diversity by trying different cuisines, talking about our culture and sharing our similarities and differences.'

### **'Our diversity makes us thrive.'**

'We learn to listen, have empathy towards others and celebrate our differences. We embrace diverse cultural festivities at the office such as Eid, Deepavali, or Lunar New Year, on top of Australia's official holidays. Thanks to technology, I have remotely attended cultural and diversity events at the Audit Office, such as LGBTQIA+ and NAIDOC Week. I also learned what it means to respect First Nation peoples from the training we received. I learned to appreciate and value the diversity of the different communities we have at the office.'

'I am proud to say that the Audit Office is an inclusive workplace, celebrating those from diverse cultural backgrounds and gender identities. If someone from a diverse background was considering joining the Audit Office, I would tell them they will feel very welcome and celebrated for who they are here.'

# Ethics

## ASX Principle 3: Ethics

### High standards of conduct are instilled

Protecting the reputation of the Audit Office is vital to ensure our credibility and maintain public trust in what we do. To do this, we foster a culture that instils ethical behaviour supported by a clear [Code of Conduct](#). Our ethical and lawful framework includes policies covering:

- conflicts of interest and professional independence
- gifts, benefits and hospitality
- diversity and inclusion
- a respectful workplace
- compliance
- performance management
- privacy management.

During induction, new employees are trained on the Audit Office's ethical and lawful framework before signing the Code of Conduct and completing a conflict of interest and professional independence declaration. These sign-offs are completed annually thereafter.

Our [Statement of Business Ethics](#) provides key principles that underpin our business relationships and sets expectations that third parties who work for or on behalf of the Audit Office will act in the highest possible standards of conduct and ethics. Our Audit Service Provider manual and contracts require adherence with the principles set out in the statement.

In 2022–23, we:

- revised the Code of Conduct and related training which was rolled out to all employees
- updated the Statement of Business Ethics and communicated it to our third parties
- ensured all employees completed the annual conflict of interest and professional independence declarations
- revised the [Gifts, Benefits and Hospitality Policy](#) and rolled out new training to employees
- published the Conflict of Interest [registers](#) for our Office Executive, Audit and Risk Committee and Remuneration Committee, as well as the Audit Office's Gifts, Benefit and Hospitality register for transparency.

In 2022–23, there were no reported breaches of the Code of Conduct. There were also no breaches or incidents that required external notifications of reportable allegations or substantiated misconduct in accordance with the relevant statutory provisions, as outlined in the Disciplinary Policy.

### 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* and the *Health Records and Information Privacy Act 2002*. The Audit Office's [Privacy Management Plan](#) was updated in August 2022 and sets out how we manage personal information in line with these obligations.

The Audit Office's [Data Breach Management Policy](#) outlines our approach to managing data breaches. The Policy is consistent with guidance issued by the NSW Information and Privacy Commission on data breach management. Notifiable breaches are those that involve:

- a tax file number if the data breach may result in serious harm to an individual, which must be reported to the Office of the Australian Information Commissioner
- incoming technology cyber intrusions or breaches that risk the integrity and protection of state agencies, which are reported to Cyber Security NSW.

The Audit Office may also decide to notify the NSW Privacy Commissioner of serious breaches.

The Audit Office participated in the Office of the Australian Information Commissioner's 'Privacy Awareness Week' in May 2023. The Audit Office engaged with this event to encourage awareness within our organisation about privacy issues and the importance of protecting personal information.

During 2022–23, eight incidents were dealt with under the Data Breach Management Policy. All were satisfactorily resolved in line with established procedures, and none were notifiable breaches.

We also completed the Information and Privacy Commission's:

- data breach prevention checklist, which outlines internal checks measuring our current level of preparation
- privacy protection self-assessment, which assesses the maturity of our privacy, information management and governance practices.

## Prevent, detect and respond to fraud and corruption

The Audit Office is committed to embedding an honest and ethical environment that minimises the risk of fraud and corruption. Fraud and corruption are incompatible with our values and Code of Conduct and can cause serious reputational damage. For these reasons the Audit Office has zero tolerance for fraud and corruption. This year, we:

- updated the [Fraud and Corruption Control Policy](#), in line with the revised Australian Standard on Fraud and Corruption Control (AS 8001:2021)
- developed and rolled out compulsory fraud and corruption control training for employees
- updated the fraud and corruption control plan taking into consideration the fraud risk assessment.

We also conducted a fraud and corruption control health check which reveals employee perceptions of fraud and corruption control within the Audit Office. It provides valuable insights into what we are doing well and where we can improve. The results of the health check showed a positive response from staff with an average 95 per cent of employees agreeing or strongly agreeing that:

- most people in their team are aware of and understand our ethical behaviour policies, including the Code of Conduct, and understand there may be consequences in accordance with the Disciplinary Policy for breaches including for fraudulent and corrupt behaviour
- our Fraud and Corruption Control Policy clearly outlines employee responsibilities and what to do if employees suspect an incident or an increased risk of fraud and corruption
- employees were confident they could recognise a suspected incident or an increase in fraud and corruption risk in their area of responsibility.

This survey determined that fraud and corruption control awareness and activities at the Audit Office have overall been effective.

In 2022–23, there were no reports of fraudulent or corrupt conduct by Audit Office employees.

## Compliance management

The Audit Office has many compliance obligations relating to legislation, central agency directions, standards and codes. To meet these obligations, our compliance program promotes the importance of compliance to all employees and assists our people to identify obligations and respond to non-compliance.

The Audit Office's compliance framework is a robust mechanism that ensures we meet our compliance obligations. The framework is based on Australian Standard AS/ISO 19600:2015 Compliance Management Systems – Guidelines, and includes:

- a commitment by the Office Executive to promote and instil a compliance culture
- a [Compliance Policy](#), reviewed every two years and updated in May 2022
- a Register of Compliance Obligations, incorporating a risk assessment formally reviewed by the Office Executive
- annual certification of compliance through the Management Control Questionnaire
- financial and performance audit methodologies mapped to professional standards and legislation
- annual management review of the compliance management system.

In 2022–23, our approach to compliance management continued to be supported by the structure and responsibilities within the Professional Services Branch who:

- monitor potential legislation changes and alert those responsible for compliance within their respective roles or responsibilities
- provide advice and facilitate the understanding of legal matters impacting the Audit Office
- perform and coordinate quality reviews of our audit practice including checking compliance with Australian auditing standards, relevant ethical requirements, and applicable legal and regulatory requirements
- follow up on compliance with internal audit recommendations
- conduct an annual compliance review and risk assessment across the organisation.

# Independent assurance and reporting

## ASX Principle 4: Corporate reporting

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

## Financial reporting

The Audit and Risk Committee provides an independent review of the objectivity and reliability of the Audit Office's financial information, and ensure our financial statements are supported by appropriate management sign-off on the adequacy of internal controls. Finance reports are presented for review at each Audit and Risk Committee meeting, and special meetings are held to review our annual financial statements (pages 44–46).

## Auditor-General certification

The Auditor-General certifies that the Audit Office's financial statements:

- are prepared in accordance with applicable Australian Accounting Standards, the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2018 and the Treasurer's directions
- present fairly the Audit Office's financial position, financial performance and cash flows.

This certification is supported by the designated Chief Financial Officer's annual letter of certification as to the effectiveness of the system of internal control over financial information.

## External audit

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

## Internal audit

Designed to add value and improve operations, our internal audit function provides independent and objective assurance and advice to the Audit and Risk Committee, the Office Executive and senior management. The internal audit function complies with the requirements of TPP 20-08 Internal Audit and Risk Management Policy for the General Government Sector.

The internal audit function, led by the Chief Audit Executive and supported by employees and an external service provider, brings a systematic, disciplined approach to evaluating and improving

our organisational systems, processes and reporting. The Chief Audit Executive reports on the progress of the annual internal audit program at each quarterly Audit and Risk Committee meeting, supported by presentations from the internal audit service provider on the findings of their reviews.

The internal audit plan is a risk-based, rolling three-year plan. It is refreshed annually to ensure it remains current and relevant, responding to changes in our environment and operations, current and emerging risks, and impacts from our Corporate Plan and strategic objectives. It also takes into account other independent reviews captured in the assurance map.

In 2022–23, our internal audit program included the conclusion or commencement of reviews on:

- mental health
- cyber resilience
- third-party risk management
- revenue and accounts receivable
- effectiveness of our compliance framework in a hybrid environment.

The completed reviews resulted in 32 recommendations. With a focus on risk-rated findings, implementation of all recommendations from internal audits and independent reviews are actively monitored. Progress on the implementation of recommendations is reported three times per year to the Office Executive and Audit and Risk Committee. A dashboard on the status of recommendations has continued to provide visibility and oversight of progress and emerging trends.

A quality assurance and improvement program is maintained for our internal audit function. As part of that program, the Institute of Internal Auditors (NSW) was engaged to undertake an external quality assessment of the internal audit function during the reporting period. The review found general conformance with the standards (International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors) and TPP 20-08 with some areas for improvement. The improvement opportunities and good practice suggestions were all accepted and are currently being implemented.

## Performance reporting

In 2022–23, performance against our Corporate Plan was reported to the Office Executive quarterly. The reporting dashboard was refined this year to provide an overview of key performance information for each objective, upcoming priorities, and current or emerging risks and mitigation strategies.

Regular financial and operational reports were presented to the Office Executive, financial audit executive and performance audit executive to monitor audits and related reporting. We also regularly reported on the performance of our corporate services function.

# Disclosure

## ASX Principle 5: Disclosure

### Open access information

The Audit Office holds a significant amount of government information. Most of the government information deals with conducting our audits and reporting to Parliament. We also hold a smaller amount of information dealing with administrative matters. Certain government information is made available to the public under the 'open access' provisions of the *Government Information (Public Access) Act 2009* (GIPA Act). The Audit Office's open access information includes:

- an [Information Guide](#), explaining who we are, what we do and how to interact with us
- Audit Office information contained in any document tabled in Parliament, including the Auditor-General's Reports to Parliament
- policy and charter documents
- disclosure log of access applications
- register of government contracts
- record of open access information that is not publicly available.

### Proactive release

In 2022–23, we proactively released the [Diversity, Inclusion and Accessibility Roadmap 2021–25](#) and the [Employment Screening Policy](#). We also conducted the annual proactive release review of information to consider what information the Audit Office holds that is of public interest and should be made publicly available.

### Access applications and informal release

The Audit Office makes every effort to release certain government information to the public, unless a request relates to excluded information. Information held by us which relates to our auditing, investigative and reporting functions is classed as 'excluded information' under the GIPA Act.

During 2022–23, we received one formal GIPA application that was deemed invalid because it requested excluded information

of the Audit Office. Four agencies consulted with us on a GIPA application they received and whether we consented to the release of information that related to the Audit Office.

Access applications statistics in [Appendix fourteen](#).

### Annual Report

Our Annual Report is a key part of our commitment to continuous disclosure, and we voluntarily adopt full and open reporting on our performance. The report contains extensive comment on the services we provide and what our key stakeholders think of our services.

In June 2023, we were awarded a Gold Australasian Reporting Award for our [Annual Report 2021–22](#) for the 14th consecutive year. Our report was also a finalist for the governance reporting award for the public and not-for-profit sectors, and for the work health and safety reporting award.

## ASX Principle 8: Remuneration

### Remuneration Committee

The Audit Office's Remuneration Committee consists of an independent external Chair, Dianne Hill, and the Director, Governance (Risk and Ethics). The committee reviews and makes recommendations to the Auditor-General on Audit Office remuneration policies, practices and risk assessments.

In 2022–23, the committee met twice and:

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

See below for details of our executive remuneration.

| Remuneration of senior executives *, ** |                 | 2021–22    | 2022–23         |            |
|---|-----------------|------------|-----------------|------------|
| Band                                    | Range \$        | Average \$ | Range \$        | Average \$ |
| Band four                               | 499,251–576,700 | 567,815    | 509,251–588,250 | 579,131    |
| Band three                              | 354,201–499,250 | 449,961    | 361,301–509,250 | 472,964    |
| Band two                                | 281,551–354,200 | 316,500    | 287,201–361,300 | 322,832    |
| Band one                                | 197,400–281,550 | 242,734    | 201,350–287,200 | 254,614    |

\* Audit Office executive staff employed at the equivalent of the NSW Public Service Senior Executive remuneration bands.

\*\* Due to the nature of our business, 24 per cent of our employee-related expenditure in 2022–23 was related to senior executive remuneration, compared with 26 per cent in 2021–22.

# Risk management

## ASX Principle 7: Risk management

### Recognising and managing risk

The Audit Office's risk management and strategic planning are integrated. Risks are used as an input into the development of our Corporate Plan. They are continually reassessed and managed in accordance with our [Risk Management Framework](#) and [Risk Appetite Statement](#) to ensure that activities and decisions align with our Corporate Plan.

The Office Executive and Audit and Risk Committee regularly review the Audit Office's strategic risks. Each strategic risk is supported by detailed analysis, taking into account underlying operational and project risks. In addition, the Audit and Risk Committee provides independent advice to the Auditor-General on the Audit Office's risk and internal control frameworks.

### Our Risk Management Framework

Our Risk Management Framework aligns with NSW Treasury's Internal Audit and Risk Management Policy for the General Government Sector (TPP 20-08), the Risk Management Toolkit (TPP 12-03), the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2018), and the Accounting Professional and Ethical Standards Board's Professional Risk Management Standard (APES 325 Risk Management for Firms).

During 2022–23, we:

- continued to scan our internal and external operating environment for impacts on existing or emerging strategic and operational risks. We presented these with the outcomes of risk assessments to the Office Executive and Audit and Risk Committee, in line with our annual reporting schedule or sooner as required
- continued to support a positive risk culture and embed risk management practices across multiple activities and business areas including corporate planning, project management, budgeting, fraud and corruption management, compliance management, privacy and third-party selection processes
- developed formal risk assessments within procurement for modern slavery and the Quality Assurance Management Framework
- monitored and reported project risks
- worked closely with our operational areas to increase risk awareness and effectively identify, assess, manage and report their risks
- continued to monitor the effectiveness of controls to mitigate risks through various assurance activities, including external and internal audit, ISO 27001 Information Security Management System certification, annual penetration testing, and testing of the business continuity plan.

### Insurance

Our insurance cover is provided by the Treasury Managed Fund 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, cancellation of events, and travel protection.

Exposures not included are illegal activities, wear and tear, and inherent vice.

### Strategic risks

In 2022–23 there were no significant incidents as we continued to manage our risks, including the following six strategic risks:

- Our insights are not relevant and do not result in a demonstrable improvement in public administration (see page 13 for Enhancing Our Impact, Demonstrating Our Value).
- Our audits are not defensible, resulting in lost credibility, trust and confidence by government and the public (see page 17 for Quality In Everything We Do).
- We do not act according to our own ethical standards, do not meet legal obligations, and are not transparent and beyond reproach, damaging our reputation (see page 47 for Ethical Standards and Compliance).
- We are not efficient such that we do not keep pace in a contestable environment, resulting in reputational loss and potential disruption to the current business model (see page 18 for Securing Our Future).
- We cannot develop or access required capabilities, compromising our ability to achieve our objectives (see page 15 for Building Capability For The Future).
- Loss of confidential or sensitive information resulting in compliance breaches, business disruption, financial loss or reputational damage (see page 17 for Uplifting Our Cyber Resilience).

## Risk management and internal control attestation

This year, we completed four attestations to provide additional assurance that the Audit Office's risk management framework and related controls are operating properly including an:

1. Auditor-General's attestation on the quality of the Audit Office's risk management and internal audit processes, based on our compliance with the core requirements of TPP 20-08 ([Appendix seven](#))
2. Chief Financial Officer's attestation on the effectiveness of internal controls over financial information in accordance with Treasury Policy Paper TPP17-06 Certifying the Effectiveness of Internal Controls Over Financial Information. This attestation is supported by a Management Control Questionnaire which is completed annually. Our Leadership Team complete the questionnaire on the implementation of internal controls as they relate to their business area and employee compliance with our policies
3. Auditor-General's attestation on the management of cyber security risks consistent with the mandatory requirements set out in the NSW Government Cyber Security Policy ([Appendix eight](#))
4. Auditor-General's attestation on our System of Quality Management in compliance with ASQM 1, ASQM 2 and ASA 220 ([Appendix nine](#)).

# Stakeholder management

## ASX Principle 6: Key stakeholder rights

### Building effective relationships

In 2022–23, we maintained our focus on building effective relationships with our key stakeholders: NSW Parliament, state government entities, councils and universities.

Our strategic objective Enhancing Our Impact, Demonstrating Our Value provided direction on effective stakeholder relations and is described in more detail on page 13.

### Stronger stakeholder engagement

In 2022–23, we offered briefings to newly elected Members of Parliament via MP induction sessions. We briefed new MPs on our planned program of financial and performance audits, key insights from past audits, and observations against our ‘integrity of systems’ audit program framework. This was part of our focus on ensuring that new stakeholders, following the state election, understand our role in helping Parliament hold government accountable for the use of public resources. We delivered briefings to the newly reconvened Public Accounts Committee on the relevant work of the Audit Office, and our current and future planned audit topics and focus areas. We do not survey parliamentarians in election years. The latest results from our surveys are detailed on page 20.

We meet with the Public Accounts Committee during each sitting of Parliament (page 22). In 2022–23, we also continued to meet regularly with NSW Treasury, the Department of Premier and Cabinet, the Public Service Commission, and the Office of Local Government.

More information on how we sought to improve our engagement with stakeholders can be found on page 13. Feedback from auditees on our performance is available at page 24.

### Working with the public and other integrity agencies

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

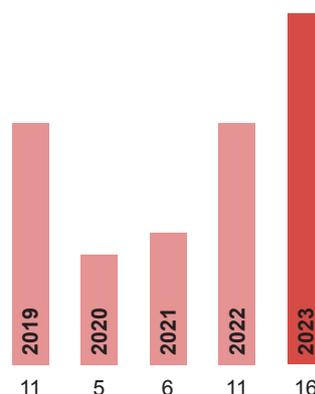
## Public interest disclosures and reports of wrongdoing

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

In 2022–23, we examined 16 public interest disclosures and reports of wrongdoing about state government entities, all of which were referred to our audit branches for consideration as part of their audits. See [Appendix fifteen](#) for further statistical information about public interest disclosures.

During the reporting period, we began preparing for the implementation of the *Public Interest Disclosures Act 2022* which will replace the current Act and will commence on 1 October 2023.

### Public interest disclosures



## Responding to feedback and complaints

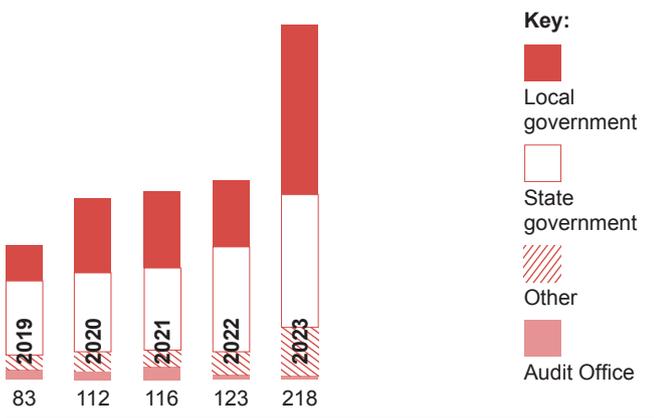
We value feedback, including complaints, and are committed to actively using it to improve our performance and services. In 2022–23, we received 218 new items of feedback/complaints from members of the public. Of these:

- 104 related to local councils
- 82 related to state government agencies
- 30 were classified as ‘other’ – covering feedback outside of our mandate and about the government in general
- 2 related to the Audit Office.

The feedback varied in nature and spanned across 11 government clusters. A significant portion was about the local government sector (48 per cent) and related mostly to proposed developments by local councils. Of the 82 complaints about state government agencies, 23 per cent were about the Stronger Communities cluster and 17 per cent were about the Customer Service cluster, most of which related to a current or future performance audit.

The feedback is used to inform our financial and performance audit work. Most feedback received was referred to our audit branches for action or information. The two complaints received about the Audit Office in 2022–23 were about our audit work.

### Subject of complaints



# Sustainability

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**56** Economic

**57** Environmental

**58** Social

**58** Employee wellbeing

**60** Work, health and safety

**61** Culture and diversity

**63** Community

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## *Celebrating diversity*

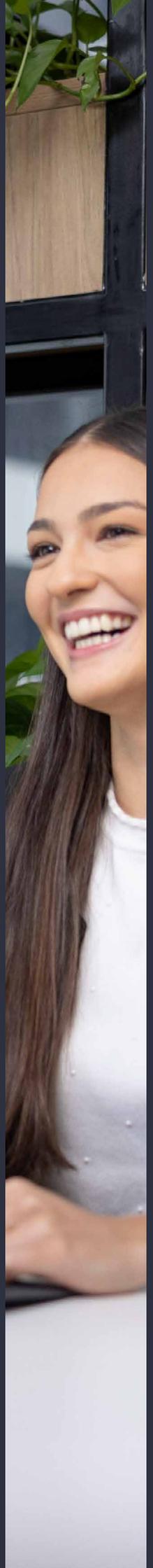
### **International Women's Day**

We celebrated International Women's Day 2023 with a number of events and campaigns.

Internally, we hosted a hybrid event, an interview with our Auditor-General Margaret Crawford, followed by a morning tea.

Representatives from the Audit Office also attended the UN International Women's Day 2023 Sydney event, for an exploration of the theme, 'Cracking the Code: Innovation for a gender equal future'.

The Public Service Commission offered a virtual event, focused on the same theme, with a panel of female senior and emerging leaders.



# Economic

## Ensuring our financial sustainability

Like all organisations, the Audit Office has finite resources to deliver on its legislative mandate and fulfil strategic objectives. Our operating model is premised on providing value for money services that pay their way and utilise contemporary tools and methodologies. This means our limited resources need to be managed effectively and efficiently, and resourcing decisions must be economical.

Our overarching financial objective is to remain sustainable, efficient and fiscally responsible at all times. We also seek to:

- promote robust and effective financial management of resources
- ensure access to expert direction and relevant context for decision-making in the allocation, management, and use of the Audit Office's financial resources
- demonstrate transparency with external stakeholders on how we govern our finances and how we set fees for audit engagements
- promote effective financial risk management.

To achieve our objectives, our financial management practices are governed by:

- a comprehensive suite of internal policies, including our 'Delegations manual', 'Budget policy', 'Audit fee policy', 'Procurement and contract management policy', 'Debt recovery policy', and our 'Commissioning model' for financial audits
- the operation of a Finance and Performance Committee (page 45) to monitor the financial health of the organisation and to provide advice to the Office Executive and Auditor-General
- mature risk management practices, effective audit functions, ongoing financial management capability investment, and the design, implementation, and operating effectiveness of internal controls
- key measures of our financial performance and position.

More information on our finance strategy is available at Securing Our Future (page 18), and our financial performance and position are described in more detail on pages 66 and 67.

## Promoting economic and efficient government

The Audit Office of New South Wales has a fundamental role in helping Parliament hold government accountable for the use of public resources. Our performance audits review whether public money is spent effectively, efficiently, economically and in accordance with the law (page 27). Our financial audits are a key part of effective public sector governance and assess the adequacy of the financial reporting control frameworks of audited entities (page 29).

In addition, in 2022–23, a number of our audit reports focused specifically on topics that directly relate to sustainable financial management practices, including:

- [NSW government agencies' use of consultants](#) which assessed how effectively NSW government agencies procure and manage consultants and examined the role of the NSW Procurement Board and NSW Procurement in supporting and monitoring agency procurement and management of consultants.
- [Bushfire recovery grants](#) which assessed how effectively the Department of Regional NSW and Resilience NSW administered rounds one and two of the Bushfire Local Economic Recovery program.
- [Government advertising 2021–22](#) which assessed the effectiveness, efficiency and economy of TAFE NSW's annual advertising campaign, and compliance with regulatory requirements including cost-benefit analysis of the campaign.
- [Natural disasters](#) which draws together the financial impact of natural disasters on agencies integral to the response and impact of natural disasters during 2021–22.
- [Financial Management and Governance in MidCoast Council](#) which outlines findings and recommendations around the effectiveness of long-term financial planning, comprehensive and timely financial reporting and financial management governance arrangements that are relevant for all councils.

# Environmental

## Assessing our environmental risks

This year, we participated in a climate preparedness survey which is conducted by the Office of Energy and Climate Change within NSW Treasury every three years. The survey aims to determine agencies preparedness for managing climate change risks, and identify steps to further minimise risks to the State's assets, infrastructure, development, and service delivery.

We identify environmental risks to our people, such as hazards and mitigations relating to disaster/severe weather, in our existing risk registers. In 2023–24, we plan to expand this into a comprehensive climate risk assessment, supported by the NSW Government Climate Risk Ready NSW Guide and in alignment with the [NSW climate change adaption strategy](#). We also plan to assess, understand and improve our net zero maturity, in alignment with the NSW Government objective to deliver a 70 per cent reduction in emission by 2035 compared to 2005 levels, and goal to reach net zero by 2050.

## Maintaining our greenhouse performance

In 2022–23, we maintained our greenhouse performance by:

- operating in a carbon neutral certified, 6 Green Star rated building
- buying 100 per cent green electricity
- using energy efficient equipment
- installing timers on lights and equipment.

## Reducing our environmental impact

The Audit Office reports its progress against the [Government Resource Efficiency Policy](#) (GREP).

In 2022–23, we focused on reducing our environmental footprint by:

- turning off computer monitors on workstations that are not in use
- using 100 per cent recycled paper in printers
- using sorting bins and internal communication campaigns to encourage recycling
- maximising recycling by including ink, toner cartridges and coffee pods in our program
- using a secure online file-transfer platform to share files digitally
- using automated, sensor-integrated LED lights in our office
- using virtual collaboration technology and reducing travel to auditees and other stakeholders.

In 2023–24, we will remain focused on reducing our environmental impact, including by investigating opportunities to improve our net zero maturity, and by installing a battery recycling bin in our head office.

## Protecting our heritage

In 2022–23, the Audit Office maintained its [Heritage and Conservation Register](#) in accordance with the *Heritage Act 1977*. Several items are included in the register that are of potential heritage significance. These are limited to moveable heritage objects stored at our office.

Our Heritage Asset Management Strategy outlines how we comply with the principles and guidelines established by the Heritage Council of NSW and NSW Heritage Office.

## Promoting environmental sustainability in our work

The Audit Office's performance audits regularly focus on the efficiency and effectiveness of government environmental programs and services. In the context of climate change, and recent environmental disasters, several reports were tabled in 2022–23 that provided assessments, insights and recommendations for the NSW Government on environmental issues that require ongoing management. These reports include:

- [Regulation of public native forestry](#) which assessed how effectively Forestry Corporation of NSW manages its public native forestry activities to ensure compliance, and how effectively the Environment Protection Authority regulates these activities.
- [Effectiveness of the Biodiversity Offsets Scheme](#) which examined whether the Department of Planning and Environment and the Biodiversity Conservation Trust effectively designed and implemented the Biodiversity Offsets Scheme to compensate for the loss of biodiversity due to development.
- [State heritage assets](#) which assessed how effectively the Department of Planning and Environment (Heritage NSW) is overseeing and administering heritage assets of state significance.

# Employee wellbeing

**83% of employees felt that there were effective resources to support employee wellbeing**

**95% of employees agreed they felt satisfied with their ability to access and use flexible working arrangements**

**69% of employees were neutral or agreed they had not experienced burnout at work**

## Prioritising the wellbeing of our employees

The health and wellbeing of employees is a top priority for the Audit Office and we are committed to supporting employee wellbeing through programs that make a difference. In 2022–23 we:

- implemented an Illness Prevention Strategy (page 60)
- offered flexible work practices to all employees (page 16)
- began developing a health and wellbeing strategy and roadmap
- supported employees who participate in the Corporate Cup running challenge
- provided fresh fruit in the office to promote healthier eating
- offered onsite flu vaccinations or reimbursements, accessed by 28 per cent of employees compared with 27 last year
- offered onsite COVID-19 vaccinations for the first time which was accessed by four per cent of employees
- shared resources to encourage good health and wellbeing
- kept employees informed with regular communications that included government advice, wellbeing tips and support services
- promoted senior leader communications, encouraging employees to focus on wellbeing before work, and quality before timelines
- provided employee wellbeing initiatives
- participated in R U OK? Day and delivered a session on bargaining with burnout
- delivered workshops to help employees maintain wellbeing in periods of peak demand
- delivered managing for team wellbeing training.

Our Employee Assistance Program (EAP) offers free, independent and confidential counselling for employees and their families. We encourage employees and managers to use the program to get professional and objective support, for work or personal matters, when required. We regularly promote the program in our internal communications. In 2022–23, four per cent of employees used the EAP, consistent with 2021–22. Most employees who used the program sought assistance for personal matters. We also provided monthly EAP wellness checks for five employees who were identified as being at greater risk due to the nature of their audit work.

Our Workplace Wellness Group was established to keep employees informed, connected and supported. They consider government and other relevant information and provide advice to the Office Executive on the Audit Office's COVID-19 response, illness prevention strategies, and wellbeing initiatives. They also provide updates to the organisation on illness prevention, and wellbeing tips and resources.

This year, seven employees attended mental health first aid refresher training. We have 17 accredited mental health first aiders who provide an avenue of support to colleagues who may be developing a mental health problem, experiencing a worsening existing mental health problem, or are in a mental health crisis. Our mental health first aiders meet every two months as part of a peer connect group.

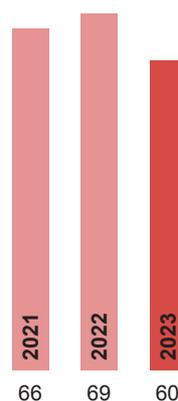
## Listening to our people

We were pleased that 83 per cent of employees agreed there were effective resources to support employee wellbeing. Our overall wellbeing score of 60 per cent was one per cent higher than the NSW public sector result but a decrease from the 69 per cent result in 2021–22. Other wellbeing results included:

- 59 per cent of employees felt they could keep their work stress at an acceptable level, consistent with 61 per cent in 2021–22
- 60 per cent of employees rated their general sense of wellbeing as seven out of ten or higher, up from 57 per cent last year
- 69 per cent of employees being neutral or agreeing they had not experienced burnout at work, a new measure this year.

Although we did not conduct our annual WHS survey this year (page 60), we did seek feedback from employees on work health and safety, and wellbeing matters via our Work Health and Safety Committee (page 60), our Workplace Wellness Group and our Flexible Work Practices Committee, providing our people with multiple avenues to raise concerns or make suggestions.

### Employee wellbeing\*



\* Results are provided from 2021 as we began using the People Matter Employee Survey to measure employee wellbeing from this time.

## Recreation Club

Helping our people find ways to connect and enjoy themselves at work and with colleagues is a continuing focus. The Audit Office supports the work of the Recreation Club (ReClub), a social organisation that is fully funded by employees. Run by a representative committee, and governed by a constitution, 44 per cent of employees were ReClub members at 30 June 2023, consistent with 45 per cent last year.

Each year, the ReClub organises events to foster connection and provide an environment for employees to have fun with their colleagues and meet new people. This year, the ReClub organised a variety of events, including:

- futsal – casual weekly games for staff
- Kind July – weekly member giveaway
- step challenge – a health event challenging staff to walk 10,000 steps daily. Employees worked in teams to get active and raised over \$4,300 for the Cerebral Palsy Alliance
- City2Surf run – subsidising entry fees for members
- OzHarvest fundraiser – collecting canned goods and raising money to support those in need
- Annual Dinner – following over a hundred years of tradition, employees dressed up, enjoyed a three-course meal and participated in a series of activities. This was the first in person Annual Dinner in three years.
- Launchies – a fun scavenger hunt event to welcome our new graduates, which all employees could participate in
- 'Happy Hour' celebrations including a movie night and trivia
- Australia's Biggest Morning Tea – our 16th participation raised over \$1,100 to support cancer research.

The ReClub is an integral part of Audit Office culture. It builds a bridge between different areas of the organisation by ensuring its members stay connected with each other through events and activities.



**Alison Brown,**  
Assistant Auditor-General,  
Financial Audit

'As a young girl, it never occurred to me that there were things that girls couldn't or shouldn't do. But I wasn't oblivious to how gender shaped women's prospects. My mother, a highly intelligent woman, was a stay-at-home mum. She had to leave her job when she married – that was the law back then. When the laws that prevented her generation of women from fair and equal opportunity were repealed, she encouraged her girls to aim high.

'But it has been a long journey. Prejudice is insidious. It surrounds us like the air we breathe. From the day you are dressed in pink and handed a toy doll, you are subconsciously conditioned and limited as to your future possibilities. That conditioning shapes and biases your belief system.

'After more than 40 years in the workforce, I'm still challenging that cultural norm. My goal is that by the time I leave the workforce, the face of the Audit Office will reflect the faces of the community we serve.

**'Glass (and other) ceilings will lie shattered around us, and we will loudly and proudly celebrate our differences knowing that diversity is our greatest strength.'**

# Work, health and safety

**0 notifiable incidents to Safe Work Australia**

**1 new workers' compensation claim**

## WHS injuries and incidents

In 2022–23, we reported two Work Health and Safety (WHS) related injuries to our workers compensation insurers, down from eight in 2021–22. Although one resulted in a workers' compensation claim, these injuries were not classified as notifiable incidents to Safe Work Australia.

One workers' compensation claim was closed during the year.

## Our WHS Committee is engaged and active

Under the *Work Health and Safety Act 2011*, the Audit Office is required to consult employees on matters pertaining to work health and safety. The Audit Office continues to do this through the WHS Committee. The committee is made up of six employee representatives, two management representatives and one coordinator. They meet quarterly and play a proactive role in WHS through:

- quarterly WHS internal inspections
- reviewing and monitoring key WHS risk indicators such as workplace injuries, employee leave and other statistics
- reviewing WHS policies, strategies and procedures
- developing initiatives to promote WHS awareness
- identifying WHS issues and risks, and recommending mitigations
- consulting with workgroups on WHS matters.

Along with our WHS Committee members, we have 17 mental health first aiders, 15 wardens and three first aid officers, all fully trained.

## Employee satisfaction with WHS is high

We use the NSW public sector People Matter Employee Survey results to measure employee satisfaction with WHS, which included some new health and safety measures this year. The Audit Office's overall health and safety survey score was 86 per cent, above the NSW public sector result of 69 per cent. Results include:

- 89 per cent of employees felt confident work health and safety issues raised would be addressed promptly, down from 96 per cent in 2021–22
- 83 per cent of respondents felt there were effective resources in the organisation to support employee wellbeing, down from 90 per cent in 2021–22.

We did not conduct our annual WHS survey this year, as our usual provider is no longer offering those services. We are in the process of finding a new provider.

## Working safely in a hybrid environment

Throughout 2022–23, we maintained our focus on ensuring employees work in a safe and sustainable way as we continued to work in a hybrid environment. In February 2023, staff were requested to complete the annual Working from Home Checklist and a revised Work Health and Safety eLearning module. Both help ensure our employee's home working environments are safe, and provide necessary information and training to employees to perform their work in a safe and healthy way.

Following a period of staff consultation led by our Workplace Wellness Group (page 58), the requirement for employees to be double COVID-19 vaccinated to attend head office, stakeholder premises or other Audit Office face-to-face events was removed in February 2023. Masks continued to be encouraged in situations where employees weren't able to maintain a safe distance from others, and hygiene kits were available for employees to use. As part of our safety obligations, we assessed each auditee site for safety, using our client site checklist.

We consulted with employees on a new Illness Prevention Strategy before implementing it in May 2023. The strategy sought to transition the organisation away from peak pandemic response measures toward long-term illness prevention measures and included guidance on physical distancing and good hygiene, information about our vaccination program (page 58) and other measures to reduce instance of illness in the workplace.

Through 2022–23, we continued to communicate with employees about government health advice and safety measures, wellbeing tips and resources, and avenues of support. Much of our WHS emphasis was on prioritising personal wellbeing before work, and quality before timelines.

Our Flexible Work Practices Model (page 16) guided how we worked, and employees agreed with their manager the right approach for themselves, their teams, and our auditees. We were pleased that 95 per cent of employees agreed they were satisfied with their ability to access and use flexible working arrangements (page 32).

With many people working from a variety of settings, we focused on ensuring that our physical working environments were safe and ergonomic. This included:

- requiring employees to complete an annual working from home checklist
- promoting workplace ergonomic tips in our weekly employee newsletter and on our digital noticeboards
- conducting six ergonomic assessments for employees who had an injury or experienced discomfort while working.

# Culture and diversity

66% of senior executives are women

54% of our employees' first language spoken was not English

## Celebrating and enabling diversity

We are committed to a diverse workplace that reflects a constantly changing external environment. By embracing the different contributions, perspectives and talents that make up our organisation, we create a culture of participation and respect, and increase innovation, creativity and performance.

Our employees come from more than 44 countries and speak 35 languages. In 2022–23, we recognised many cultural and diversity events such as Diwali, NAIDOC Week, Reconciliation Week, National Sorry Day, Mardi Gras, Wear it Purple Day, Persian New Year, Lunar New Year, Harmony Day, International Day of Older Persons, Eid and International Women's Day. These celebrations help us recognise the diversity of our workplace and encourage our employees to learn more about other cultures and groups. We also held our first meeting on developing an Audit Office Pride Network which was employee-led, with further developments in this space to come in 2023–24.

Our Diversity, Inclusion and Accessibility Framework provides an overarching platform to ensure meaningful employment opportunities at the Audit Office to people with diverse cultures, disabilities, genders and backgrounds. Our [Diversity, Inclusion and Accessibility Roadmap 2021–25](#) sits within this Framework.

We delivered mandatory cultural awareness training for all employees and continued to inform and educate employees in cross-cultural attitudes, practices, norms, behaviours and communications. We also rolled out respectful workplace refresher training. We continued to include diversity statements in our job advertisements, and build our diversity calendar with days of cultural significance and celebrations for diversity groups.

In the year ahead, we will investigate inclusive leadership development programs and opportunities to develop inclusive capabilities across the organisation. We will enhance diversity of thought via our Workforce Strategy (pages 15 and 35) and we will continue including diversity statements in our job advertisements, building our diversity calendar and promoting supplier diversity across our organisation.

## Gender diversity remains strong

The Audit Office has an ongoing commitment to support the growth and development of talented women, eliminate gender discrimination and remove barriers to equal participation. This year, the number of women as a percentage of our total full-time equivalent workforce was 57 per cent, consistent with 55 per cent last year. The representation of women in middle management was 44 per cent, consistent with 46 per cent last year. The percentage of women in senior executive roles also remained consistent at 66 per cent, compared to 65 per cent last year, exceeding our target. For the third year, 50 per cent of graduates recruited were women, consistent with our target. Some of our other key achievements include:

- managing remuneration to avoid gaps based on gender (page 35)
- establishing a Flexible Work Practices Committee (page 46)
- promoting flexible working practices in recruitment campaigns
- aligning paid parental leave entitlements to the *Government Sector Employment Act 2013* determination
- celebrating International Women's Day
- implementing a women's leadership networking program and hosting a workshop on setting leadership visions and building authentic relationships
- supporting nine women to participate in targeted female leadership training through our Women in Leadership program
- shortlisting at least one woman in 86 per cent of recruitment campaigns
- recognising Baby Loss Awareness, International Pregnancy and Infant Loss Awareness Month, and White Ribbon Day.

In the year ahead, we will remain focused on achieving gender equality by encouraging women to attend leadership events, supporting flexible working practices, conducting gender pay gap analysis and celebrating International Women's Day. We will also continue to promote female participation in leadership courses and internal leadership networking sessions.

| Number and gender of senior executive employees * |        | 2021–22   | 2022–23 |           |
|---|--------|-----------|---------|-----------|
| Band  | Female | Male      | Female  | Male      |
| Band four   | 1      | 0         | 1       | 0         |
| Band three  | 0      | 1         | 0       | 1         |
| Band two  | 4      | 2         | 4       | 3         |
| Band one  | 19     | 10        | 21      | 8         |
| <b>Total</b>                                      |        | <b>37</b> |         | <b>38</b> |

\* Audit Office executive staff employed at the equivalent of the NSW Public Service Senior Executive remuneration bands.

## Women in leadership %

2019

Middle management: 58 | Senior executive: 51



2020

Middle management: 54 | Senior executive: 57



2021

Middle management: 51 | Senior executive: 56



2022

Middle management: 46 | Senior executive: 65



2023

Middle management: 44 | Senior executive: 66



2024

TARGET: 50



### Key:

Middle management\*

Senior executive\*\*

\* Middle management includes audit leaders and corporate managers.

\*\* Senior executive includes directors and above in previous annual reports.

## Advancing disability inclusion

Our Disability Inclusion Action Plan is incorporated in our [Diversity, Inclusion and Accessibility Roadmap 2021–25](#). The plan seeks to meet the needs of people with a disability and to increase accessibility to information, services and the workplace. Some of our disability and inclusion achievements this year included:

- 100 per cent of new employees and managers completing disability awareness modules
- recognising International Day of People with Disability
- becoming a member of the Australian Network on Disability
- advertising for interns for our disability internship program
- developing an Easy English resource to assist citizens to contribute to an audit and understand how their information will be managed
- investigating options to audit the accessibility of our external documentation
- ensuring all new and updated eLearning modules and new training programs were fully accessible
- focusing on partnering with Australian enterprises that employ people with disabilities as part of our procurement guidelines
- ensuring all service information was available in accessible electronic formats
- increasing the accessibility of our external products by providing on the job accessibility training to some of our report teams and integrating alt-text descriptions in report development processes.

In 2023–24, we will continue recognising International Day of People with Disability, increasing the accessibility of our external products and delivering accessibility training. We will also:

- continue to implement a disability internship program
- continue to ensure all eLearning modules are accessible.

## Focus on Indigenous reconciliation

Through our Reconciliation Roadmap, we aim to take meaningful action to progress reconciliation. Based on the fundamental pillars of relationships, respect and opportunities we have committed to increasing employment of First Nations peoples, strengthening our community engagement and cultural competency, and ensuring our procurement policies align with the targets set out in the [Aboriginal Procurement Policy 2021](#).

Our key achievements this year have included:

- engaging an Aboriginal-owned business to roll out a face-to-face version of the Public Sector Commission's trauma-informed training package 'Everyone's Business: Learning about Stolen Generations' to 109 staff
- our First Nations Performance Audit Leader role's continued focus on designing and leading performance audits on significant issues impacting First Nations communities, providing advice across audits where First Nations issues are a key consideration, and providing strategic leadership in relation to our engagement strategy
- publishing a new intranet page 'Everyone's Business' which includes details of the cultural capability training program
- drafting a First Nations Engagement Strategy
- continuing our Indigenous internship program, with three interns successfully completing the program
- welcoming two previous Indigenous internship program interns onto our 2023 Graduate Program
- participating in an Indigenous women's mentoring program
- celebrating NAIDOC Week, and recognising National Reconciliation Week
- adding National Sorry Day to our diversity and events calendar
- continuing to deliver Aboriginal cultural competency training for all new employees
- continuing to deliver against our Reconciliation Roadmap
- engaging nine Aboriginal-owned businesses to provide us with \$127,000 of services
- applying to participate in the Senior Leaders Aboriginal Mentoring Program – an upward mentoring program where senior leaders are mentored by Aboriginal employees.

In the coming year, we will finalise our First Nations Engagement Strategy and First Nations audit program. We will remain focused on meeting our target for the procurement of goods and services from Aboriginal-owned businesses and we will aim to increase First Nations employment opportunities – particularly through our Indigenous internship program. We will also continue offering training to employees on the Stolen Generations.

## Multicultural Policies and Services Program (MPSP)

We respect the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies at 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 employees.

Our [Diversity, Inclusion and Accessibility Framework](#) provides a structure to help us ensure our people are representative of our community. Multicultural activities we have delivered under this framework in 2022–23 and planned for 2023–24 are outlined throughout this report.

# Community

## Managing the risks of modern slavery

This year, we continued to implement changes to address the *Modern Slavery Act 2018* requirements. The Act commenced on 1 January 2022 and requires NSW government agencies and local councils to take reasonable steps to ensure the goods and services they procure are not the product of modern slavery. The following controls help us to assess and address modern slavery risks in our operations and supply chains:

- a [Statement of Business Ethics](#), which sets out our expectations around suppliers managing the risk of modern slavery
- a Procurement and Contract Management Policy that requires all procurement over \$150,000 to include a modern slavery risk assessment, and encourages buyers to assess for heightened modern slavery risks
- a modern slavery risk assessment, which did not identify any high-risk areas based on products and services, or sector, industry, geographical and supply chain risks
- tenderers must articulate how they assess and address modern slavery risks in their operations and supply change in Request for Tender responses. Responses are evaluated by a committee to identify a preferred supplier
- our procurement and contract templates impose obligations on suppliers to take reasonable steps to ensure their goods and services are not the product of modern slavery
- mandatory training to build employee awareness.

## Meaningful community contributions

We recognise the positive contribution that volunteers can make to communities, and we encourage our employees to take one day of special leave each year to volunteer. By allowing employees time off to engage in volunteering activities, the Audit Office can invest in our local communities and have a meaningful impact

Our employees can choose causes to support with their time, or can access opportunities that are made available on the [NSW Government's volunteering website](#). Some sectors of society where volunteering activities are offered include:

- animal welfare
- children, youth and the elderly
- education and training
- environment
- health
- international aid / development
- welfare / community.

At the organisational level, our employees supported several fundraising initiatives for the community during the year including the September challenge for the Cerebral Palsy Alliance, an OzHarvest food drive to help people in need during the festive season, Australia's Biggest Morning Tea for the Cancer Council and Vinnies CEO Sleepout for homelessness services. Some teams used volunteer leave as an opportunity to give back to the community while also team building, with one team volunteering for a day at Foodbank NSW and ACT.

This year, we promoted our volunteering initiative to increase awareness and encourage participation. In 2023–24, we will further empower our people by identifying and promoting community organisations where employees can volunteer their time.



Stories that matter

**'The Audit Office has a volunteer leave program which allows staff to engage in community projects. During the year, my team and I took the opportunity to organise a group volunteering day.'**

'We spent our day at Foodbank NSW & ACT. We travelled to their warehouse in Western Sydney where we had a taste of the important work done for the community. We were tasked with sorting and packing produce and grocery items that Foodbank distribute to charity partners across the state. It was a great chance to give back to the community and build relationships within our audit team. We left the warehouse feeling tired but also satisfied with the work we had done. Altogether we labelled 972 kg of food, tipped 2,760 kg of produce, and boxed 14,364 cans which will go to support people in need.'

**Sean Barnard**  
Auditor 4

We also provide military leave to support employees who volunteer as part-time members of the Australian Defence Force. This year, we supported one employee who was [deployed to serve on Operation Resolute](#).

## Impacting social outcomes

This year, a number of our performance audit reports sought to improve social outcomes for the community including:

- [Student attendance](#) which examined how the NSW Department of Education is managing student attendance in NSW government schools to address poor student outcomes.
- [Planning and managing bushfire equipment](#) which assessed the effectiveness of the NSW Rural Fire Service (RFS) and local councils in planning and managing equipment for bushfire prevention, mitigation, and suppression.
- [New South Wales COVID-19 vaccine rollout](#) which examined NSW Health's contribution to the Australian Government led vaccine roll out in four Local Health Districts (LHDs) from 1 January to 31 December 2021, in particular the administration of two doses of vaccine to people aged 16 and over.
- [Coordination of the response to COVID-19 \(June to November 2021\)](#) which assessed the effectiveness of NSW government agencies' coordination of the COVID-19 response, with a focus on the Delta variant outbreak in the Dubbo and Fairfield Local Government Areas. The audit also considered relevant planning and preparation activities that occurred prior to June 2021 to examine how emergency management and public health responses learned from previous events.
- [Managing the affairs of people under financial management and/or guardianship orders](#) which assessed whether NSW Trustee and Guardian is effectively delivering public guardianship and financial management services in line with legislative requirements and standards.

Stories that matter



Major Ian Goodwin,  
Tenax in Fide\*

'I'm grateful and honoured to be able to serve our community as both the Deputy Auditor-General for New South Wales and also as an active Commissioned Officer in the Australian Army Reserve, where I have held leadership, operations, and strategic staff officer roles. During my time at the Audit Office, I have had the opportunity to serve on Australian Defence Force (ADF) operational deployments, including [Operation APEC 18 Assist](#), [Operation Bushfire 19-20 Assist](#), [Operation COVID-19 Assist](#) and most recently on [Operation Resolute](#). I am grateful for the support that I receive from the NSW public sector, the Audit Office and from my talented colleagues who never hesitate to step up when needed in order to allow me to fulfill these ADF duties. I am incredibly proud to be able to serve our community and work alongside dedicated public servants in both roles.'

**The values held by the Audit Office – “pride in purpose, curious and open minded, valuing people, contagious integrity and courage” – are very much aligned with the Australian Army’s values of – “service, courage, respect, integrity and excellence. Both are aligned with my own personal values of commitment to public service and serving our community”.**

\* 'Tenax in Fide' is the regimental motto of the 1st/15th Royal NSW Lancers, which is a cavalry regiment that Ian served in as the Officer Commanding for both A and B Squadron. It is a regiment that dates back to 1885 to the Sydney Light Horse Volunteers. It is Latin for 'Steadfast in Faith' and symbolises the unwavering loyalty to the ideals of service. It was the family motto of Lord Carrington, a former Governor of New South Wales and Honorary Colonel of the NSW Lancers, and was gifted to the Regiment by his wife.

# Financial performance

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## *Celebrating diversity*

### **Celebrating Eid-ul-Fitr**

The Audit Office is actively committed to building a culture of respect and inclusiveness. We value and embrace the diverse backgrounds, languages, experiences and perspectives of all our people.

We celebrated Eid-ul-Fitr in May 2023 with a face-to-face event, to bring our people together to learn about 'Sweet Eid' and the significance of it in the Muslim community.

Our office was transformed with decorations, food, music and even some henna art on the day.

Our organisers opened with a heartfelt welcome on how special and important it is to be able to share these celebrations with the office.



# Finances

We remain on target to break even over the medium-term

## Ahead of our break-even target due to deferred expenditure

The work of the Audit Office is largely self-funded from audit fees, paid by auditees, set to cover expenses while maximising value. Unlike private sector auditors, we aim to break even over the medium-term rather than profit. Over the four years to 2022–23, we achieved a cumulative surplus of \$4.8 million (excluding superannuation adjustments), exceeding our medium-term break-even target. As we rollout new systems, we are budgeting for a loss of \$2.2 million in 2023–24 and forecasting small losses in subsequent years, which will result in the Audit Office returning to its medium-term target of breaking even.

The defined superannuation liability to the Crown in the right of the State of New South Wales was transferred on 1 January 2022, following the Treasurer's approval. The transfer is consistent with the treatment of defined benefits superannuation across the rest of the NSW General Government Sector. The superannuation adjustments are reflected in our audited financial statements but are excluded from the information presented here so we can focus on our own performance.

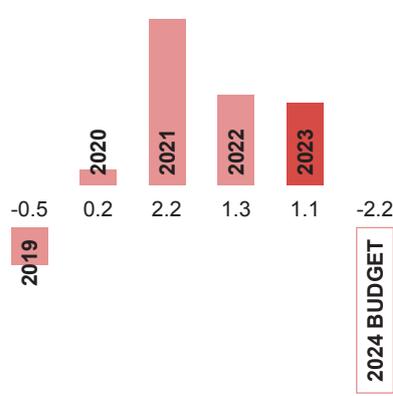
## Revenue and expenditure

Excluding audit scope adjustments resulting from events such as agency restructures and complex accounting issues, and bringing more financial audit work forward to smooth audit workload peaks, our revenue growth was less than three per cent. We earned revenue of \$62.2 million (\$56.4 million in 2021–22) from auditing the financial statements of state and local government entities and universities and providing other assurance activities like acquittals.

The NSW Government contributed \$12.2 million towards our performance audits and Auditor-General's Reports to Parliament. The NSW Government also provided \$1.2 million for three years to partially fund our data analytics capability. Our 2022–23 total expenditure was \$75.4 million, an 11.5 per cent increase from 2021–22. In addition to the annual escalation in costs, the increase was due to a conscious effort to employ more financial audit staff to meet increased workloads in our financial audits, our spend on the CoLab project as well as standing up a dedicated data analytics team.

### Operating result \$m

Excluding superannuation



# Financial position

## Our financial position is sound

At 30 June 2023, the Audit Office had a net asset position of \$19 million. We are a going concern as we have a sustainable level of working capital and we continue to generate net cash inflows from our operating activities.

Most of our assets and liabilities are of a financial rather than physical nature. Cash remains one of our largest assets, with \$15.1 million at 30 June 2023. Our assets also include \$8.8 million for the Crown agreeing to fund our employee's long service leave entitlements. This offsets the liability in our financial statements. We also have \$6.1 million in receivables from government entities and local councils for our auditing services, and we have recognised a right of use asset of \$9.2 million. The right of use asset relates to our leased premises, with the lease expiring in July 2029.

Our liabilities at 30 June 2023 were \$28.4 million, an increase of \$2 million from 30 June 2022. The increase is due to an increase in payables and accruals at year-end, and an increase in the Audit Office's long service liability.

## Solvency and debtor performance remains steady

Our current ratio at 30 June 2023 shows we had \$1.78 in current assets to meet every \$1 of current liabilities. This is slightly lower than last year's ratio and above our target of \$1.50. Being a largely self-funded entity that also funds its capital program, it is important the Audit Office has a healthy current ratio.

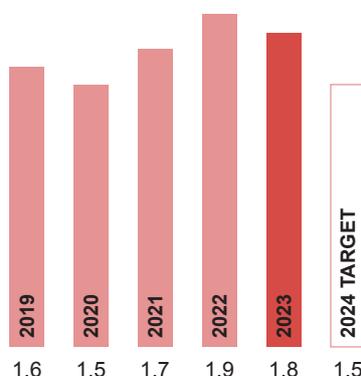
The average time to collect unpaid invoices was 16 days, consistent with 2021–22. Our target is 14 days, with timely payment by auditees important to ensure we have sufficient cash on hand to meet our liabilities. We continue to work with auditees to improve our processes and ensure they pay us within our 14-day terms.

## Our core business continues to generate net cash inflows

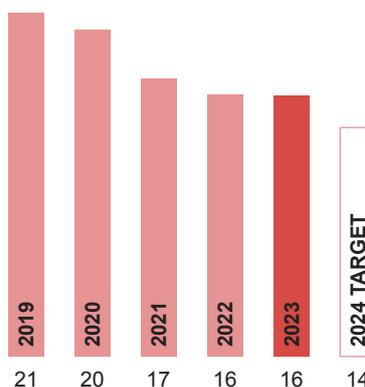
We generated \$4.3 million from our operating activities in 2022–23. As a self-funded organisation, it is important that we generate enough cash to fund our expenditure, capital works program and future investment in the organisation.

Under Australian Accounting Standards, the lease payments we make for our office accommodation are treated as a financing activity in the Statement of Cash Flows. If this was treated as an operating expense, our net cash inflows would have been \$2.7 million

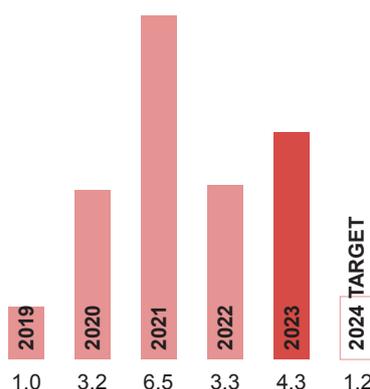
### Solvency – current ratio



### Debtor management – average days to collect



### Cash flows from operating activities \$million



## Timely supplier payments

During the year, we paid \$39.3 million to our suppliers and 99 per cent of payments were on time. Of this, \$2.4 million relates to small businesses where 99 per cent of payments were also on time. We are expected to pay all suppliers within 30 days unless the agreed contract terms state otherwise. The average time taken to pay all suppliers during the year was six calendar days from the receipt of a correctly rendered invoice. For small business suppliers, the average time taken to pay during the year was four calendar days from the receipt of a correctly rendered invoice. This is an improvement from the average of nine days taken to pay all suppliers in 2021–22. We continue to work on process improvements to further improve our average time.

## Interest on late payments

There were no interest payments during the year for overdue payments (2021–22: nil).

## Purchasing card certification

The Audit Office's Purchasing Card Policy was reviewed and updated in July 2023. The policy and controls we have in place are consistent with the requirements in Treasury Policy Paper TPP 21-02 Use and Management of NSW Government Purchasing Cards.

## The year ahead

In 2023–24, we will continue to:

- implement initiatives on our finance roadmap that are aimed at further enhancing the Audit Office's financial sustainability, ensuring we remain efficient and fiscally responsible
- improve our internal reporting capability by investing in business intelligence
- improve our contract administration by implementing a contract management solution.

# Key statistics

|  | 2018–19<br>\$'000 | 2019–20<br>\$'000 | 2020–21<br>\$'000 | 2021–22<br>\$'000 | 2022–23<br>\$'000 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Five-year trend</b>                   |                   |                   |                   |                   |                   |
| <b>Financial performance<sup>1</sup></b> |                   |                   |                   |                   |                   |
| Total revenue                            | 60,439            | 62,770            | 66,465            | 68,553            | 76,467            |
| Total expenses                           | 60,979            | 62,567            | 64,277            | 67,236            | 75,369            |
| Operating profit/(loss)                  | (540)             | 203               | 2,188             | 1,317             | 1,098             |
| <b>Financial position</b>                |                   |                   |                   |                   |                   |
| Total assets                             | 29,609            | 44,560            | 45,690            | 44,258            | 47,361            |
| Total liabilities                        | 76,113            | 93,730            | 70,063            | 26,359            | 28,364            |
| Accumulated funds                        | (46,505)          | (49,170)          | (24,373)          | 17,899            | 18,997            |
| <b>Solvency and debtor management</b>    |                   |                   |                   |                   |                   |
| Current ratio                            | 1.6               | 1.5               | 1.7               | 1.9               | 1.8               |
| Average days to collect debts            | 21                | 20                | 17                | 16                | 16                |

<sup>1</sup> Excludes defined superannuation scheme adjustments of \$417,000 in 2021–22.

|  | 2022–23<br>Budget<br>\$'000 | 2022–23<br>Actual<br>\$'000 | 2023–24<br>Budget<br>\$'000 <sup>2</sup> |
|--|-----------------------------|-----------------------------|--|
| <b>Performance against budget</b>  |                             |                             |  |
| <b>Revenue</b>   |                             |                             |  |
| Audit fees   | 57,100                      | 62,194                      | 66,125                                   |
| NSW government contributions   | 12,168                      | 13,405                      | 13,953                                   |
| Interest   | 51                          | 458                         | 203                                      |
| Other revenue  | 1,720                       | 410                         | 390                                      |
| <b>Total revenue</b>   | <b>71,039</b>               | <b>76,467</b>               | <b>80,671</b>                            |
| <b>Expenditure</b>   |                             |                             |  |
| Salaries and related expenses  | 45,177                      | 46,077                      | 50,288                                   |
| Other expenses including operating expenses, maintenance and finance costs | 8,515                       | 9,561                       | 8,760                                    |
| Audit Service Provider costs   | 15,150                      | 17,226                      | 20,720                                   |
| Depreciation and amortisation  | 2,728                       | 2,505                       | 2,692                                    |
| <b>Total expenditure</b>   | <b>71,570</b>               | <b>75,369</b>               | <b>82,460</b>                            |
| <b>Operating surplus/(loss)</b>  | <b>(531)</b>                | <b>1,098</b>                | <b>(1,789)</b>                           |

<sup>2</sup> Per the 2023–24 State Budget.

# Financial report

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## *Celebrating diversity*

### Harmony Week

Harmony Week is about inclusiveness, respect and belonging, which aligns with the Audit Office's commitment to building a culture that values and embraces the diverse backgrounds, languages, experiences, and perspectives of all our people.

This year, we celebrated Harmony Week with an afternoon tea, and invited our employees to share a dish that represents their cultural background.

We also encouraged them to come wearing their national dress or the colour orange – the colour for Harmony Week – which symbolises social communication and meaningful conversations, freedom of ideas and encouragement of mutual respect.



# Independent Auditor's Report

to the members of New South Wales Parliament



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## Independent Auditor's Report

To the Members of New South Wales Parliament

[Report on the audit of the financial report](#)

### Opinion

I have audited the financial report of the Audit Office of New South Wales (the Audit Office), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Auditor-General's declaration.

In my opinion, the accompanying financial report of the Audit Office is in accordance with the *Government Sector Finance Act 2018* (GSF Act):

- a giving a true and fair view of the Audit Office's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the GSF Act, the *Government Sector Finance Regulation 2018* and the Treasurer's Directions.

### Basis for opinion

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

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

ACN-130 913 594

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

The Auditor-General is responsible for the other information. The other information comprises the information included in the Audit Office's annual report for the year ended 30 June 2023, but does not include the financial report and my auditor's report thereon.

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

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

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

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

The Auditor-General is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Government Sector Finance Act 2018*. The Auditor-General's responsibility also includes such internal control as the Auditor-General determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

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

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

M A Adam-Smith  
Partner – Audit & Assurance

Sydney, 14 September 2023

# Statement by the Auditor-General for New South Wales

for the year ended 30 June 2023

Under section 7.6(4) of the *Government Sector Finance Act 2018* (GSF Act), I state that, in my opinion, the accompanying financial statements and notes thereto for the year ended 30 June 2023:

- have been prepared in accordance with the Australian Accounting Standards, the GSF Act, the Government Sector Finance Regulation 2018 and the Treasurer's Directions
- present fairly the financial position of the Audit Office of New South Wales as at 30 June 2023 and its financial performance and cash flows for the year then ended.



**Margaret Crawford PSM**  
**Auditor-General for New South Wales**

Sydney, 14 September 2023

# Statement of comprehensive income

for the year ended 30 June 2023

|  | Notes | 2022–23<br>Actual<br>\$'000 | 2022–23<br>Budget<br>\$'000 | 2021–22<br>Actual<br>\$'000 |
|--|-------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenue</b>   |       |                             |                             |                             |
| Rendering of services  | C1    | 62,194                      | 57,100                      | 56,433                      |
| NSW government contributions   | C1    | 13,405                      | 12,168                      | 11,760                      |
| Acceptance by the Crown of employee benefits and other liabilities     | C1    | 56                          | 56                          | 28                          |
| Other revenue  | C1    | 812                         | 1,715                       | 332                         |
| <b>Total revenue</b>   |       | <b>76,467</b>               | <b>71,039</b>               | <b>68,553</b>               |
| <b>Expenses</b>  |       |                             |                             |                             |
| Employee-related expenses  | C2    | 46,077                      | 45,177                      | 41,154                      |
| Operating expenses   | C3    | 26,562                      | 23,443                      | 23,534                      |
| Depreciation and amortisation  | C4    | 2,505                       | 2,728                       | 2,723                       |
| Loss on disposal of assets   |       | 2                           | –                           | 1                           |
| Finance costs  | E2.1  | 223                         | 222                         | 242                         |
| <b>Total expenses</b>  |       | <b>75,369</b>               | <b>71,570</b>               | <b>67,654</b>               |
| <b>Net result</b>  |       | <b>1,098</b>                | <b>(531)</b>                | <b>899</b>                  |
| <b>Other comprehensive income</b>                                      |       |                             |                             |                             |
| Items that will not be reclassified to net result in subsequent years: |       |                             |                             |                             |
| Superannuation actuarial (loss)/gain on liabilities                    | E3.2  | –                           | –                           | (850)                       |
| Superannuation actual return on Fund assets less interest income       | E3.2  | –                           | –                           | 2,789                       |
| <b>Total other comprehensive income</b>                                |       | <b>–</b>                    | <b>–</b>                    | <b>1,939</b>                |
| <b>Total comprehensive income</b>                                      |       | <b>1,098</b>                | <b>(531)</b>                | <b>2,838</b>                |

The accompanying notes form part of these financial statements.

# Statement of financial position

as at 30 June 2023

|                                      | Notes | 2022–23<br>Actual<br>\$'000 | 2022–23<br>Budget<br>\$'000 | 2021–22<br>Actual<br>\$'000 |
|--------------------------------------|-------|-----------------------------|-----------------------------|-----------------------------|
| <b>Assets</b>                        |       |                             |                             |                             |
| <b>Current assets</b>                |       |                             |                             |                             |
| Cash and cash equivalents            | D1    | 15,094                      | 12,225                      | 14,227                      |
| Receivables                          | D2    | 7,351                       | 5,962                       | 6,780                       |
| Work in progress                     | D3    | 1,908                       | 1,816                       | 943                         |
| Other current assets                 | D4    | 8,006                       | 8,150                       | 6,750                       |
| <b>Total current assets</b>          |       | <b>32,359</b>               | <b>28,153</b>               | <b>28,700</b>               |
| <b>Non-current assets</b>            |       |                             |                             |                             |
| Right of use assets                  | D5    | 9,237                       | 9,239                       | 10,756                      |
| Property, plant and equipment        | D6    | 3,770                       | 2,657                       | 3,235                       |
| Intangible assets                    | D6    | 1,205                       | 1,377                       | 899                         |
| Other non-current assets             | D4    | 790                         | 695                         | 668                         |
| <b>Total non-current assets</b>      |       | <b>15,002</b>               | <b>13,968</b>               | <b>15,558</b>               |
| <b>Total assets</b>                  |       | <b>47,361</b>               | <b>42,121</b>               | <b>44,258</b>               |
| <b>Liabilities</b>                   |       |                             |                             |                             |
| <b>Current liabilities</b>           |       |                             |                             |                             |
| Payables                             | E1    | 3,528                       | 2,657                       | 2,232                       |
| Borrowings                           | E2    | 1,698                       | 1,560                       | 1,614                       |
| Provisions                           | E3    | 12,634                      | 12,282                      | 11,246                      |
| Contract liabilities                 | E3.3  | 298                         | –                           | –                           |
| <b>Total current liabilities</b>     |       | <b>18,158</b>               | <b>16,499</b>               | <b>15,092</b>               |
| <b>Non-current liabilities</b>       |       |                             |                             |                             |
| Borrowings                           | E2    | 8,575                       | 8,269                       | 10,076                      |
| Provisions                           | E3    | 1,631                       | 1,190                       | 1,191                       |
| <b>Total non-current liabilities</b> |       | <b>10,206</b>               | <b>9,459</b>                | <b>11,267</b>               |
| <b>Total liabilities</b>             |       | <b>28,364</b>               | <b>25,958</b>               | <b>26,359</b>               |
| <b>Net assets</b>                    |       | <b>18,997</b>               | <b>16,163</b>               | <b>17,899</b>               |
| <b>Equity</b>                        |       |                             |                             |                             |
| Accumulated funds                    |       | 18,997                      | 16,163                      | 17,899                      |
| <b>Total equity</b>                  |       | <b>18,997</b>               | <b>16,163</b>               | <b>17,899</b>               |

The accompanying notes form part of these financial statements.

# Statement of changes in equity

for the year ended 30 June 2023

|   | Notes | Accumulated funds<br>Actual<br>\$'000 |
|---|-------|---------------------------------------|
| <b>Balance at 1 July 2021</b>                               |       | (24,379)                              |
| <b>Net result for the year</b>                              |       | 899                                   |
| <b>Other comprehensive income</b>                           |       |                                       |
| Superannuation actuarial loss and return on fund assets     | E3.2  | 1,939                                 |
| <b>Total comprehensive income for the year</b>              |       | <b>2,838</b>                          |
| <b>Transactions with owners in their capacity as owners</b> |       |                                       |
| Increase in net assets from equity transfers                | E3.2  | 39,440                                |
| <b>Balance at 30 June 2022</b>                              |       | <b>17,899</b>                         |
| <b>Balance at 1 July 2022</b>                               |       | <b>17,899</b>                         |
| <b>Net result for the period</b>                            |       | <b>1,098</b>                          |
| <b>Other comprehensive income</b>                           |       | –                                     |
| <b>Total comprehensive income for the year</b>              |       | <b>1,098</b>                          |
| <b>Transactions with owners in their capacity as owners</b> |       |                                       |
| Increase/(decrease) in net assets from equity transfers     |       | –                                     |
| <b>Balance at 30 June 2023</b>                              |       | <b>18,997</b>                         |

The accompanying notes form part of these financial statements.

# Statement of cash flows

for the year ended 30 June 2023

|  | Notes | 2022–23<br>Actual<br>\$'000 | 2022–23<br>Budget<br>\$'000 | 2021–22<br>Actual<br>\$'000 |
|--|-------|-----------------------------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>        |       |                             |                             |                             |
| <b>Receipts</b>                                    |       |                             |                             |                             |
| Rendering of services and government contributions |       | 82,997                      | 69,268                      | 76,021                      |
| Interest received                                  |       | 458                         | 51                          | 25                          |
| Other  |       | 351                         | 1,664                       | 276                         |
| <b>Total receipts</b>                              |       | <b>83,806</b>               | <b>70,983</b>               | <b>76,322</b>               |
| <b>Payments</b>                                    |       |                             |                             |                             |
| Employee-related                                   |       | (44,672)                    | (45,961)                    | (42,939)                    |
| Payments to Audit Service Providers                |       | (16,963)                    | (15,150)                    | (15,862)                    |
| Other  |       | (17,630)                    | (5,082)                     | (13,953)                    |
| Finance costs                                      |       | (223)                       | (204)                       | (242)                       |
| <b>Total payments</b>                              |       | <b>(79,488)</b>             | <b>(66,397)</b>             | <b>(72,996)</b>             |
| <b>Net cash flows from operating activities</b>    | D.1.1 | <b>4,318</b>                | <b>4,586</b>                | <b>3,326</b>                |
| <b>Cash flows from investing activities</b>        |       |                             |                             |                             |
| Purchases of property, plant and equipment         |       | (1,266)                     | (1,110)                     | (94)                        |
| Purchases of intangible assets                     |       | (564)                       | (1,109)                     | (551)                       |
| <b>Net cash flow used in investing activities</b>  |       | <b>(1,830)</b>              | <b>(2,219)</b>              | <b>(645)</b>                |
| <b>Cash flows from financing activities</b>        |       |                             |                             |                             |
| Payment of principal portion of lease liability    |       | (1,621)                     | (1,357)                     | (1,533)                     |
| <b>Net cash flows used in financing activities</b> |       | <b>(1,621)</b>              | <b>(1,357)</b>              | <b>(1,533)</b>              |
| <b>Net increase in cash</b>                        |       | <b>867</b>                  | <b>1,010</b>                | <b>1,148</b>                |
| Opening cash and cash equivalents                  |       | 14,227                      | 11,215                      | 13,079                      |
| <b>Closing cash and cash equivalents</b>           | D1    | <b>15,094</b>               | <b>12,225</b>               | <b>14,227</b>               |

The accompanying notes form part of these financial statements.

# Section 1: Basis of preparation and significant changes

Notes to and forming part of the financial statements for the year ended 30 June 2023

## A1. Reporting entity information

The Audit Office of New South Wales (the Audit Office) is a statutory authority, established under the *Government Sector Audit Act 1983*. The Audit Office conducts audits for the Auditor-General for New South Wales (the Auditor-General). The Auditor-General helps Parliament hold government accountable for its use of government resources. The Audit Office is a not-for-profit entity as profit is not its principal objective. Being a government entity that is controlled by the state of New South Wales, the Audit Office's financial statements are consolidated as part of the Consolidated State Financial Statements.

These financial statements for the year ended 30 June 2023 have been authorised for issue by the Auditor-General on 14 September 2023.

## A2. Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- Government Sector Finance Regulation 2018
- Treasurer's Directions issued under the GSF Act.

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

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

## A3. Going concern

As at 30 June 2023, the Audit Office had a net asset position of \$19 million (net asset position of \$17.9 million at 30 June 2022). The assumption that the Audit Office is a going concern is appropriate. The Audit Office's current ratio (solvency) is 1.78 at 30 June 2023 (1.90 at 30 June 2022) and the Audit Office has a healthy working capital ratio. The Audit Office also continues to generate positive cash flows from its operating activities and it has access to the NSW Government's overdraft facility, should it require short-term liquidity to pay its debts as and when they fall due.

## A4. Significant accounting judgements, estimates and assumptions

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

| Note | Item  | Key judgements/estimates  |
|------|---|---|
| C1   | Revenue   | We exercised judgement in recognising revenue over time, based on the actual costs of fulfilling our performance obligations related to providing audit services to auditees.                                       |
| D2   | Receivables   | We exercised judgement in assessing the expected credit losses (asset impairment).  |
| D3   | Other financial assets – Work in progress           | We exercised judgement in assessing the expected credit losses (asset impairment) from time worked on audit assignments that may not be recoverable.  |
| D5   | Right of use assets                                 | We exercised judgement in determining the useful life of the Audit Office's right of use asset, the lease term, the Audit Office's incremental borrowing rate, and whether the asset is impaired at reporting date. |
| D6   | Property, plant and equipment and intangible assets | We exercised judgement in determining the useful lives of all assets currently held and in use. We have also concluded that the written down value of physical assets approximates to their fair value.             |
| E2   | Lease liabilities                                   | We exercised judgement in determining the useful life of the Audit Office's right of use asset, the lease term and the Audit Office's incremental borrowing rate.   |
| E3   | Employee provisions                                 | We made assumptions about the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and current discount rates in measuring employee liabilities.                        |
| F2   | Financial instruments                               | We recognised the Audit Office's financial instruments at amortised cost because we believe it approximates their fair value because of their short-term nature.  |

## A5. Statement of compliance

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

## A6. Comparative information

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

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

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

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

The statement of cash flows reports cash movements on a gross basis. However, the GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

## A8. New Australian Accounting Standards

### (i) Changes in Australian Accounting Standards, including new or revised standards

During the year, several amendments applied for the first time. The amendments do not impact the preparation of the Audit Office's financial statements.

AASB 2022-3 'Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15' came into effect for reporting periods beginning on or after 1 July 2022. The amendment clarifies how to account for upfront fees and does not change the requirements of AASB 15. The Audit Office does not charge upfront fees and therefore this amendment did not have an impact on the financial statements.

AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments' came into effect for reporting periods on or after 1 January 2022. This standard amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141 as a consequence of the issuance of certain International Financial Reporting Standards. None of these amendments had an impact on the Audit Office's financial statements.

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

AASB 2020-1 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current' comes into effect for reporting periods beginning on or after 1 January 2023, as determined in AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'. The standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. Under this standard, a liability will be classified as non-current if an entity has the right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date' defers the mandatory effective date of amendments that were originally made in AASB 2020-1 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.

AASB 2022-6 'Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants' specified that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. AASB 2022-6 further defers the mandatory effective date of amendments that were originally made in AASB 2020-1 and AASB 2020-6 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2024 instead of 1 January 2023.

We have assessed all Audit Office liabilities that are classified as current to be absent of a right to defer settlement for at least 12 months after the reporting period, thus we do not foresee the standard having a material impact on future financial statements. We will continue to assess and revisit this amendment closer to the effective date, ensuring that any requirement to reclassify the Audit Office's liabilities is appropriately applied.

AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates' comes into effect for reporting periods beginning on or after 1 January 2023. The standard amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2 Making Materiality Judgements. Aside from the changes to AASB 101, these relate to general amendments that are narrow-scope changes to update, simplify or clarify sections and wording of the standards. None of these have a material impact on the Audit Office's financial statements.

The amendment to AASB 101 'Presentation of Financial Statements' requires entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. We consider most of the accounting policies disclosed in the Audit Office's financial statements to be material and therefore do not expect this standard will result in significant changes to the Audit Office's financial statements.

AASB 17 'Insurance Contracts' comes into effect for reporting periods beginning on or after 1 January 2023. The standard supersedes AASB 4 'Insurance Contracts'. The standard does not apply to the preparation of the Audit Office's financial statements.

AASB 2022-8 'Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments' makes temporary consequential amendments to various Accounting Standards to permit public sector entities to continue to apply AASB 4 'Insurance Contracts' and AASB 1023 'General Insurance Contracts' to reporting periods beginning on or after 1 January 2023.

AASB 2022-9 'Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector' makes public-sector-specific modifications to AASB 17 and defers its application for public sector entities to 1 July 2026.

## A8. New Australian Accounting Standards (continued)

AASB 2022-7 'Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards' comes into effect for reporting periods beginning on or after 1 January 2023. AASB 2022-7 makes editorial corrections to AASB 7 'Financial Instruments: Disclosures', AASB 116 'Property, Plant and Equipment', AASB 124 'Related Party Disclosures', AASB 128 'Investments in Associates and Joint Ventures', AASB 134 'Interim Financial Reporting', AASB 1054 'Australian Additional Disclosures' and AASB 'Practice Statement 2 Making Materiality Judgements'. The amendments do not change the requirements of Australian Accounting Standards and will not have a material impact on future financial statements.

AASB 2022-10 'Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities' comes into effect for reporting periods beginning on or after 1 January 2024. AASB 2022-10 amends AASB 13 'Fair Value Measurement' to modify the application of AASB 13 in relation to non-financial assets of NFP public sector entities not held primarily for their ability to generate net cash inflows. This amendment will not have a material impact on future financial statements.

AASB 2023-1 'Amendments to Australian Accounting Standards – Supplier Finance Arrangements' comes into effect for reporting periods on or after 1 January 2024. The standard amends AASB 107 'Statement of Cash Flows' and AASB 7 'Financial Instruments: Disclosures' to require an entity to provide additional disclosures about its supplier finance arrangements. The amendment will not have a material impact on future financial statements.

AASB 2023-3 'Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2' comes into effect for reporting periods beginning on or after 1 January 2024. The standard amends AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' to clarify the criteria for classifying a liability as current or non-current and improve the information disclosed in financial statements about certain non-current liabilities with covenants. The amendment will not have a material impact on future financial statements.

As a broad principle, NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise.

## A9. Impact of COVID-19

In preparing the financial statements, we have considered both known and possible impacts of the COVID-19 pandemic. We have included disclosures about key assumptions and judgements, and any changes to these since the last reporting period. Specific things we considered when assessing the impact of COVID-19 on our financial statements include:

- any credit risk (expected credit losses) on our receivables and other financial and contractual assets
- the existence of any onerous contracts that would require us to recognise an immediate liability
- whether the Audit Office's right of use asset is impaired
- the impact on the remaining lives of our physical and intangible assets
- the existence of any contingent assets and contingent liabilities
- the direct impact of any NSW government announcements on our operations
- any changes to our liquidity risk
- any events after the reporting date
- the impact on the assumption that we remain a going concern.

COVID-19 has not had a material effect on the financial statements (2022: No material effect).

## A10. Events after the reporting period

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

# Section 2:

## Budget review

Notes to and forming part of the financial statements for the year ended 30 June 2023

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

### B1. Budget review

#### Net result

The net result of \$1.1 million was favourable to the budgeted net result by \$1.6 million. The main reasons for this include completing more audit work than originally budgeted, resulting in higher revenue. Additionally, the progress of some corporate projects were delayed, we underspent on the performance audit program, lower travel costs were incurred in delivering audits and we underspent on our learning and development program. We have carried forward the underspend on corporate projects and the performance audit program into our 2023–24 budget as this work is committed and must be completed.

Total revenue was \$5.4 million higher than budget largely because we recruited more audit staff than we had budgeted for and as a result we completed more audit work. Our Audit Service Providers also completed more work, which is offset by an equivalent increase in expenditure. Increasing interest rates have also had a favourable impact on our interest revenue.

Total expenditure was \$3.8 million higher than budget largely due to our Audit Service Providers completing more work than budgeted. We also incurred higher employee-related and contractor costs after making a conscious decision to operate above our budgeted headcount and bring forward our audit work.

#### Assets and liabilities

The Audit Office's total current assets of \$32.4 million at 30 June 2023 was \$4.2 million higher than the budgeted position of \$28.2 million. This variance is due to achieving a better than planned operating result and an underspend on our capital program. This contributed to a closing cash balance of \$15.1 million.

The Audit Office's total non-current assets was \$1 million higher than budget. Lower depreciation expense and the unbudgeted increase in the Audit Office's make good provision (which was capitalised as part of property, plant and equipment) contributed to this variance.

The Audit Office's total current liabilities was \$1.7 million higher than budget due to an increase in payables and accruals at year-end, and an increase in the Audit Office's long service leave liability. This liability is actuarially assessed each year and can change depending on the actuarial assumptions, such as the discount rate.

The Audit Office's total non-current liabilities of \$10.2 million at 30 June 2023 is \$0.7 million higher than budget largely due to the increase in the make good provision.

#### Cash flows

The Audit Office generated \$4.3 million of net cash inflows from its operating activities which was largely consistent with budget.

The Audit Office's net cash outflow from investing activities was significantly less than budget because of an underspend on the capital program. A portion of the planned spend has been deferred to 2023–24.

# Section 3:

## Our financial performance

Notes to and forming part of the financial statements for the year ended 30 June 2023

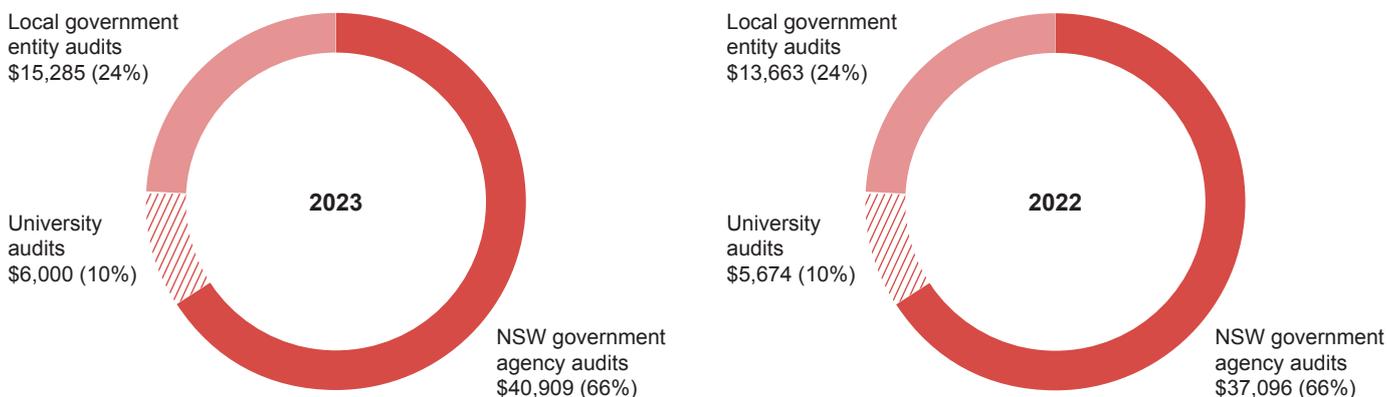
This section outlines the major areas of revenue and expenditure incurred by the Audit Office in the course of its normal operating activities.

### C1. Revenue

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| <b>(a) Rendering of services</b>  |                |                |
| Audit fee revenue from NSW government agency audits and other assurance engagements   | 40,909         | 37,096         |
| Audit fee revenue from university audits and other assurance engagements              | 6,000          | 5,674          |
| Audit fee revenue from local government entity audits and other assurance engagements | 15,285         | 13,663         |
|   | <b>62,194</b>  | <b>56,433</b>  |
| <b>(b) NSW government contributions</b>   |                |                |
| Funding for performance audits and compliance reviews                                 | 9,028          | 8,732          |
| Funding for the Auditor-General's Report to Parliament                                | 3,177          | 3,028          |
| Funding to develop data analytics capability  | 1,200          | –              |
|   | <b>13,405</b>  | <b>11,760</b>  |
| <b>(c) Other revenue</b>  |                |                |
| Interest income   | 458            | 25             |
| Recoupment of salaries and on-costs from staff secondments                            | 309            | 241            |
| Grant funding – twinning support to the Office of the Auditor-General Solomon Islands | 3              | 31             |
| Other   | 42             | 35             |
|   | <b>812</b>     | <b>332</b>     |
| <b>(d) Acceptance by the Crown of employee benefits and other liabilities</b>         |                |                |
| Superannuation – defined benefit  | 56             | 28             |

## C1. Revenue (continued)

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



## Recognition and measurement

The Audit Office's income is recognised in accordance with the requirements of either AASB 15 'Revenue from Contracts with Customers' or AASB 1058 'Income of Not-for-Profit Entities', dependent on whether there is a contract with a customer defined by AASB 15 'Revenue from Contracts with Customers'.

Comments regarding the accounting policies for the recognition of income are discussed below.

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

According to AASB 15 Revenue from Contracts with Customers, an entity must recognise revenue once they have satisfied a performance obligation. The Audit Office recognises audit fee revenue over time (as opposed to at a point in time).

In measuring the value of revenue (the transaction price), we apply the input methods approach under AASB 15. Revenue is recognised on the basis of actual time spent on an audit multiplied by the approved hourly charge-out rates, and all direct costs such as costs incurred by audit service providers for contracted out audits. An adjustment is made for any expected credit loss. Actual revenue on an audit is generally capped at the estimated fee quoted in the Annual Engagement Plan, unless there is an overrun that we believe is recoverable from the auditee. This approach is applied consistently across all audit engagements.

Auditees are invoiced progressively throughout the audit on 14-day terms.

### (ii) NSW government contributions

Revenue from the NSW Government is based on an agreed amount set through the annual State Budget process. The Audit Office recognises this revenue immediately upon receipt under AASB 1058 because there are no sufficiently specific performance obligations.

### (iii) Recoupment of salaries and oncosts

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

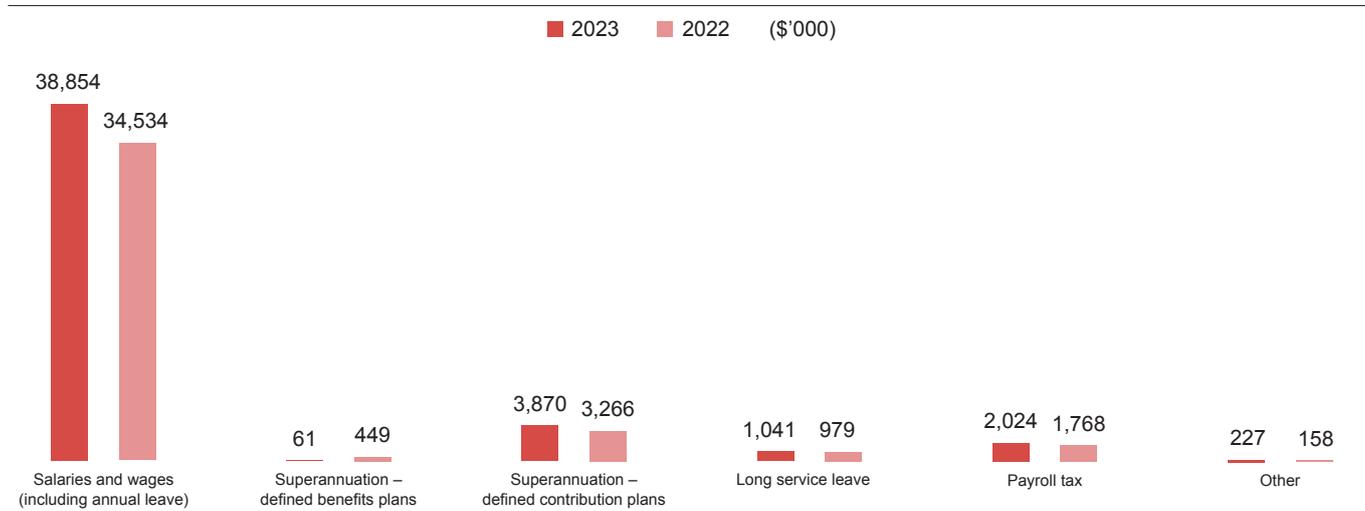
## Key judgements/estimates

We have determined that the performance obligation of delivering an audit is satisfied over time and not at a point in time. This is because an auditee simultaneously receives and consumes the benefits of the audit services. The conduct of an audit and related work does not create an asset with an alternative use to the Audit Office. The Audit Office also has an enforceable right to payment for work completed to date, as both the *Government Sector Audit Act 1983* and the *Local Government Act 1993* provide a legal basis to recover the cost of conducting audits of state, university and local government entities.

We have also determined the basis for recognising revenue over time is the same across all audit engagements. This is because all audits are priced on a cost recovery basis.

## C2. Employee-related expense

The Audit Office's employee-related expenses for the year totalled \$46,077,000 (2022: \$41,154,000). The chart below shows the split between the major components.



The Audit Office capitalised \$14,479 of employee-related expenses as an asset during the year (2022: Nil). This relates to time worked on the Audit Software Project.

### C2.1 Key management personnel remuneration

We have determined that members of the Office Executive are key management personnel (KMP) of the Audit Office. The Office Executive is made up of the Auditor-General, the Deputy Auditor-General, the four Assistant Auditors-General, the Executive Director, Finance and Performance and CFO, Executive Director, Corporate, Experience and Strategy and Executive Director, Professional Services. The Executive Director, Finance and Performance became a member of the Office Executive on 1 January 2023. We believe they have the authority and responsibility for planning, directing and controlling the activities of the Audit Office.

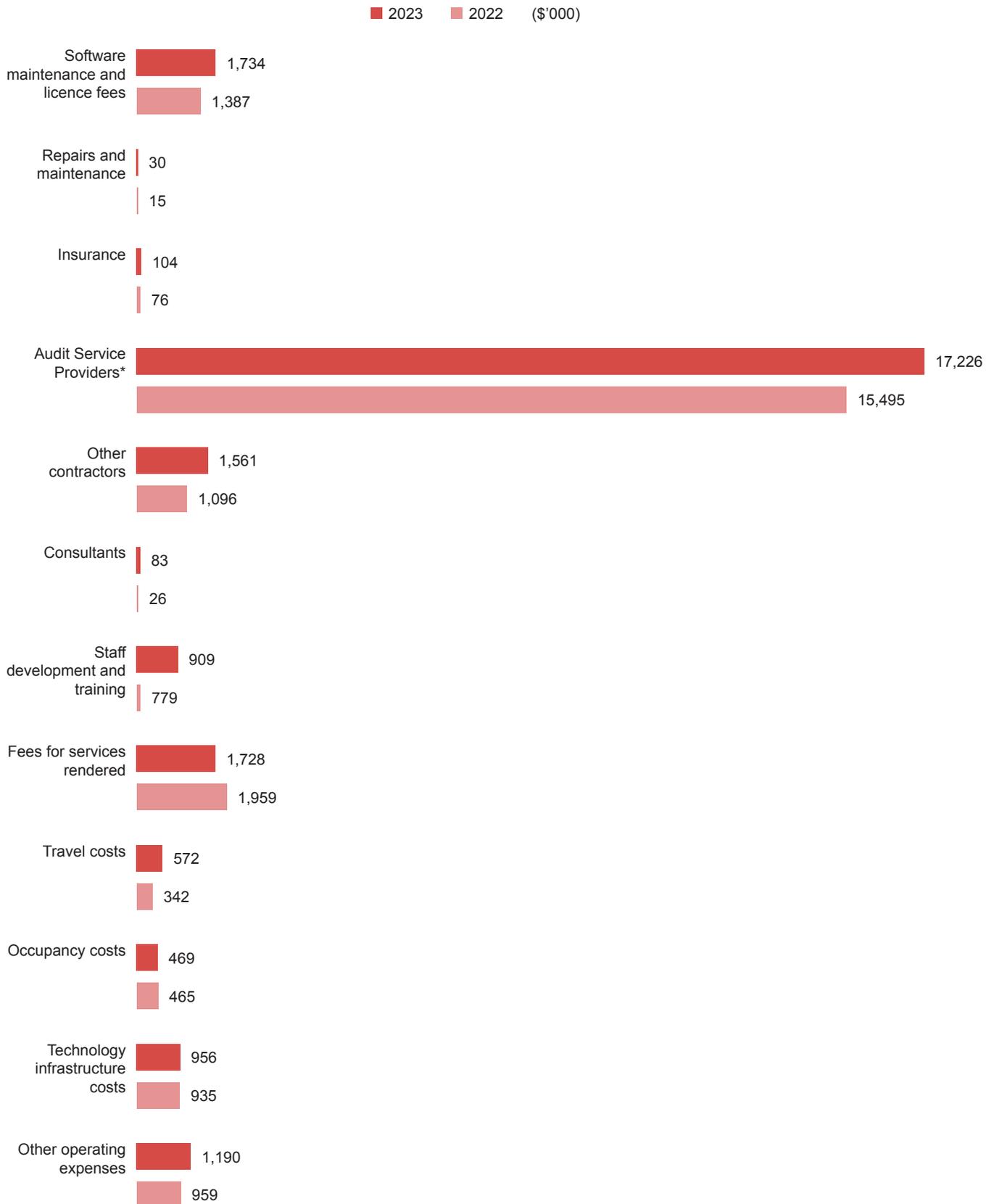
The Audit Office's key management personnel compensation is as follows:

|                                   | 2023<br>\$'000 | 2022<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Short-term employee benefits:     |                |                |
| Salaries                          | 2,917          | 2,620          |
| Other long-term employee benefits | 113            | 102            |
| Post-employment benefits          | 255            | 216            |
| <b>Total remuneration</b>         | <b>3,285</b>   | <b>2,938</b>   |

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

### C3. Operating expenses

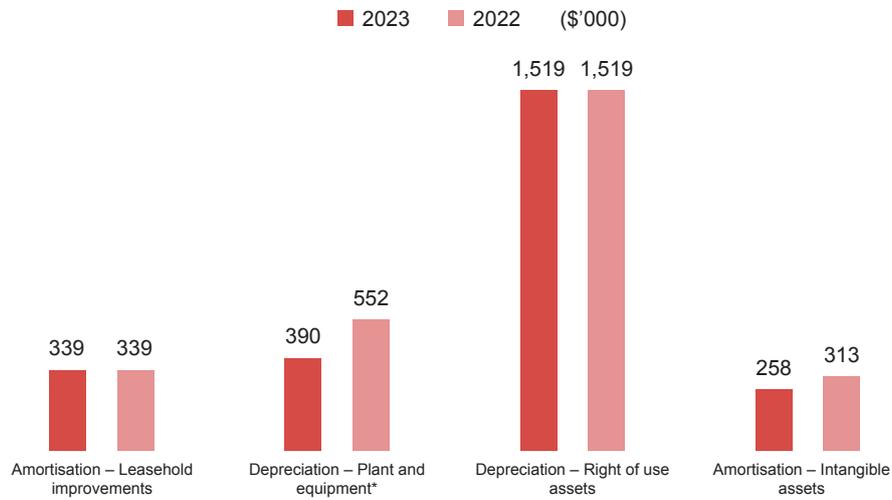
The Audit Office's operating expense for the year totalled \$26,562,000 (2022: \$23,534,000). The chart below shows the split between the major components of our expenditure.



\* The Auditor-General contracts out a number of financial audits to private sector audit firms. These firms are referred to as Audit Service Providers.

## C4. Depreciation and amortisation

The Audit Office's depreciation and amortisation expenses for the year totalled \$2,505,000 (2022: \$2,723,000). The chart below shows the split between the major components.



\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

# Section 4:

## Our assets

Notes to and forming part of the financial statements for the year ended 30 June 2023

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

### D1. Current assets – cash and cash equivalents

|              | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------|----------------|----------------|
| Cash at bank | 15,094         | 14,227         |

Cash comprises cash at bank within the NSW Treasury Banking System.

For the purposes of the statement of cash flows, cash and cash equivalents only includes cash at bank. The Audit Office does not hold cash on hand.

The Audit Office has a credit card facility of \$800,000 (2022: \$800,000) and we have used \$108,000 (2022: \$84,000) of the facility at reporting date. Aside from the credit card facility and access to the NSW Government's overdraft facility, the Audit Office has no other credit facilities.

#### Risk – Interest rate risk

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

#### Risk – Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its payment obligations when they fall due. The Audit Office continuously manages its liquidity risk through monitoring future cash flows, timely invoicing for services rendered and regular follow up of outstanding receivables. The cash position throughout the year has been consistently adequate, similar to the previous year, to meet all liquidity requirements.

### D1.1 Reconciliation of cash flows from operating activities to net results

Reconciliation of cash flows from operating activities to the net result as reported in the statement of comprehensive income

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| Net cash from operating activities                  | 4,318          | 3,326          |
| Depreciation and amortisation                       | (2,505)        | (2,723)        |
| Plant and equipment write-offs                      | (2)            | (1)            |
| Finance costs                                       | (223)          | (242)          |
| Impairment losses on assets                         | 91             | (82)           |
| (Increase)/decrease in provisions                   | (2,091)        | 1,111          |
| Increase/(decrease) in receivables and other assets | 3,104          | (1,428)        |
| (Increase)/decrease in creditors                    | (1,296)        | 938            |
| (Increase) in contract liabilities                  | (298)          | –              |
| <b>Net result</b>                                   | <b>1,098</b>   | <b>899</b>     |

## D2. Current assets – receivables

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| Audits and other assurance services        | 6,058          | 5,763          |
| Less: Allowance for expected credit losses | –              | –              |
| <b>Total receivables</b>                   | <b>6,058</b>   | <b>5,763</b>   |
| Prepayments                                | 1,293          | 1,017          |
| <b>Total current receivables</b>           | <b>7,351</b>   | <b>6,780</b>   |

### Recognition and measurement – receivables

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

Because the Audit Office holds receivables with the objective of collecting the contractual cash flows, we subsequently measure receivables under AASB 9 Financial Instruments at amortised cost using the effective interest method, less any impairment. Since the receivables are also short-term in nature, the invoice amount is considered to be the amortised cost as the effect of discounting is immaterial.

### Impairment of financial assets

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

In accordance with NSW Treasury mandate, the Audit Office:

- applies a simplified approach in calculating ECLs
- uses the practical expedient of a provision matrix available under AASB 9 Financial Instruments.

The provision matrix is based on historical credit loss experience for trade receivables, subsequently adjusted for forward looking factors specific to the receivable.

When an ECL is recognised, the loss is recorded in the net result for the year. Where there is objective evidence of recovering an ECL, the reversal of the ECL is also recognised through the net result for the year.

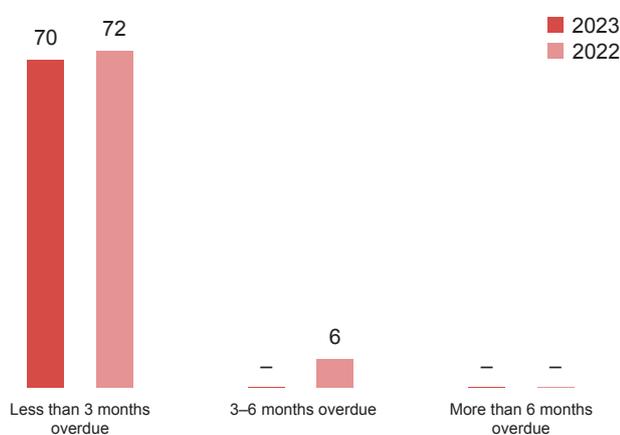
### Risk

#### Receivables – trade debtors

Credit risk is the risk of financial loss arising from a debtor defaulting on their contractual obligation, resulting in a financial loss to the Audit Office. This amount is equal to the total amount of receivables of \$6,057,000 (2022: \$5,763,000) and amounts recorded in work in progress of \$1,908,000 (2022: \$943,000). The Audit Office does not hold any collateral.

The Audit Office is not materially exposed to any concentrations of credit risk to a single debtor or group of debtors. We have policies and procedures in place to recover outstanding amounts in a timely manner. Most of our debtors are government departments, statutory authorities, universities and their controlled entities, and local councils who are all legislatively bound to pay for our audit services.

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



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

### Key judgements/estimates – receivables

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

The Audit Office has no expected credit losses (ECLs) for receivables as at 30 June 2023 because we believe all outstanding receivables are recoverable (2022: Nil). We take this position because all amounts owing are bound by engagement terms with our auditees, and we also have a legal right to recover the cost of our audit work. In the last five years, we have not written off any receivables.

The ageing profile of our debtors is shown in the chart below. As at 30 June 2023, no receivables were older than three months (2022: \$6,380).

### D3. Work in progress

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| Work in progress – unbilled charges on audit engagements | 2,567          | 1,693          |
| Less: Allowance for unrecoverable work in progress       | (659)          | (750)          |
|  | <b>1,908</b>   | <b>943</b>     |

### Recognition and measurement – WIP

Work in progress (WIP) represents work performed on audit engagements, where the Audit Office has not yet invoiced the auditee. This is largely made up of staff charges and work performed by Audit Service Providers. Staff charges are based on hours recorded against each audit multiplied by the approved hourly charge out rate. The Audit Office has a legally enforceable right to invoice for completed work.

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

### Risk

**Credit Risk** – We believe the Audit Office is exposed to minimal credit risk. The maximum exposure arises from an auditee defaulting on the amount due to the Audit Office, and the amount recorded as WIP.

Our audit directors closely review and monitor WIP on a monthly basis. WIP is also regularly monitored by the financial audit branch executive.

### Key judgements/estimates – WIP

We have reviewed WIP (unbilled staff charges and disbursements) on each engagement to assess its recoverability at reporting date. The figure recognised in the financial statements is net of any charge or disbursement we believe may not be recoverable.

In assessing the recoverability of WIP, we take into consideration a range of factors such as: the remaining budget versus forecasted effort to complete audit engagements; the historical cost for recurring audit engagements; historical write offs; audit inefficiencies; scope variations; and the potential to recover scope variations with additional fees.

### D4. Current/non-current assets – other

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| Crown acceptance of long service leave liability – current     | 8,006          | 6,750          |
| Crown acceptance of long service leave liability – non-current | 790            | 668            |
|  | <b>8,796</b>   | <b>7,148</b>   |

The 'Crown Acceptance of Long Service Leave Liability' represents the Audit Office's right to reimbursement for long service leave owed to employees from the Crown in the right of the state of New South Wales (the Crown). See Notes E3 and E3.2 for more details.

### D5. Right of use assets

|                                     | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Balance at 1 July                   | 10,756         | 12,275         |
| Additions                           | -              | -              |
| Depreciation expense                | (1,519)        | (1,519)        |
| <b>Net carrying amount</b>          | <b>9,237</b>   | <b>10,756</b>  |
| Net carrying amount represented by: |                |                |
| Cost (gross carrying amount)        | 15,186         | 15,186         |
| Accumulated depreciation            | (5,949)        | (4,430)        |
| <b>Net carrying amount</b>          | <b>9,237</b>   | <b>10,756</b>  |

## Recognition and measurement – right of use assets

### Acquisition

The Audit Office assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This ensures compliance with AASB 16 Leases, which requires a lessee to recognise a right of use asset for most leases.

The Audit Office recognises new right of use assets at the inception of the lease (most commonly when the underlying asset is available for use). Right of use assets are initially measured by reference to the initial measurement of the lease liability, and then adjusted for any lease payments made at or before the commencement date in addition to lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. Right of use assets are subsequently measured at cost.

The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the Audit Office's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The Audit Office has elected to recognise payments for short-term and low value leases as expenses on a straight-line basis, instead of recognising a right of use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value leases are those for assets with a fair value of \$10,000 or less when new.

In accordance with NSW Treasury's mandate, the Audit Office does not apply AASB 16 to the lease of intangible assets.

### Depreciation

Right of use assets are depreciated on a straight-line basis, over the shorter of either the lease term or estimated useful life of the assets.

### Impairment

Right of use assets are tested for impairment when an indicator of impairment exists. If any indication exists, or when annual impairment testing is required, the Audit Office estimates the recoverable amount of the right of use asset.

When the carrying amount of the right of use asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount by recognising an impairment loss in the net result.

After we recognise an impairment loss, it is reversed only if the assumptions used to determine the recoverable amount of the right of use asset has changed. The reversal is limited so that the carrying amount of the right of use assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had we not recognised an impairment loss in prior years.

## Key judgements/estimates – right of use assets

Because our office accommodation lease does not have an implicit interest rate, and because we do not borrow from the market, our lease liability was measured at inception using an incremental borrowing rate of 2.0 per cent. This rate was mandated by NSW Treasury and was based on NSW TCorp's bond rates. A revised discount rate is only applied when there is a change in the lease term or a change in the option to purchase the underlying asset. We have also applied the fixed, four per cent annual rental increments in measuring the asset.

In determining the value of the right of use asset and corresponding lease liability, we have excluded the non-lease components (such as outgoing and cleaning costs). We have also concluded that it is not reasonably certain that the Audit Office will exercise the option period of five years.

The decision to exclude the option period is based on factors such as: history; facts and circumstances that may create an economic incentive to exercise the option (such as the rents and terms and conditions); the expected life of the leasehold improvements; the cost of terminating the lease; and whether the underlying asset is a specialised asset. Because our office accommodation lease is not a specialised asset, and because there are no foreseeable economic incentives in relation to exercising the option, we do not believe it is reasonably certain that the Audit Office will exercise the five-year option. Therefore it has been excluded from the recorded right of use asset.

We have considered both internal and external factors in assessing whether our right of use asset is impaired. Internally, there is no evidence the asset is obsolete, damaged or does not meet our needs. While the current level of utilisation is lower than pre COVID-19, we believe we still need the entire floorspace to conduct our operations.

In terms of external factors, we have considered current market research by several real estate firms to compare our lease arrangement against current industry rental rates. We have also compared our lease arrangement with comparable leases executed over the last 12 months.

The current industry rental rates for prime office space in Sydney CBD, and lease incentives being offered by landlords, indicates that our right of use asset is not impaired. The net effective rent that we are paying per square metre is in line with prevailing industry rates for similar office space within similar locations.

**D6. Property, plant and equipment and intangibles**

| <b>2023:</b>  | <b>Leasehold<br/>improvements<br/>\$'000</b> | <b>Plant and<br/>equipment*<br/>\$'000</b> | <b>Intangible assets<br/>– software<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|--|--|--|-------------------------|
| <b>At 1 July 2022 – fair value</b>                                |  |  |  |                         |
| Gross carrying amount   | 3,509  | 2,271                                      | 6,030  | 11,810                  |
| Accumulated depreciation and amortisation                         | (1,110)                                      | (1,435)                                    | (5,131)  | (7,676)                 |
| <b>Net carrying amount<br/>as at 1 July 2022</b>                  | <b>2,399</b>                                 | <b>836</b>                                 | <b>899</b>   | <b>4,134</b>            |
| Additions   | 284  | 982  | 564  | 1,830                   |
| Depreciation and amortisation expense                             | (339)  | (390)                                      | (258)  | (987)                   |
| Disposals   | –  | (2)  | –  | (2)                     |
| <b>Net carrying amount<br/>as at 30 June 2023</b>                 | <b>2,344</b>                                 | <b>1,426</b>                               | <b>1,205</b>                                       | <b>4,975</b>            |
| <b>Net carrying amount as at<br/>30 June 2023 represented by:</b> |  |  |  |                         |
| Gross carrying amount   | 3,794  | 3,235                                      | 6,594  | 13,623                  |
| Accumulated depreciation and amortisation                         | (1,450)                                      | (1,809)                                    | (5,389)  | (8,648)                 |
| <b>Net carrying amount<br/>as at 30 June 2023</b>                 | <b>2,344</b>                                 | <b>1,426</b>                               | <b>1,205</b>                                       | <b>4,975</b>            |

\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

| <b>2022:</b>  | <b>Leasehold<br/>improvements<br/>\$'000</b> | <b>Plant and<br/>equipment*<br/>\$'000</b> | <b>Intangible assets<br/>– software<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|--|--|--|-------------------------|
| <b>At 1 July 2021 – fair value</b>                                |  |  |  |                         |
| Gross carrying amount   | 3,509  | 2,268                                      | 5,731  | 11,508                  |
| Accumulated depreciation and amortisation                         | (771)  | (973)                                      | (5,070)  | (6,814)                 |
| <b>Net carrying amount<br/>as at 1 July 2021</b>                  | <b>2,738</b>                                 | <b>1,295</b>                               | <b>661</b>   | <b>4,694</b>            |
| Additions   | –  | 94   | 551  | 645                     |
| Depreciation and amortisation expense                             | (339)  | (552)                                      | (313)  | (1,204)                 |
| Disposals   | –  | (1)  | –  | (1)                     |
| <b>Net carrying amount<br/>as at 30 June 2022</b>                 | <b>2,399</b>                                 | <b>836</b>                                 | <b>899</b>   | <b>4,134</b>            |
| <b>Net carrying amount as at<br/>30 June 2022 represented by:</b> |  |  |  |                         |
| Gross carrying amount   | 3,509  | 2,271                                      | 6,030  | 11,810                  |
| Accumulated depreciation and amortisation                         | (1,110)                                      | (1,435)                                    | (5,131)  | (7,676)                 |
| <b>Net carrying amount<br/>as at 30 June 2022</b>                 | <b>2,399</b>                                 | <b>836</b>                                 | <b>899</b>   | <b>4,134</b>            |

\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

## D6. Property, plant and equipment and intangibles (continued)

### Recognition and measurement – intangible assets

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

#### Research and development costs

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

#### Amortisation

All intangible assets are amortised using the straight-line method over a period of three to 12 years.

#### Impairment

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

### Key judgements/estimates – intangible assets

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

We have determined the useful lives of the Audit Office's intangibles to be between three to 12 years. The major software intangible assets are:

- audit methodology – 12 years (2022: nine years)
- audit software – seven years (2022: seven years)
- corporate management systems – seven years (2022: seven years)
- other computer software – three to five years (2022: three to five years).

Effective 1 March 2023, we increased the life of our audit methodology by three years. This change was made as the audit methodology will continue to be in use for the foreseeable future, but will be supported by a new audit software tool. This change will reduce the Audit Office's depreciation and amortisation expense by \$5,518 in 2022–23 and \$16,555 in 2023–24, and it will increase by \$2,972 in 2024–25, \$12,734 in 2025–26 and \$6,367 in 2026–27.

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

In line with AASB 138 Intangibles and supported by both NSW Treasury Guidance as well as the IFRS Interpretation Committee's pronouncement Configuration or Customisation Costs in a Cloud Computing Arrangement – IAS 38, the Audit Office expenses all costs incurred in implementing software as a service solutions.

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

### Recognition and measurement – plant and equipment

#### Acquisition of assets

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

#### Revaluation

Following their initial recognition at cost, leasehold improvements and plant and equipment assets are recorded at fair value less accumulated depreciation and impairment. The Audit Office applies the valuation guidelines outlined in the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction Valuation of Physical Non-Current Assets at Fair Value' (TD21-05). This policy applies the requirements of 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 all cases, after taking into account these considerations, the highest and best use of the Audit Office's assets is their existing use.

## D6. Property, plant and equipment and intangibles (continued)

### Depreciation

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

|                        | 2023                       | 2022                       |
|------------------------|----------------------------|----------------------------|
| Plant and equipment*   | 3–10 years                 | 3–10 years                 |
| Leasehold improvements | Over the term of the lease | Over the term of the lease |

\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

### Make good

The estimated cost for making good the Audit Office's leasehold premises is included in leasehold improvements to the extent it is recognised as a liability. See Note E3.1.

## Key judgements/estimates – plant and equipment

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

We review the useful lives of all assets annually, and assess whether there are any indicators of impairment. There were no changes to the useful lives of our plant and equipment assets (2022: Nil). Some of the factors considered when determining useful lives include: significant damages; technical obsolescence; the typical life cycle of similar assets; license and support arrangements; and the actual lives of similar assets currently or previously controlled by the Audit Office.

In determining the amortisation period for our leasehold improvements, we believe the improvements will have a life equal to the lease term of ten years. We believe the ongoing changes to the workplace environment, together with normal wear and tear, will render the improvements obsolete beyond this period.

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

# Section 5: Our liabilities

Notes to and forming part of the financial statements for the year ended 30 June 2023

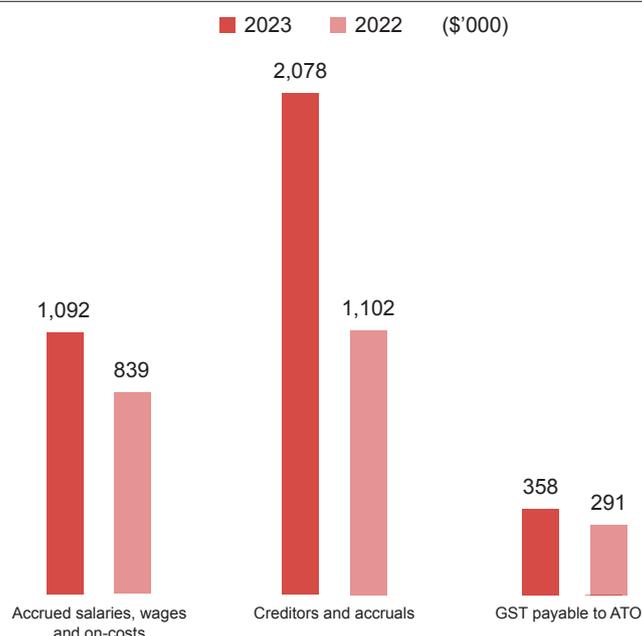
An essential characteristic of the Audit Office's liabilities is that a present obligation exists from past transactions or other past events. An obligation is a duty or responsibility to act or perform in a certain way. A future commitment (such as a decision by the Audit Office to acquire assets in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

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

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

## E1. Current liabilities – payables

The Audit Office's payables at 30 June 2023 totalled \$3,528,000 (2022: \$2,232,000). The chart below shows the split between the major components.



## Recognition and measurement – payables

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

The Audit Office recognises a liability for an amount due to be paid for goods or services received at or before the reporting date, irrespective of whether we have received an invoice or not.

For small business suppliers, where terms are not specified, the Audit Office pays no later than seven days from date of receiving a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made within 30 days.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid unless an existing contract specifies otherwise. For payments to other suppliers, the Audit Office may pay the supplier simple interest. The Audit Office paid no interest during the year for a late payment (2022: Nil).

## E1. Current liabilities – payables (continued)

### Risk

#### Liquidity risk

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

#### Maturity profile

All of the Audit Office's payables and accruals have a maturity of less than 12 months (2022: less than 12 months).

#### Market risk

The Audit Office has a small exposure to foreign currency risk and does not enter into commodity contracts. The Audit Office does purchase software licenses and cloud storage services in USD. These purchases are below the threshold in TPP21-14 'NSW Government Financial Risk Management Policy' and therefore are not hedged.

## E2. Borrowings – lease liabilities

The following table presents liabilities under leases.

|  | 2023<br>\$'000 | 2022<br>\$'000 |
|--|----------------|----------------|
| Opening balance at 1 July                      | 11,690         | 12,993         |
| Additions                                      | –              | –              |
| Interest expense                               | 204            | 230            |
| Payments                                       | (1,621)        | (1,533)        |
| <b>Total lease liabilities</b>                 | <b>10,273</b>  | <b>11,690</b>  |
| Lease liabilities – current                    | 1,698          | 1,614          |
| Lease liabilities – non-current                | 8,575          | 10,076         |
| <b>Total lease liabilities</b>                 | <b>10,273</b>  | <b>11,690</b>  |
| <b>Maturity analysis of lease liabilities:</b> |                |                |
| Less than 1 year                               | 1,798          | 1,764          |
| 1 to 5 years                                   | 9,522          | 9,342          |
| Greater than 5 years                           | 171            | 2,149          |
| <b>Total nominal amount *</b>                  | <b>11,491</b>  | <b>13,255</b>  |

\* The amounts disclosed are the contractual undiscounted cash flows. This includes both interest and principal cashflows and therefore will not reconcile to the amounts disclosed above as lease liabilities.

The following amounts were recognised in the statement of comprehensive income regarding leases where the Audit Office is the lessee:

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| Depreciation expense of right of use assets                             | 1,519          | 1,519          |
| Interest expense on lease liabilities                                   | 204            | 230            |
| Expense relating to short-term leases                                   | –              | –              |
| Expense relating to leases of low-value assets                          | 7              | 7              |
| <b>Total amount recognised in the statement of comprehensive income</b> | <b>1,730</b>   | <b>1,756</b>   |

The Audit Office recorded total cash outflows of \$1,831,000 for its leases (2022: \$1,770,000).

## Recognition and measurement – lease liabilities

The Audit Office's lease liabilities are measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the Audit Office's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is the rate an entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset, in a similar economic environment with similar terms, security and conditions.

Instead of recognising a right of use asset and lease liability for short-term and low value asset leases, the Audit Office recognises these payments as expenses on a straight-line basis. This is consistent with the NSW Treasury mandate, and the permitted recognition exemption in AASB 16 Leases.

## E1. Current Liabilities – payables (continued)

Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less.

The Audit Office's lease liabilities relate solely to its ten-year office accommodation lease at 201 Sussex Street, Sydney. The lease commenced on 1 August 2019 and will end on 31 July 2029, with a five-year renewal option in our favour. The annual rent increases by four per cent each year. The lease agreement does not impose any covenants on the Audit Office.

### Key judgements/estimates – lease liabilities

Because our office accommodation lease does not have an implicit interest rate, and because the Audit Office does not borrow from the market, we have measured the Audit Office's lease liabilities using an incremental borrowing rate of 2.0 per cent. This rate was mandated by NSW Treasury and was based on NSW TCorp's bond rates.

In estimating the Audit Office's lease liability, we have included the annual four per cent annual increases over the lease term. This is because the increases are fixed and known. We have excluded the five-year option period in our office accommodation lease, since it is not reasonably certain that we will exercise this option once the original term expires.

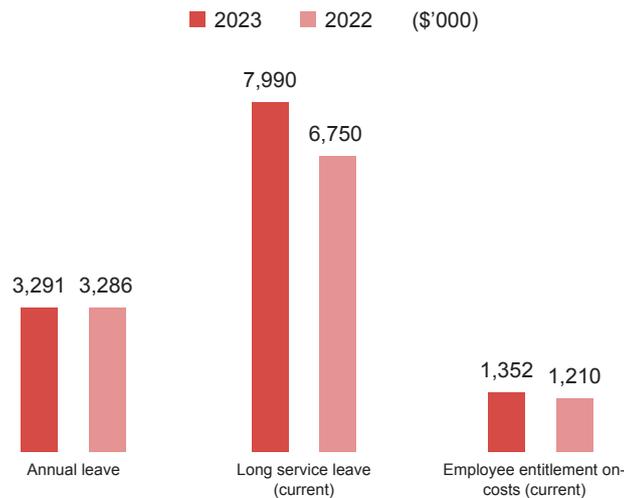
## E2.1 Finance costs

The finance costs for the year is made up of interest expense on lease liabilities amounting to \$204,000 (2022: \$230,000) and the unwinding of the make good provision's discount rate amounting to \$19,000 (2022: \$12,000), as disclosed in note E3.1.

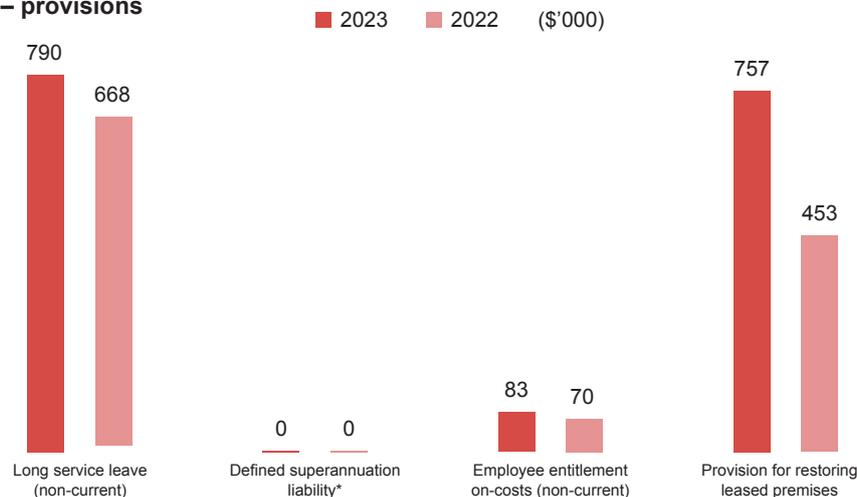
## E3. Current/non-current liabilities – provisions

The Audit Office's current provisions at 30 June 2023 totalled \$12,634,000 (2022: \$11,246,000) and its non-current provisions totalled \$1,631,000 (2022: \$1,191,000). The charts below show the split between the major components.

### Current liabilities – provisions



### Non-current liabilities – provisions



\* On 1 January 2022, with the concurrence of the NSW Treasurer, the defined superannuation liability was transferred to the Crown in the right of the State of New South Wales. See Note F1.

## E3. Current/non-current liabilities – provisions (continued)

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

#### Annual leave

The annual leave liability at 30 June 2023 was \$3,291,000 (2022: \$3,286,000). Of this liability, we expect to settle \$2,661,000 (2022: \$2,465,000) within the next 12 months and \$630,000 (2022: \$822,000) after 12 months.

#### Long service leave

The long service liability at 30 June 2023 was \$8,780,000 (2022: \$7,418,000). This liability comprises:

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| Short-term – expected to be settled within 12 months    | 425            | 328            |
| Long-term – not expected to be settled within 12 months | 8,355          | 7,090          |
|   | <b>8,780</b>   | <b>7,418</b>   |

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

The Audit Office made contributions of \$1,041,000 to the Crown's pool during the year (2022: \$1,025,000).

## Recognition and measurement – employee entitlements

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

Liabilities for salaries, including non-monetary benefits, are measured on an undiscounted basis because they are expected to be settled wholly within 12 months after the end of the period in which the employees render the service. Annual leave is accounted for as a long-term benefit and measured at its present value in accordance with AASB 119 Employee Benefits, because it is not expected to be settled wholly within the next 12 months.

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

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

### Long service leave

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

### 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.

### Superannuation

From 1 January 2022, the Audit Office's liability for defined benefit superannuation was assumed by the Crown. From this date, the Audit Office accounts for the liability as extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits and other liabilities' in Note C1.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Circular. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

## E3. Current/non-current liabilities – provisions (continued)

### Key judgements/estimates – employee entitlements

#### Annual leave

We have relied on actuarial advice obtained by NSW Treasury to conclude that the nominal annual leave balance plus annual leave entitlements accrued while taking annual leave, approximates the present value of the annual leave liability. We believe the effect of discounting is immaterial.

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

#### Long service leave

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

- discount rate of 4.03 per cent (2022: 3.66 per cent)
- future expected salary increases ranging from 2.71 per cent to 4.63 per cent (2022: 2.74 per cent to 3.62 per cent).

In determining the split between current and non-current, we have used 91 and nine per cent respectively. This is consistent with Treasury Circular TC21-03 Accounting for Long Service Leave and Annual Leave.

The Audit Office has recognised an asset for our right to reimbursement from the Crown, equal to the value of our long service leave liability. This is based on Treasury Circulars TC21-03 Accounting for Long Service Leave and Annual Leave and TC21-05 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements.

### E3.1 Other provisions

#### Restoration costs

In accordance with the lease agreement, the Audit Office is required to make good its leased premises at the end of the lease.

|   | 2023<br>\$'000 | 2022<br>\$'000 |
|---|----------------|----------------|
| Movements in the provision during the financial year are set out below: |                |                |
| Carrying amount at the beginning of financial year                      | 454            | 442            |
| Remeasurement of provision  | 284            | –              |
| Unwinding/change in the discount rate                                   | 19             | 12             |
| <b>Carrying amount at end of financial year</b>                         | <b>757</b>     | <b>454</b>     |

### Recognition and measurement – other provisions

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

### Key judgements/estimates – other provisions

During the year we engaged a quantity surveyor to re-measure the estimated cost to make good the Audit Office's leased premises. This resulted in the liability increasing by \$284,000. The estimated cost to make good the premises in today's dollars was adjusted by 2.75 per cent to the lease expiry date of July 2029, and then discounted using the long-term government bond rate of 2.9 per cent.

## E3.2 Superannuation

Up until 31 December 2021, the Audit Office was liable for the net defined benefit superannuation liability relating to current and former Audit Office employees. On 1 January 2022, with the concurrence of the NSW Treasurer, this liability was transferred to the Crown in the right of the State of New South Wales. See Note F1. The below details are relevant to the prior year comparatives only, given the transfer on 1 January 2022.

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

Audit Office employees are members of the following three schemes, all of which are combined into a separately administered fund known as the Pooled Fund.

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

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

### Regulatory Framework

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

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

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

### Valuations

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

### Governance

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

- 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
- compliance with other applicable regulations.

## E3.2 Superannuation (continued)

The following information has been prepared by the scheme actuary to reflect the position as at 31 December 2021. As disclosed in Note F1, the net liability was transferred to the Crown in the right of the State of New South Wales effective 1 January 2022.

### Reconciliation of the net defined benefit liability

|  | Present value<br>of obligation<br>\$'000 | Fair value of<br>plan assets<br>\$'000 | Net<br>amount<br>\$'000 |
|--|--|--|-------------------------|
| <b>At 1 July 2021</b>  | <b>(113,426)</b>                         | <b>72,467</b>                          | <b>(40,959)</b>         |
| Current service cost   | (112)                                    | –                                      | (112)                   |
| Interest (expense)/income  | (841)                                    | 533                                    | (308)                   |
| <b>(Expense)/income recognised in profit or loss</b>                     | <b>(953)</b>                             | <b>533</b>                             | <b>(420)</b>            |
| <b>Contributions by fund participants</b>                                |  |  |                         |
| Employers  | –  | –                                      | –                       |
| Plan participants  | (61)                                     | 61                                     | –                       |
|  | <b>(61)</b>                              | <b>61</b>                              | <b>–</b>                |
| <b>Remeasurements</b>  |  |  |                         |
| Actual return on Fund assets less interest income                        | –  | 2,789                                  | 2,789                   |
| Actuarial (gains)/losses arising from changes in demographic assumptions | –  | –                                      | –                       |
| Actuarial (gains)/losses arising from changes in financial assumptions   | 710                                      | –                                      | 710                     |
| Actuarial (gains)/losses arising from liability experience               | (1,560)                                  | –                                      | (1,560)                 |
| <b>Amount recognised in other comprehensive income</b>                   | <b>(850)</b>                             | <b>2,789</b>                           | <b>1,939</b>            |
| Benefits paid  | 3,277                                    | (3,277)                                | –                       |
| Taxes, premiums and expenses paid  | (500)                                    | 500                                    | –                       |
| <b>At 31 December 2021</b>   | <b>(112,513)</b>                         | <b>73,073</b>                          | <b>(39,440)</b>         |
| <b>Equity transfer to the Crown<br/>(1 January 2022 – see note F1)</b>   | <b>112,513</b>                           | <b>(73,073)</b>                        | <b>39,440</b>           |
| <b>At 30 June 2022</b>   | <b>–</b>                                 | <b>–</b>                               | <b>–</b>                |

## Fair value of Pooled Fund assets

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

The fair value of the Pooled Fund assets as at 31 December 2021 includes \$49.8 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100 per cent owned by the Pooled Fund with a fair value of \$353 million at 31 December 2021.
- Health Administration Corporation occupies part of a property 50 per cent owned by the Pooled Fund with a fair value (100 per cent interest) of \$503 million at 31 December 2021.

## Significant actuarial assumptions at the reporting/transfer date

| As at   | 31 December 2021  |
|---|---|
| Discount rate   | 1.68% p.a.  |
| Salary increase rate<br>(excluding promotional increases) | 2.74% pa 21/22 to 25/26; 3.2% p.a. thereafter   |
| Rate of CPI increase                                      | 2.50% for 21/22; 2.25% for 22/23 and 22/23; 2.50% for 23/24 and 24/25; 2.75% for 25/26; 26/27 and 27/28; 2.50% p.a. thereafter  |
| Pensioner mortality                                       | The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report when available from the Trustee's website. The report shows the pension mortality rates for each age. |

## E3.2 Superannuation (continued)

The economic assumptions adopted for 31 December 2021 AASB 1056 Accounting Standard 'Superannuation Entities' are:

### Weighted-average assumptions

|  |  |
|--|--|
| Expected rate of return on Fund assets backing current pension liabilities | 6.5% p.a.                                      |
| Expected rate of return on Fund assets backing other liabilities           | 5.7% p.a.                                      |
| Expected salary increase rate (excluding promotional salary increases)     | 2.74% p.a.21/22 to 25/26; 3.2% p.a. thereafter |
| Expected rate of CPI increase  | 2.0% p.a.                                      |

### Surplus/deficit

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

|                                 | 31 Dec 2021<br>\$'000 |
|---------------------------------|-----------------------|
| Accrued benefits*               | 62,924                |
| Net market value of Fund assets | (73,073)              |
| <b>Net surplus</b>              | <b>(10,149)</b>       |

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

### Recognition and measurement – defined superannuation liability

The cost of providing benefits under a defined benefit plan is determined using the projected unit credit method.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

### Risk

There are a number of risks to which the Audit Office was exposed to before the transfer of the liability. The more significant risks relating to the defined benefits were:

#### 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. The Fund has no significant concentration of investment risk.

#### 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 increases 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 legislative risk.

#### Asset-liability matching strategies

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

## E3.2 Superannuation (continued)

### Key judgements/estimates – defined superannuation liability

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

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

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

## E3.3 Contract liabilities

|                   | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------|----------------|----------------|
| Income in advance | 298            | –              |

# Section 6:

## Risk and other notes

Notes to and forming part of the financial statements for the year ended 30 June 2023

### F1. Equity

On 1 January 2022, the Crown in the right of the State of New South Wales accepted the net liability of \$39.4 million for the State defined benefit superannuation schemes. The liability relates to current and former Audit Office employees who are members of the schemes. The schemes are now closed to new members and employer contributions to the funds were suspended in 2005. The transfer of this liability follows the concurrence of the NSW Treasurer to transfer the liability under section 64 of the *Superannuation Act 1916*, section 46AC of the *State Authorities Superannuation Act 1987*, and section 27AB of the *State Authorities Non-Contributory Superannuation Act 1987*.

The transfer of the net liability, on a fully funded basis under AASB 1056 Superannuation Entities, has been treated as a contribution by owners. This is because the transfer was designated as such under TPP 21-08 Accounting Policy: Contributions made to wholly-owned Public Sector Entities. This treatment is also consistent with AASB 1004 Contributions and Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

The equity transfer was recognised at fair value. The scheme actuary performed a valuation as at 31 December 2021. See Note E3.2 for further details.

### F2. Financial instruments

The Audit Office's principal financial instruments are cash (Note D1), receivables (Note D2), WIP (Note D3), payables (Note E1) and lease liabilities (Note E2). These financial instruments arise directly from the Audit Office's operations. The Audit Office does not enter into or trade financial instruments for speculative purposes.

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

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

### F3. Capital commitments

The Audit Office has \$180,000 ex GST of capital contractual commitments as at 30 June 2023 (2022: \$652,950).

### F4. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities as at 30 June 2023 (2022: Nil).

### F5. Auditor's remuneration

In May 2021, the Governor appointed Mr Matthew Adam-Smith to audit the Audit Office's financial statements for a five-year period, commencing the year ended 30 June 2021. Mr Matthew Adam-Smith is a partner at Grant Thornton and he uses the firm's resources to complete the audit. The auditor's remuneration for auditing the 30 June 2023 financial statements is \$62,500 (2022: \$57,300).

While Mr Matthew Adam-Smith did not provide any other services during the year to the Audit Office, his firm did provide services as an Audit Service Provider. Grant Thornton is currently an Audit Service Provider on several financial audits. The Audit Office paid Grant Thornton \$1,655,000 for this work in 2022–23 (2022: \$1,529,000). No other services were provided by Grant Thornton.

Grant Thornton's appointment as an Audit Service Provider occurs through an open tender process. They have been appointed for a period of up to four years and conduct these audits under the control and direction of a director in our Financial Audit Branch. Mr Matthew Adam-Smith and the audit team are not involved in these audits.

## F6. Related party disclosures

### Transactions with NSW government agencies

During the year, the Audit Office provided audit and other assurance services to entities that are controlled by the NSW Government. These services were provided at arm's length based on agreed terms and using our standard charge rates and pricing approach. None of these transactions were individually significant. The total revenue received from NSW government agencies was \$40.9 million (2022: \$37.1 million). Of this amount, \$3.7 million (2022: \$3.9 million) is owed to the Audit Office at the reporting date.

The Audit Office also received funding of \$13.4 million (2022: \$11.8 million) from the Crown in the right of the State of New South Wales to fund the performance audit program, Auditor-General's Reports to Parliament and funding to build the Audit Office's data analytics capability. This funding is set through the annual State Budget process, together with any subsequent adjustments.

End of audited financial statements

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## *Celebrating diversity*

### **Wear It Purple Day**

On Friday 26 August, we celebrated Wear It Purple Day with a hybrid event and guest speaker, Peter de Waal, who spoke about the theme 'still me, still human' and what it meant to him. We encouraged employees to wear purple, and to reach out to our speaker and organisers if they feel passionate about the wellbeing and visibility of LGBTQIA+ communities.



# Financial audit entities, reviews and other related services

## Appendix one

### Customer Service

Board of Surveying and Spatial Information  
 Department of Customer Service (including Revenue NSW)  
 Digital Restart Fund Special Deposit Account  
 Independent Pricing and Regulatory Tribunal  
 Information and Privacy Commission NSW  
 Long Service Corporation  
 New South Wales Government Telecommunications Authority  
 NSW Architects Registration Board  
 Office of the Independent Review Officer  
 Rental Bond Board  
 Service NSW  
 State Insurance Regulatory Authority

### Education

Department of Education  
 NSW Education Standards Authority  
 NSW Skills Board  
 Technical and Further Education Commission

### Enterprise, Investment and Trade

Art Gallery of New South Wales Foundation  
 Art Gallery of New South Wales Trust  
 Australian Museum Trust  
 Combat Sports Authority of NSW  
 Department of Enterprise, Investment and Trade  
 Destination NSW  
 Greyhound Welfare and Integrity Commission  
 Historic Houses Trust of New South Wales  
     Foundation for the Historic Houses Trust of New South Wales  
     Foundation for the Historic Houses Trust of New South Wales Limited  
 Independent Liquor and Gaming Authority  
 Investment NSW  
 Jobs for NSW Fund  
 Library Council of New South Wales  
     Library Council of New South Wales Staff Agency  
 National Art School  
 New South Wales Institute of Sport  
 Office of Sport  
 Responsible Gambling Fund

State Archives and Records Authority of New South Wales  
     State Archives and Records Authority of New South Wales Staff Agency  
 State Library of New South Wales Foundation  
 State Sporting Venues Authority  
 Sydney Opera House Trust  
 The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)  
 The Brett Whiteley Foundation  
 Trustees of the Museum of Applied Arts and Sciences  
 Venues NSW  
 Western Parkland City Authority

### Health

Agency for Clinical Innovation  
 Albury Base Hospital  
 Ambulance Service of New South Wales  
 ANZAC Health and Medical Research (Foundation and Trust)  
 Bureau of Health Information  
 Cancer Institute NSW  
 Central Coast Local Health District  
 Clinical Excellence Commission  
 Far West Local Health District  
 Graythwaite Charitable Trust  
 Health Administration Corporation  
 Health Care Complaints Commission  
 Health Education and Training Institute  
 Health Infrastructure  
 Health Professional Councils Authority  
     Aboriginal and Torres Strait Islander Health Practice Council of New South Wales  
     Chinese Medicine Council of NSW  
     Chiropractic Council of NSW  
     Dental Council of NSW  
     Medical Council of NSW  
     Medical Radiation Practice Council of NSW  
     Nursing and Midwifery Council of NSW  
     Occupational Therapy Council of NSW  
     Optometry Council of NSW  
     Osteopathy Council of NSW  
     Paramedicine Council of New South Wales  
     Pharmacy Council of NSW  
     Physiotherapy Council of NSW  
     Podiatry Council of NSW  
     Psychology Council of NSW

HealthShare NSW  
     eHealth NSW  
     HealthShare NSW Service Centres  
 Hunter New England Local Health District  
 Ilawarra Shoalhaven Local Health District  
 Justice Health and Forensic Mental Health Network  
 Mental Health Commission of NSW  
 Mid North Coast Local Health District  
 Ministry of Health  
     Annual Prudential Compliance Statement  
     National Health Funding Pool - New South Wales State Pool Account  
 Murrumbidgee Local Health District  
 Nepean Blue Mountains Local Health District  
 New South Wales Health Foundation  
 Northern NSW Local Health District  
 Northern Sydney Local Health District  
 NSW Health Pathology  
 South Eastern Sydney Local Health District  
 South Western Sydney Local Health District  
 Southern NSW Local Health District  
 Sydney Local Health District  
     Sydney Local Health District Special Purpose Service Entity  
 The Sydney Children's Hospitals Network  
 Western NSW Local Health District  
 Western Sydney Local Health District

### Local Government

Albury City Council  
 Armidale Regional Council  
 Ballina Shire Council  
 Balranald Shire Council  
 Bathurst Regional Council  
 Bayside Council  
 Bega Valley Shire Council  
 Bellingen Shire Council  
 Berrigan Shire Council  
 Blacktown City Council  
     Blacktown Venue Management Limited  
 Bland Shire Council  
 Blayney Shire Council  
 Blue Mountains City Council  
 Bogan Shire Council  
 Bourke Shire Council  
 Brewarrina Shire Council  
 Broken Hill City Council  
 Burwood Council  
 Byron Shire Council  
 Cabonne Council  
 Camden Council  
 Campbelltown City Council  
 Canberra Region Joint Organisation  
 Canterbury-Bankstown Council  
 Carrathool Shire Council  
 Castlereagh Macquarie County Council  
 Central Coast Council  
     Central Coast Water Supply Authority  
 Central Darling Shire Council  
 Central NSW Joint Organisation  
 Central Tablelands County Council  
 Cessnock City Council  
 City of Canada Bay Council  
 City of Parramatta Council  
 Clarence Valley Council  
 Cobar Shire Council  
 Coffs Harbour City Council  
 Coolamon Shire Council  
 Coonamble Shire Council  
 Cootamundra-Gundagai Regional Council  
 Council of the City of Ryde  
 Council of the City of Sydney  
 Cowra Shire Council  
 Cumberland City Council  
 Dubbo Regional Council  
 Dungog Shire Council  
 Edward River Council  
 Eurobodalla Shire Council  
 Fairfield City Council  
 Far North West Joint Organisation  
 Far South West Joint Organisation  
 Federation Council  
 Forbes Shire Council  
 Georges River Council  
 Gilgandra Shire Council  
 Glen Innes Severn Council  
 Goldenfields Water County Council  
 Goulburn Mulwaree Council  
 Greater Hume Shire Council  
 Griffith City Council  
 Gunnedah Shire Council  
 Gwydir Shire Council  
 Hawkesbury City Council  
 Hawkesbury River County Council  
 Hay Shire Council  
 Hilltops Council  
 Hornsby Shire Council  
 Hunter Joint Organisation

|   |   |   |   |
|---|---|---|---|
| Hunter's Hill Council                   | Warren Shire Council  | Ombudsman's Office  | Luna Park Reserve Trust   |
| Illawarra Shoalhaven Joint Organisation | Warrumbungle Shire Council  | Parliamentary Counsel's Office                              | NSW Trains  |
| Inner West Council                      | Waverley Council  | Public Service Commission                                   | Parramatta Park Trust   |
| Inverell Shire Council                  | Weddin Shire Council  | <b>Regional NSW</b>   | Place Management NSW  |
| Junee Shire Council                     | Wentworth Shire Council   | Agricultural Scientific Collections Trust                   | Port Authority of New South Wales   |
| Kempsey Shire Council                   | Willoughby City Council   | Belgenny Farm Agricultural Heritage Centre Trust            | Royal Botanic Gardens and Domain Trust  |
| Kiama Municipal Council                 | Wingecarribee Shire Council   | Border Fence Maintenance Board                              | State Transit Authority of NSW  |
| Ku-ring-gai Council                     | Wollondilly Shire Council   | CB Alexander Foundation                                     | Sydney Ferries  |
| Kyogle Council                          | Wollongong City Council   | Coal Innovation NSW Fund                                    | Sydney Metro  |
| Lachlan Shire Council                   | Woollahra Municipal Council   | Department of Regional New South Wales                      | Sydney Trains   |
| Lake Macquarie City Council             | Yass Valley Council   | Fisheries Trust Funds                                       | Transport Asset Holding Entity of New South Wales   |
| Lane Cove Council                       | <b>Planning and Environment</b>   | Forestry Corporation of NSW                                 | Transport for NSW   |
| Leeton Shire Council                    | Aboriginal Housing Office   | Game and Pest Management Trust Fund                         | Transport Service of NSW  |
| Lismore City Council                    | Dunghutti Aboriginal Elders Tribal Council Trust                        | Local Land Services   | Western Sydney Parklands Trust  |
| Lithgow City Council                    | Biamanga National Park Board of Management                              | New South Wales Rural Assistance Authority                  | <b>Treasury</b>   |
| Liverpool City Council                  | Biodiversity Conservation Trust of New South Wales                      | NSW Food Authority  | Alpha Distribution Ministerial Holding Corporation  |
| Liverpool Plains Shire Council          | Catholic Metropolitan Cemeteries Trust                                  | Northern Rivers Reconstruction Corporation                  | Building Insurer's Guarantee Corporation  |
| Lockhart Shire Council                  | Cemeteries and Crematoria NSW   | Regional Growth NSW Development Corporation                 | City West Housing Pty Limited   |
| Maitland City Council                   | Cobar Water Board   | Rice Marketing Board for the State of New South Wales       | Crown Employees (NSW Fire Brigades Firefighting Staff Death & Disability) Superannuation Fund |
| Mid North Coast Joint Organisation      | Corporation Sole 'Minister Administering the <i>Heritage Act 1977</i> ' | Trustees of the Farrer Memorial Research Scholarship Fund   | NSW Fire Brigades Superannuation Pty Limited  |
| MidCoast Council                        | Crown Reserves Improvement Fund   | Veterinary Practitioners Board                              | Electricity Assets Ministerial Holding Corporation  |
| Mid-Western Regional Council            | Dams Safety NSW   | Wine Grapes Marketing Board                                 | Electricity Retained Interest Corporation - Ausgrid   |
| Moree Plains Shire Council              | Department of Planning and Environment                                  | <b>Stronger Communities</b>                                 | ERIC Alpha Holdings Pty Ltd   |
| Mosman Municipal Council                | Environment Protection Authority  | Crown Solicitor's Office                                    | Electricity Retained Interest Corporation - Endeavour   |
| Murray River Council                    | Environmental Trust   | Department of Communities and Justice                       | ERIC Epsilon Holdings Pty Ltd   |
| Murrumbidgee Council                    | Gulaga National Park Board of Management                                | John Williams Memorial Charitable Trust                     | Electricity Transmission Ministerial Holding Corporation                                      |
| Muswellbrook Shire Council              | Hunter and Central Coast Development Corporation                        | Fire and Rescue NSW   | Energy Industries Superannuation Scheme   |
| Nambucca Valley Council                 | Hunter Water Corporation  | Home Purchase Assistance Fund                               | EIF Pty Ltd   |
| Namoi Joint Organisation                | Independent Planning Commission   | Judicial Commission of New South Wales                      | Energy Industries Superannuation Scheme Pool A  |
| Narrabri Shire Council                  | Jenolan Caves Reserve Trust   | Legal Aid Commission of New South Wales                     | Energy Industries Superannuation Scheme Pool B  |
| Narrandera Shire Council                | Landcom   | Legal Profession Admission Board                            | Energy Investment Fund  |
| Narromine Shire Council                 | Lands Administration Ministerial Corporation                            | Legal Services Council                                      | Epsilon Distribution Ministerial Holding Corporation  |
| New England Joint Organisation          | Lord Howe Island Board  | Multicultural NSW   | Generator Property Management Pty Limited   |
| New England Weeds Authority             | Mutawintji Board of Management  | New South Wales Aboriginal Land Council                     | Home Building Compensation Fund   |
| Newcastle City Council                  | Natural Resources Access Regulator                                      | NSWALC Employment and Training Ltd                          | Insurance and Care NSW  |
| North Sydney Council                    | Natural Resources Commission  | NSWALC Resources Pty Ltd                                    | LGSS Pty Limited  |
| Northern Beaches Council                | Northern Metropolitan Cemeteries Land Manager                           | NSWALC Housing Ltd  | Liability Management Ministerial Corporation  |
| Northern Rivers Joint Organisation      | NSW Crown Holiday Parks Land Manager                                    | NSWALC Properties Pty Ltd                                   | Lifetime Care and Support Authority of New South Wales  |
| Oberon Council                          | New South Wales Land and Housing Corporation                            | Social Enterprise Finance Australia Limited                 | Macquarie University Professorial Superannuation Scheme                                       |
| Orana Joint Organisation                | Planning Ministerial Corporation  | New South Wales Crime Commission                            | Insurers' Guarantee Fund Investment Trust   |
| Orange City Council                     | Property NSW  | New South Wales Rural Fire Service                          | Long Service Corporation Investment Fund  |
| Parkes Shire Council                    | Rookwood General Cemeteries Reserve Land Manager                        | NSW Police Force  | NSW Generations (Debt Retirement) Fund Investment Trust                                       |
| Penrith City Council                    | Rookwood Necropolis Land Manager  | NSW Trustee and Guardian                                    | NSW Infrastructure Future Fund  |
| Port Macquarie-Hastings Council         | Southern Metropolitan Cemeteries Land Manager                           | NSW Trustee and Guardian Common Fund - Trustee              | Parliamentary Contributory Superannuation Fund Investment Trust                               |
| Port Stephens Council                   | Sydney Olympic Park Authority   | NSW Trustee and Guardian Common Fund - Financial Management | Snowy Hydro Legacy Fund Investment Trust  |
| Queanbeyan-Palerang Regional Council    | Sydney Water Corporation  | Office of the Ageing and Disability Commissioner            | Social and Affordable Housing NSW Fund Investment Trust                                       |
| Randwick City Council                   | Taronga Conservation Society Australia                                  | Office of the Children's Guardian                           | Sustainable Development (Infra) Fund  |
| Richmond Valley Council                 | Teacher Housing Authority of NSW  | Office of the Director of Public Prosecutions               | TCorpIM Absolute Return Multi-Asset Class Fund  |
| Riverina and Murray Joint Organisation  | Waste Assets Management Corporation                                     | Office of the NSW State Emergency Service                   | TCorpIM Alternative Risk Premia Fund  |
| Riverina Joint Organisation             | Water Administration Ministerial Corporation                            | Resilience NSW  | TCorpIM Australian Bond Fund  |
| Riverina Water County Council           | Water NSW   | The Trustees of the Anzac Memorial Building                 | TCorpIM Australian Inflation Linked Bond Fund   |
| Rous County Council                     | WaterNSW Infrastructure Pty Ltd   | <b>Transport and Infrastructure</b>                         | TCorpIM Australian Share Fund   |
| Shellharbour City Council               | Wentworth Park Sporting Complex Land Manager                            | Centennial Park and Moore Park Trust                        |   |
| Shoalhaven City Council                 | Worimi Conservation Lands Board of Management                           | Department of Transport                                     |   |
| Singleton Council                       | <b>Premier and Cabinet</b>  | Greater Sydney Commission                                   |   |
| Snowy Monaro Regional Council           | Department of Premier and Cabinet                                       | Infrastructure NSW  |   |
| Snowy Valleys Council                   | Independent Commission Against Corruption                               |   |   |
| Strathfield Council                     | Law Enforcement Conduct Commission                                      |   |   |
| Sutherland Shire Council                | New South Wales Electoral Commission                                    |   |   |
| Tamworth Regional Council               |   |   |   |
| Temora Shire Council                    |   |   |   |
| Tenterfield Shire Council               |   |   |   |
| The Hills Shire Council                 |   |   |   |
| Tweed Shire Council                     |   |   |   |
| Upper Hunter County Council             |   |   |   |
| Upper Hunter Shire Council              |   |   |   |
| Upper Lachlan Shire Council             |   |   |   |
| Upper Macquarie County Council          |   |   |   |
| Uralla Shire Council                    |   |   |   |
| Wagga Wagga City Council                |   |   |   |
| Walcha Council                          |   |   |   |
| Walgett Shire Council                   |   |   |   |

|   |   |  |
|---|---|--|
| TCorpIM Bank Loan Fund  | Charles Sturt University  | Bhd  |
| TCorpIM Cash Fund   | Charles Sturt Campus Foundation Trust                                     | UOW Malaysia KDU Penang University College Sdn Bhd             |
| TCorpIM Core Alternatives Fund  | Charles Sturt Campus Services Limited                                     | UOW Malaysia KDU University College Sdn Bhd                    |
| TCorpIM Defensive Alternative Fund                                    |   | UOW Pulse Ltd  |
| TCorpIM Developed Market Property Fund                                | Macquarie University  | UOWC Ltd   |
| TCorpIM Developed Markets Equities (Hedged) Fund                      | Access Macquarie Limited  | UOWD FZ-LLC (Dubai)  |
| TCorpIM Developed Markets Equities (Sovereign Investor - Hedged) Fund | Celosia Therapeutics Pty Ltd  | UOWD Ltd   |
| TCorpIM Direct Infrastructure Fund A                                  | COH Property Trust  | UOWGE Ltd  |
| TCorpIM Direct Investment Fund B                                      | Macquarie University Clinical Associates Limited                          | UOWM Sdn Bhd (Malaysia)  |
| TCorpIM Direct Investment Fund C                                      | Macquarie University Hong Kong Foundation Limited                         | University of Sydney   |
| TCorpIM Direct Investment Fund D                                      | Macquarie University Investment Company No. 3 Pty Limited                 | A14 Holdings Pty Ltd   |
| TCorpIM Direct Investment Fund E                                      | Macquarie University Property Investment Company Pty Limited              | Suzhou Xi Su Business Consulting Co                            |
| TCorpIM Direct Investment Fund F                                      | Macquarie University Property Investment Trust                            | United States Study Centre Limited                             |
| TCorpIM Direct Investment Fund G                                      | MGS Limited   | Westmead IVF Pty Limited                                       |
| TCorpIM Direct Investment Fund K                                      | MQ Health Pty Ltd   | University of Technology Sydney                                |
| TCorpIM Direct Investment Fund M                                      | MUH Operations Pty Ltd  | accessUTS Pty Limited  |
| TCorpIM Direct Investment Fund N                                      | MUPH Clinic Pty Limited   | AustLII Foundation Limited                                     |
| TCorpIM Direct Investment Fund P                                      | MUPH Hospital Pty Ltd   | Insearch Global Pty Ltd  |
| TCorpIM Direct Investment Fund Q                                      | U@MQ Limited  | Insearch Lanka (Private) Limited                               |
| TCorpIM Emerging Market Debt Fund                                     |   | Insearch Limited   |
| TCorpIM Emerging Market Share Fund                                    | Southern Cross University   | Insearch (Shanghai) Limited                                    |
| TCorpIM Global Credit Fund  | Southern Cross Campus Limited   | Insearch Education International Pty Limited                   |
| TCorpIM High Yield Fund   | Sydney Educational Broadcasting United States Study Centre                | Insearch India LLP   |
| TCorpIM Liquidity Cash Fund   | University of New England   | Sydney Educational Broadcasting Limited                        |
| TCorpIM Listed Property Fund  | Agricultural Business Research Institute                                  | UTS Beijing Ltd  |
| TCorpIM Long Term Growth Fund   | UNE Foundation  | UTS Global Pty Ltd   |
| TCorpIM Medium Term Growth Fund                                       | UNE Foundation Ltd  | UTS Research and Innovation Institute (Shenzhen) Co Ltd        |
| TCorpIM Middle Market Bank Loan Fund                                  | UNE Life Pty Ltd  | Western Sydney University                                      |
| TCorpIM Multi-Asset Class Fund  | UNE Partnerships Pty Ltd  | Western Growth Developments (Innovation Hub Paramatta) Pty Ltd |
| TCorpIM Opportunistic Fund A  | University of New South Wales   | Western Growth Developments (Westmead) Pty Ltd                 |
| TCorpIM Opportunistic Fund B  | Horizons Future Learning Pty Ltd  | Western Sydney University Early Learning Ltd                   |
| TCorpIM Opportunistic Fund C  | NewSouth Global India Pvt Ltd   | Western Sydney University Enterprises Pty Ltd                  |
| TCorpIM Opportunistic Fund D  | NewSouth Innovations Pty Limited  | Whitlam Institute Within Western Sydney University Limited     |
| TCorpIM Opportunistic Fund E  | NSW Minerals Industry/University of NSW Education Trust                   | Whitlam Institute Within Western Sydney University Trust       |
| TCorpIM Short Term Income Fund  | Qucor Pty Limited   |  |
| TCorpIM Unlisted Infrastructure Fund                                  | Scientia Clinical Research Ltd  |  |
| TCorpIM Unlisted Property Fund  | UK Foundation of UNSW Australia   |  |
| Treasury Managed Fund Investment Portfolio                            | University of New South Wales Press Limited                               |  |
| New South Wales Treasury Corporation                                  | University of NSW Foundation Limited                                      |  |
| NSW Generations (Community Services and Facilities) Fund              | University of NSW Foundation Trust  |  |
| NSW Generations (Debt Retirement) Fund                                | UNSW & Study Abroad - Friends and U.S. Alumni, Inc.                       |  |
| NSW Self Insurance Corporation  | UNSW Centre of Transformational Environmental Technologies (Yixing)       |  |
| Parliamentary Contributory Superannuation Fund                        | UNSW Global Pty Limited   |  |
| Trustees of the Parliamentary Contributory Superannuation Fund        | UNSW Hong Kong Foundation Limited   |  |
| Port Botany Lessor Pty Limited  | UNSW Hong Kong Limited  |  |
| Port Kembla Lessor Pty Limited  | UNSW Sino-Australia Innovative Technology & Education (Shanghai) Co. Ltd. |  |
| Port of Newcastle Lessor Pty Limited                                  | University of Newcastle   |  |
| Ports Assets Ministerial Holding Corporation                          | Newcastle University Sport  |  |
| Restart NSW   | NuServices Pty Ltd  |  |
| Roads Retained Interest Pty Ltd                                       | The Newcastle Australia Institute of Higher Education Pte Ltd             |  |
| SAS Trustee Corporation   | The University of Newcastle Research Associates Limited                   |  |
| SAS Trustee Corporation - Pooled Fund                                 | University of Wollongong  |  |
| Social and Affordable Housing NSW                                     | The Sydney Business School Pty Limited                                    |  |
| Sporting Injuries Compensation Authority                              | The University of Wollongong USA Foundation                               |  |
| TCorp Commonwealth Guarantee Fee                                      | UOW College Hong Kong Limited   |  |
| The Treasury  | UOW Malaysia College Sdn Bhd  |  |
| Total State Sector Accounts   | UOW Malaysia KDU College Sdn  |  |
| University of Sydney Professorial Superannuation System               |   |  |
| Workers Compensation (Dust Diseases) Authority                        |   |  |
| Workers Compensation Nominal Insurer                                  |   |  |
| <b>Universities</b>   |   |  |
| Austlii Foundation Limited  |   |  |

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**Audit-related services of an ongoing nature requested by the Treasurer, a minister or both Houses of Parliament under section 27B(3)(b)-(c) of the *Government Sector Audit Act 1983***


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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 or audit-related services to enable NSW public sector agencies to meet requirements under the *Corporations Act 2001* or the *Superannuation Industry (Supervision) Act 1993*

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Audit reports required by section 24 of the *Charitable Fundraising Act 1991* for NSW government agencies that conduct fundraising appeals

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Audit of financial reports for funds within the Special Deposits Account

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Audit or audit-related services requested by a NSW government agency in relation to information, reports of returns required to be provided by NSW government agencies under the terms of a contract, lease or agreements between the NSW government agency and third parties

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Audit of data returns or reports required under the Australian Government/State Agreement

---

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 universities' Higher Education Research Data Collection (HERDC) Return – Return 1 as required by Commonwealth funding arrangements and/ or agreements

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Audit of general-purpose financial statements of the:

- NSW Trustee and Guardian Common Fund – Trustee
  - NSW Trustee and Guardian Common Fund – Financial Management
- 

Audit of special purpose and trust funds for controlled entities of the Ministry of Health

---

Assurance engagement to report on Controls at a Service Organisation for HealthShare NSW and eHealth NSW

---

Audit of any Fisheries Trust Funds special purpose financial reports submitted by the Department of Regional NSW

---

Letters of comfort to interested parties of NSW Treasury Corporation regarding its domestic and offshore funding activities

---

Audit of the general-purpose financial statements of The Legislature. This is a request from both Houses of Parliament under section 27B(3)(b) of the *Government Sector Audit Act 1983*

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Assurance engagement to report on Controls over Managed Asset Portfolios for NSW Treasury Corporation

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Audit of the general-purpose financial statements of CWH Sydney South Ltd

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# Overseas visits

## Appendix two

| Staff member      | Date of travel   | Return date      | Destination     | Reason  |
|-------------------|------------------|------------------|-----------------|---|
| Furqan Yousuf     | 21 June 2023     | 12 July 2023     | Solomon Islands | Secondment to the Solomon Islands Office of the Auditor-General to assist in reducing the backlog of provisional government financial statement audits. |
| Margaret Crawford | 26 February 2023 | 4 March 2023     | Palau           | To attend Pacific Association of Supreme Audit Institutions Congress (PASAI) in Palau.  |
| Scott Stanton     | 25 February 2023 | 5 March 2023     | Palau           | To attend Pacific Association of Supreme Audit Institutions Congress (PASAI) in Palau.  |
| Andrew Anderson   | 22 November 2022 | 25 November 2022 | New Zealand     | To undertake the Executive Masters of Public Administration Course through the Australian and New Zealand School of Government (ANZSOG).                |
| Renee Meimaroglou | 20 November 2022 | 24 November 2022 | New Zealand     | To undertake the Executive Masters of Public Administration Course through the Australian and New Zealand School of Government (ANZSOG).                |

# Appearances before parliamentary committees

## Appendix three

| Date              | Committee                                 | Event  | Who   |
|-------------------|---|--|---|
| 7 September 2022  | Portfolio Committee 1                     | Budget Estimates   | <ul style="list-style-type: none"> <li>Margaret Crawford</li> <li>Ian Goodwin</li> </ul>  |
| 29 September 2022 | Public Accounts Committee                 | Examination of selected Auditor-General's Financial Audit Reports 2021         | <ul style="list-style-type: none"> <li>Margaret Crawford</li> <li>Ian Goodwin</li> <li>Scott Stanton</li> </ul>                         |
| 20 October 2022   | Public Accounts Committee                 | Briefing on Auditor-General's Reports to Parliament<br>23 June–20 October 2022 | <ul style="list-style-type: none"> <li>Margaret Crawford</li> <li>Ian Goodwin</li> <li>Alison Brown</li> <li>Andrew Anderson</li> </ul> |
| 15 June 2023      | Public Accountability and Works Committee | Inquiry into the NSW Government's use and management of consulting services    | <ul style="list-style-type: none"> <li>Margaret Crawford</li> <li>Ian Goodwin</li> <li>Claudia Migotto</li> </ul>                       |

# Submissions to professional bodies

## Appendix four

| Title   | Date             |
|---|------------------|
| <b>AASB – Australian Accounting Standards Board</b>   |                  |
| Fatal Flaw Review Version – AASB 2022-X 'Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector'  | 9 November 2022  |
| Fatal Flaw Review Version – AASB 2022-Y 'Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities'                             | 11 November 2022 |
| Invitation to Comment ITC 49 'Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors'  | 23 February 2023 |
| Invitation to Comment ITC 50 'Post-implementation Review – Income of Not-for-Profit Entities'   | 31 March 2023    |
| Invitation to Comment ITC 51 'Post Implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements' | 4 April 2023     |
| <b>IPSASB – International Public Sector Accounting Standards Board</b>  |                  |
| Consultation Paper 'Advancing Public Sector Sustainability Reporting'   | 8 September 2022 |
| Exposure Draft ED 84 'Concessionary Leases and Right-of-Use Assets In-Kind (Amendments to IPSAS 43 and IPSAS 23'  | 15 May 2023      |
| <b>AUASB – Australian Auditing Standards Board</b>  |                  |
| Discussion Paper 'Expanding Key Audit Matters beyond listed entities'   | 31 March 2023    |

# Modified auditor's opinions and conclusions

## Appendix five

We issued 60 modified auditor's opinions and conclusions on assurance engagements in 2022–23 (five modified audit opinions in 2021–22). We issued 1 special report noting the inability to conclude a request performance audit.

### Modified opinions on financial statements

| Agency   | Type of modification  | Reason for modification   |
|--|-----------------------|---|
| Water Administration Ministerial Corporation (the Corporation)<br><br>General purpose financial statements for the financial years ended 30 June 2011, 2012, 2013, 2014 and 2015 | Disclaimer of opinion | <p>Significant breakdown in governance and internal controls materially and pervasively impacted the completeness and reliability of financial reporting and recordkeeping of the Corporation.</p> <p>Consequently, the Acting Secretary of the Department of Planning and Environment was unable to assert in the Statement required under section 45F of the <i>Public Finance and Audit Act 1983</i> that the financial statements present a true and fair view of the Corporation's financial position and performance. Where management and those charged with governance cannot provide written representation that the financial statements contain all transactions, Australian Auditing Standards require a disclaimer of opinion to be issued.</p>  |
| Water Administration Ministerial Corporation (the Corporation)<br><br>General purpose financial statements for the financial year ended 30 June 2016                             | Disclaimer of opinion | <p>There were two matters which resulted in the disclaimer of opinion.</p> <p>For the first matter, significant breakdown in governance and internal controls in previous years materially and pervasively impacted the completeness and reliability of financial reporting and record keeping of the Corporation.</p> <p>Consequently, the Acting Secretary of the Department of Planning and Environment was unable to assert in the Statement required under section 45F of the <i>Public Finance and Audit Act 1983</i> that the financial statements for the year ended 30 June 2016 present a true and fair view of the Corporation's financial position and performance which resulted in the issue of a disclaimer of opinion. This disclaimer of opinion affected our ability to obtain sufficient appropriate audit evidence on the opening balances of financial statement line items in the Statement of Financial Position and the Statement of Changes in Equity at 1 July 2015.</p> <p>For the second matter, sufficient appropriate audit evidence was not available to support the completeness and valuation of water meter infrastructure assets and the completeness of Nimmie Caira buildings recorded in the Statement of Financial Position as at 30 June 2016, or determine the impact on the net result or total comprehensive income for the year ended 30 June 2016.</p> |
| Water Administration Ministerial Corporation<br><br>General purpose financial statements for the financial year ended 30 June 2017   | Qualified opinion     | <p>There were two matters which resulted in the qualified opinion.</p> <p>For the first matter, sufficient appropriate audit evidence was not available to support the completeness and valuation of water meter infrastructure assets and the associated impairment to the asset's fair value prior to the transfer of the assets to Water NSW on 1 July 2016.</p> <p>For the second matter, sufficient appropriate audit evidence was not available to support the completeness of Nimmie Caira buildings recorded in the Statement of Financial Position as at 30 June 2017.</p>   |

| Agency   | Type of modification  | Reason for modification   |
|--|-----------------------|---|
| Water Administration<br>Ministerial Corporation<br><br>General purpose financial statements for the financial year ended 30 June 2018  | Qualified opinion     | Sufficient appropriate audit evidence was not available to support the completeness of the Nimmie Cairra buildings recorded in the Statement of Financial Position as at 30 June 2018, and the associated impairment recognised in the Statement of Comprehensive Income for the year ended 30 June 2018.   |
| Kiama Municipal Council<br>(the Council)<br><br>General purpose financial statements for the financial year ended 30 June 2021   | Disclaimer of opinion | In the period leading up to the 30 June 2021 audit, the Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. This meant that sufficient appropriate audit evidence was not able to be obtained for significant balances and related note disclosures for the year ended 30 June 2021.<br><br>Additionally, Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the <i>Local Government Act 1993</i> , they were unable to certify as to the completeness and reliability of the financial statements taken as a whole for the year ended 30 June 2021. As a result, a disclaimer of opinion was issued.  |
| Consolidated Financial Statements of the New South Wales General Government and Total State Sectors  | Qualified opinion     | There was a limitation of scope on certain balances recognised in the Consolidated Financial Statements due to the inability to access management, books and records of a controlled entity, the Catholic Metropolitan Cemeteries Trust.<br><br>Therefore, sufficient appropriate audit evidence was not able to be obtained over the carrying amount of assets and liabilities recognised in the Consolidated Financial Statements as at 30 June 2022 and of the amount of income and expenses for the year then ended. Accordingly, a qualified opinion was issued.<br><br><a href="#">For further details refer to the Auditor-General's Report on State Finances 2022.</a>  |
| Bathurst Regional Council<br>Bega Valley Shire Council<br>Bellingen Shire Council<br>Bland Shire Council<br>Blayney Shire Council<br>Byron Shire Council<br>Cabonne Council<br>Carrathool Shire Council<br>Cessnock City Council<br>Clarence Valley Council<br>Coolamon Shire Council<br>Cootamundra-Gundagai Regional Council<br>Dungog Shire Council<br>Edward River Council<br>Federation Council<br>Forbes Shire Council<br>Glen Innes Severn Council<br>Greater Hume Shire Council<br>Griffith City Council<br>Hilltops Council<br>Junee Shire Council<br>Kempsey Shire Council<br>Lachlan Shire Council<br>Leeton Shire Council<br>(cont. over page) | Qualified opinion     | Forty-three councils received qualified audit opinions on their 2022 financial statements due to non-recognition of vested rural firefighting equipment as assets within 'Infrastructure, property, plant and equipment' in their Statement of Financial Position as at 30 June 2022.<br><br>These assets are controlled by the councils and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.<br><br>Rural firefighting equipment is controlled by councils as: <ul style="list-style-type: none"> <li>• these assets are vested in the council under section 119(2) of the <i>Rural Fires Act 1997</i> (Rural Fires Act), giving councils legal ownership</li> <li>• councils have the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural firefighting equipment by either not entering into a service agreement, or cancelling the existing signed service agreements</li> <li>• councils have specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. Councils obtain economic benefits from the rural firefighting equipment as these assets are used to fulfil councils' responsibilities. In the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the councils as an asset provided free of charge.</li> </ul> Of the 43 councils that received a qualified opinion: <ul style="list-style-type: none"> <li>• 40 councils did not undertake procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor had the councils performed procedures to identify the fair value of assets vested to them during the year. Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the councils' 30 June 2022 financial statements (cont. over page)</li> </ul> |

| Agency   | Type of modification | Reason for modification  |
|--|----------------------|--|
| Lockhart Shire Council<br>Mid-Western Regional Council<br>Moree Plains Shire Council<br>Murray River Council<br>Murrumbidgee Council<br>Queanbeyan-Palerang Regional Council<br>Snowy Monaro Regional Council<br>Snowy Valleys Council<br>Sutherland Shire Council<br>Tamworth Regional Council<br>Temora Shire Council<br>Tenterfield Shire Council<br>Tweed Shire Council<br>Upper Lachlan Shire Council<br>Wagga Wagga City Council<br>Warrumbungle Shire Council<br>Weddin Shire Council<br>Wollondilly Shire Council<br>Yass Valley Council | Qualified opinion    | <ul style="list-style-type: none"> <li>• 3 councils undertook procedures to confirm the fair value of this equipment, including assets vested in it during the year, but did not recognise these assets in their financial statements. This omission was material to their financial statements.</li> </ul> <p>Additionally, of the 43 councils:</p> <ul style="list-style-type: none"> <li>• 6 councils also did not recognise rural fire-fighting buildings located on land that is controlled and recognised by the council</li> <li>• 2 councils removed previously recognised rural firefighting equipment from their financial statements in 2021–22. These councils derecognised these assets through retained earnings, describing their previous treatment as an error. This treatment resulted in an additional qualification in the audit opinion.</li> </ul> <p>For more details refer to the Auditor-General’s <a href="#">Report on Local Government 2022</a>.</p> |

## Modified opinions and conclusions on other assurance engagements

| Agency  | Type of modification  | Reason for modification   |
|---|-----------------------|---|
| <p>Kiama Municipal Council</p> <p>Special purpose financial statements for the Council's Declared Business Activities for the year ended 30 June 2021</p>   | Disclaimer of opinion | <p>In the period leading up to the 30 June 2021 audit, the Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. This meant that sufficient appropriate audit evidence was not able to be obtained for significant balances and amounts for the year ended 30 June 2021.</p> <p>Additionally, councillors and management declared, in the Statement required by councillors and management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting, they were unable to certify as to the completeness and reliability of the special purpose financial statements taken as a whole for the year ended 30 June 2021. As a result, a disclaimer of opinion was issued.</p> |
| <p>Whitlam Institute within the Western Sydney University Trust</p> <p>Report on compliance with the requirements of the Public Ancillary Funds Guidelines 2011 for the year ended 31 December 2021</p>                                 | Qualified opinion     | <p>Except for one matter, the Trust materially complied with the requirements of the Public Ancillary Funds Guidelines 2011 (the Guidelines) for the year ended 31 December 2021. The Trust acquired collectible assets by way of a gift which have not been sold within 12 months of acquisition as required by clause 38 of the Guidelines, which resulted in a qualified opinion.</p>  |
| <p>Whitlam Institute within the Western Sydney University Trust</p> <p>Report on compliance with the Taxation Administration (Public Ancillary Fund) Guidelines 2022 for the year ended 31 December 2022</p>                            | Qualified opinion     | <p>Except for two matters, the Trust materially complied with the requirements of the Taxation Administration (Public Ancillary Fund) Guidelines 2022 (the Guidelines) for the year ended 31 December 2022.</p> <p>We identified the following which resulted in a qualified opinion:</p> <ul style="list-style-type: none"> <li>the Trust acquired collectible assets by way of a gift which have not been sold within 12 months of acquisition as required by clause 21(10) of the Guidelines.</li> <li>the Trust did not issue receipts for gifts received by the Trust's ultimate parent entity, Western Sydney University as required by clause 24 of the Guidelines.</li> </ul>   |
| <p>Electricity Retained Interest Corporation - Ausgrid (ERIC-A) Fund</p> <p>Audit of the payments from the Fund in accordance with the <i>Electricity Retained Interest Corporations Act 2015</i> for the year ended 30 June 2022</p>   | Qualified opinion     | <p>Except for a number of matters, payments from the Fund materially complied with the <i>Electricity Retained Interest Corporations Act 2015</i> (the Act).</p> <p>We identified the following which resulted in a qualified opinion:</p> <ul style="list-style-type: none"> <li>two instances were identified where payments were made from the Fund that did not comply with section 34(d) of the Act</li> <li>certain payments were made out of the Fund in excess of the amounts approved in the Treasurer's Standing Authorisations for 2021–22, which did not comply with section 34(d) of the Act.</li> </ul>   |
| <p>Electricity Retained Interest Corporation - Endeavour (ERIC-E) Fund</p> <p>Audit of the payments from the Fund in accordance with the <i>Electricity Retained Interest Corporations Act 2015</i> for the year ended 30 June 2022</p> | Qualified opinion     | <p>Except for a number of matters, payments from the Fund materially complied with the <i>Electricity Retained Interest Corporations Act 2015</i> (the Act). We identified certain payments were made out of the Fund in excess of the amounts approved in the Treasurer's Standing Authorisations for 2021–22, which did not comply with section 34(d) of the Act, which resulted in a qualified opinion.</p>  |
| <p>Ministry of Health</p> <p>Report on compliance with the prudential requirements of the Fees and Payments Principles 2014 (No.2) within the Annual Prudential Compliance Statement for the year ended 30 June 2022</p>                | Qualified opinion     | <p>Except for a number of matters, the Ministry materially complied with the Fees and Payments Principles 2014 (No.2) (the Principles) within the Annual Prudential Compliance Statement. We identified a number of instances of non-compliance with the Principles, which resulted in a qualified opinion.</p>   |

| Agency   | Type of modification     | Reason for modification  |
|--|--------------------------|--|
| <p>Social and Affordable Housing Fund</p> <p>Audit of the payments from the Fund in accordance with the <i>Social and Affordable Housing Act 2016</i> for the year ended 30 June 2022</p>  | <p>Qualified opinion</p> | <p>Except for a number of matters, payments from the Fund materially complied with the requirements of the <i>Social and Affordable Housing Act 2016</i> (the Act). We identified six payments were made from the fund under section 8(1) of the Act that exceeded the Treasurer's delegation under section 13 of that Act, which resulted in a qualified opinion.</p> |
| <p>Catholic Metropolitan Cemeteries Trust</p> <p>Financial and performance audit into the financial affairs of the Catholic Metropolitan Cemeteries Trust (CMCT) pursuant to section 27B(3) (c) of the <i>Government Sector Audit Act 1983</i></p> | <p>Special report</p>    | <p>Unable to conduct performance audit to conclude on the financial affairs of the CMCT as a result of not being provided access to CMCT's books and records relevant to the conduct of the audit.</p>   |

# Publications

## Appendix six

### Performance audit reports

| Report   | Entities audited   | Date released     |
|--|--|-------------------|
| <a href="#">Effectiveness of the Biodiversity Offsets Scheme</a>                   | <ul style="list-style-type: none"> <li>Department of Planning and Environment</li> <li>Biodiversity Conservation Trust</li> </ul>  | 30 August 2022    |
| <a href="#">Student attendance</a>   | <ul style="list-style-type: none"> <li>Department of Education</li> </ul>  | 27 September 2022 |
| <a href="#">New South Wales COVID-19 vaccine rollout</a>                           | <ul style="list-style-type: none"> <li>NSW Health</li> </ul>   | 7 December 2022   |
| <a href="#">Development applications: assessment and determination stages</a>      | <ul style="list-style-type: none"> <li>Department of Planning and Environment</li> <li>Byron Shire Council</li> <li>Northern Beaches Council</li> <li>The Hills Shire Council</li> </ul>             | 12 December 2022  |
| <a href="#">Coordination of the response to COVID-19 (June to November 2021)</a>   | <ul style="list-style-type: none"> <li>Department of Premier and Cabinet</li> <li>NSW Health</li> <li>NSW Police Force</li> <li>Resilience NSW</li> <li>Department of Customer Service</li> </ul>    | 20 December 2022  |
| <a href="#">Design and implementation of the Transport Asset Holding Entity</a>    | <ul style="list-style-type: none"> <li>Transport Asset Holding Entity</li> <li>Transport for NSW</li> <li>NSW Treasury</li> </ul>  | 24 January 2023   |
| <a href="#">Bushfire recovery grants</a>   | <ul style="list-style-type: none"> <li>Department of Regional NSW</li> <li>Resilience NSW</li> </ul>   | 2 February 2023   |
| <a href="#">Cyber Security NSW: governance, roles, and responsibilities</a>        | <ul style="list-style-type: none"> <li>Cyber Security NSW</li> </ul>   | 8 February 2023   |
| <a href="#">Government's acquisition of private property: Sydney Metro project</a> | <ul style="list-style-type: none"> <li>Sydney Metro</li> <li>Department of Planning and Environment (Valuer General NSW)</li> <li>Transport for NSW (the Centre for Property Acquisition)</li> </ul> | 9 February 2023   |
| <a href="#">Planning and managing bushfire equipment</a>                           | <ul style="list-style-type: none"> <li>NSW Rural Fire Service</li> </ul>   | 27 February 2023  |
| <a href="#">Government advertising 2021–22</a>                                     | <ul style="list-style-type: none"> <li>TAFE NSW</li> </ul>   | 28 February 2023  |

Continued next page

## Performance audit reports (continued)

| Report   | Entities audited   | Date released |
|--|--|---------------|
| <a href="#">NSW government agencies' use of consultants</a>  | <ul style="list-style-type: none"> <li>NSW Procurement Board</li> <li>NSW Procurement</li> <li>NSW Treasury</li> <li>Department of Communities and Justice</li> <li>Department of Customer Service</li> <li>Department of Education</li> <li>Department of Planning and Environment</li> <li>Department of Premier and Cabinet</li> <li>Department of Regional NSW</li> <li>Infrastructure NSW</li> <li>Sydney Metro</li> <li>Transport for NSW</li> </ul> | 2 March 2023  |
| <a href="#">Managing the affairs of people under financial management and/or guardianship orders</a> | <ul style="list-style-type: none"> <li>NSW Trustee and Guardian</li> </ul>   | 18 May 2023   |
| <a href="#">Regulation and monitoring of local government</a>  | <ul style="list-style-type: none"> <li>Office of Local Government</li> </ul>   | 25 May 2023   |
| <a href="#">Financial Management and Governance in MidCoast Council</a>                              | <ul style="list-style-type: none"> <li>MidCoast Council</li> </ul>   | 16 June 2023  |
| <a href="#">Regulation of public native forestry</a>   | <ul style="list-style-type: none"> <li>Forestry Corporation of NSW</li> <li>NSW Environment Protection Authority</li> </ul>  | 22 June 2023  |
| <a href="#">Management of the Critical Communications Enhancement Program</a>                        | <ul style="list-style-type: none"> <li>NSW Telco Authority</li> </ul>  | 23 June 2023  |
| <a href="#">State heritage assets</a>  | <ul style="list-style-type: none"> <li>Department of Planning and Environment (Heritage NSW)</li> </ul>  | 27 June 2023  |

## Financial audit reports

| Report  | Date released    |
|---|------------------|
| <a href="#">Premier and Cabinet 2022</a>              | 24 November 2022 |
| <a href="#">Customer Service 2022</a>                 | 30 November 2022 |
| <a href="#">Education 2022</a>                        | 6 December 2022  |
| <a href="#">Health 2022</a>                           | 7 December 2022  |
| <a href="#">Regional NSW 2022</a>                     | 8 December 2022  |
| <a href="#">Stronger Communities 2022</a>             | 13 December 2022 |
| <a href="#">Planning and Environment 2022</a>         | 15 December 2022 |
| <a href="#">Enterprise, Investment and Trade 2022</a> | 19 December 2022 |
| <a href="#">Internal controls and governance 2022</a> | 20 December 2022 |
| <a href="#">Transport and Infrastructure 2022</a>     | 21 December 2022 |
| <a href="#">State Finances 2022</a>                   | 22 December 2022 |
| <a href="#">Treasury 2022</a>                         | 23 December 2022 |
| <a href="#">Universities 2022</a>                     | 31 May 2023      |
| <a href="#">Natural disasters</a>                     | 1 June 2023      |
| <a href="#">Local Government 2022</a>                 | 13 June 2023     |

## Request audit reports

| Report  | Date released    |
|---|------------------|
| <a href="#">Members' additional entitlements 2022</a>   | 15 December 2022 |
| <a href="#">Special report into the financial affairs of the Catholic Metropolitan Cemeteries Trust</a> | 20 June 2023     |

### Professional Update

Professional Update is produced quarterly by our Professional Services Branch with the main purpose of informing our readers of current issues in the accounting and auditing industry.

Editions published in 2022–23:

- July to September 2022
- October to December 2022
- January to March 2023
- April to June 2023.

### Annual Report

[Annual Report 2021–22](#) published 31 October 2022. A printed copy of this and other reports can be requested by calling the Audit Office on 02 9275 7100 or by [emailing us](#).

Total external production costs for the Annual Report 2022–23: \$0.

# Internal Audit and Risk Management Attestation

## Appendix seven

### Internal Audit and Risk Management Attestation Statement for the 2022–23 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, am of the opinion that the Audit Office of New South Wales has internal audit and risk management processes in operation that are compliant with the seven (7) core requirements set out in the Internal Audit and Risk Management Policy for the General Government Sector, specifically:

| Core requirements                |   | Compliant or non-compliant |
|----------------------------------|---|----------------------------|
| <b>Risk Management Framework</b> |   |                            |
| 1.1                              | The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.  | Compliant                  |
| 1.2                              | The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.   | Compliant                  |
| <b>Internal Audit Function</b>   |   |                            |
| 2.1                              | The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.   | Compliant                  |
| 2.2                              | The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.  | Compliant                  |
| 2.3                              | The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.   | Compliant                  |
| <b>Audit and Risk Committee</b>  |   |                            |
| 3.1                              | The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations. | Compliant                  |
| 3.2                              | The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.   | Compliant                  |

## Membership

The independent chair and members of the Audit and Risk Committee are:

- Independent Chair, Bruce Turner AM, 17 February 2017 (29 August 2021 as Chair) to 16 February 2025
- Independent Member, John Gordon, 1 November 2017 to 31 October 2024 (has been extended in 2022–23)
- Independent Member, Elizabeth Gavey, 29 August 2021 to 28 August 2024.



**Margaret Crawford PSM**  
Auditor-General for New South Wales

14 September 2023

# Cyber Security Annual Attestation Statement

## Appendix eight

### Cyber Security Annual Attestation Statement for the 2022–23 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, Auditor-General for New South Wales, am of the opinion that the Audit Office of New South Wales has managed cyber security risks in a manner consistent with the mandatory requirements set out in the NSW Government Cyber Security Policy.

Risks to the information and systems of the Audit Office of New South Wales have been assessed and are managed.

Governance is in place to determine the cyber security maturity and manage related initiatives of the Audit Office of New South Wales.

There exists a current cyber incident response plan for the Audit Office of New South Wales which has been tested during the reporting period.

The Audit Office of New South Wales has an Information Security Management System (ISMS).

An independent ISO/IEC 27001:2013 recertification audit of the Audit Office of New South Wales' ISMS was undertaken and found the ISMS to conform with the standard.

An internal audit program reviewed cyber security controls in this period.

The Audit Office of New South Wales is doing the following to continuously improve the management of cyber security governance and resilience:

- regular assessment of our effectiveness against emerging cyber security risks which includes assessment against ACSC Essential 8 and the mandatory requirements of the NSW Cyber Security Policy. Risks are prioritised and planned in our annual cyber uplift roadmap which builds on our existing cyber resilience
- monthly review of cyber security posture with our Deputy-Auditor General, Assistant Auditor-General, Executive Director for Corporate, Experience and Strategy, and Chief Information Officer
- regular review of our strategic cyber risk and governance controls at our Strategic Technology Committee
- quarterly review of our cyber security posture, governance and resilience and Office Executive level
- annual review of our cyber security governance and risks at our Audit and Risk Committee.



**Margaret Crawford PSM**  
Auditor-General for New South Wales

26 September 2023

# System of Quality Management Attestation

## Appendix nine

### System of Quality Management Attestation Statement for the 2022–23 Financial Year for the Audit Office of New South Wales

The Audit Office of New South Wales is established under the *Government Sector Audit Act 1983* (the Act). Section 27B(4) of the Act requires the Auditor-General to have regard to recognised professional standards and practices, and to comply with any relevant requirements imposed by law.

I, Margaret Crawford, Auditor-General for New South Wales attest that the Audit Office of New South Wales has designed and implemented a system of quality management that complies with Australian Auditing Standards, specifically:

- ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements'
- ASQM 2 'Engagement Quality Reviews'
- ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information'.



**Margaret Crawford PSM**  
Auditor-General for New South Wales

3 October 2023

# Transparency reporting

## Appendix ten

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

| Prescribed information  | Coverage in the annual report   |
|---|---|
| Description of the auditor's legal structure and ownership  | The 'Our organisation' section details our legislative framework. Refer to page 8.  |
| Description of the auditor's governance structure   | The 'Processes – Governance framework and structures' section details our governance structure. Refer to pages 44–46.   |
| Description of the auditor's internal quality control system in the reporting year  | The 'Processes – Quality' and 'Processes – Independent assurance and reporting' sections detail our internal quality assurance program, and internal audit and quality assurance arrangements. Refer to pages 39–41 and 49. |
| Statement on the effectiveness of the auditor's internal quality control system in the reporting year   | The 'Processes – Quality' section includes the Auditor-General's statement on the effectiveness of our internal quality assurance program in 2022–23. Refer to pages 39–41.   |
| The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body  | The 'Processes – Quality' and 'Processes – Independent assurance and reporting' sections detail the bodies that are authorised to review our work and external reviews conducted. Refer to pages 39–41 and 49.              |
| The names of the bodies for which the auditor conducted an audit in the reporting year  | <a href="#">Appendix one</a> details all entities audited during 2022–23. Refer to pages 106–108.   |
| Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance | The 'Processes – Quality' section details our independence practices. Refer to pages 39–41.   |
| Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year          | The 'People – Leadership and professional development' and 'Processes – Quality' sections detail our technical development for audit professionals. Refer to pages 36–37 and 39–41.   |
| Financial information for the auditor for the reporting year  | The 'Financial report' section details our financial results, including our audited financial statements. Refer to pages 71–104.  |
| Information on the basis for remuneration of the auditor's senior managers  | Senior executive and leadership remuneration is detailed on pages 50 and 61.  |

# Workforce diversity and inclusion

## Appendix eleven

### Diversity, Inclusion and Accessibility Framework

In 2022–23, we continued to implement our Diversity, Inclusion and Accessibility Framework. This framework provides an overarching platform for the Audit Office to ensure meaningful employment opportunities to all employees regardless of culture, disability, gender or background. We are working towards breaking down any barriers that may exist and putting targets in place to allow us to build a stronger, more innovative workforce. The framework also incorporates our Disability Inclusion Action Plan.

Key achievements and planned activity under this framework can be found on pages 61–62 of this report, and full details of our Diversity, Inclusion and Accessibility Roadmap 2021–25 is available on our [website](#).

The following tables demonstrate the trends in representation and distribution of workforce diversity groups over the last five years.

### Trends in the representation of workforce diversity groups

|   | Benchmark/Target* | 2018–19          | 2019–20 | 2020–21 | 2021–22 | 2022–23 |
|---|-------------------|------------------|---------|---------|---------|---------|
| Workforce Diversity Group                                     | %                 | % of total staff |         |         |         |         |
| Women   | 50 <sup>1</sup>   | 53.1             | 53.6    | 54.7    | 55.0    | 56.5    |
| Aboriginal people and Torres Strait Islanders                 | 3.3 <sup>2</sup>  | 1.0              | 0.4     | 1.7     | 2.0     | 1.9     |
| People whose first language spoken as a child was not English | 23.2 <sup>3</sup> | 44.3             | 46.5    | 46.3    | 47.7    | 53.8    |
| People with a disability                                      | 5.6 <sup>4</sup>  | 1.4              | 1.4     | 1.7     | 1.0     | 0.6     |
| People with a disability requiring work-related adjustment    | n/a               | 1.1              | 1.1     | 1.4     | 0.7     | 0.6     |

1 The benchmark of 50 per cent for representation of women across the sector is intended to reflect the gender composition of the NSW community.

2 The NSW Public Sector Aboriginal Employment Strategy 2014–17 introduced an aspirational target of 1.8 per cent by 2021 for each of the sector's salary bands. If the aspirational target of 1.8 per cent is achieved in salary bands not currently at or above 1.8 per cent, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3 per cent.

3 A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for people whose first language spoken as a child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2 per cent is the percentage of the NSW general population born in a country where English is not the predominant language.

4 In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7 per cent to 5.6 per cent by 2027. The benchmark for People with Disability Requiring Work-Related Adjustment was not updated.

## Trends in the distribution of workforce diversity groups

|   | Benchmark/Target* | 2018–19 | 2019–20 | 2020–21 | 2021–22 | 2022–23          |
|---|-------------------|---------|---------|---------|---------|------------------|
| Workforce Diversity Group                                     | %                 |         |         |         |         | % of total staff |
| Women   | 100               | 101     | 98      | 98      | 98      | 95               |
| Aboriginal people and Torres Strait Islanders                 | 100               | n/a     | n/a     | n/a     | n/a     | n/a              |
| People whose first language spoken as a child was not English | 100               | 97      | 95      | 94      | 90      | 90               |
| People with a disability                                      | 100               | n/a     | n/a     | n/a     | n/a     | n/a              |
| People with a disability requiring work-related adjustment    | 100               | n/a     | n/a     | n/a     | n/a     | n/a              |

\* Provided by the Public Service Commission.

- 1 A Distribution Index score of 100 indicates that the distribution of members of the workforce diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the workforce diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the workforce diversity group tend to be more concentrated at higher salary bands than is the case for other staff.
- 2 The Distribution Index is not calculated when the number of employees in the workforce diversity group is less than 20 or when the number of other employees is less than 20.

# Recognition program winners

## Appendix twelve

Following are the 2022–23 winners in the Audit Office's 'Audies' recognition program. For further details on this program see page 33.

| Name   | Type of award                    | Period        |
|--|----------------------------------|---------------|
| Fiona Creal  | Karyn Neal Leadership Award 2022 | November 2022 |
| Nathan Carter  | Karyn Neal Leadership Award 2022 | November 2022 |
| Damion Ison  | Individual Award 2022            | November 2022 |
| Showmiah Raveendran  | Individual Award 2022            | November 2022 |
| Tracey Morris  | Individual Award 2022            | November 2022 |
| Antony Zhou  | Individual Award 2022            | November 2022 |
| Siddharth Gupta  | Individual Award 2022            | November 2022 |
| Carmela DelaCruz   | Individual Award 2022            | November 2022 |
| Meagan Wang  | Individual Award 2022            | November 2022 |
| Gearoid Fitzgerald   | Individual Award 2022            | November 2022 |
| Ashleigh Sheehan   | Individual Award 2022            | November 2022 |
| Ray Bailey   | Individual Award 2022            | November 2022 |
| Gian Surjadinata   | Individual Award 2022            | November 2022 |
| TAHE Performance Audit team (Sian Owen, Steve Sizgoric, Jason Appleby and Zoe De Saram)  | Team Award 2022                  | November 2022 |
| Treasury SDA/Funds team (Sean Barnard and Harry Thedianto)   | Team Award 2022                  | November 2022 |
| Innovation team (Sharon Kuhn, Daniel Maher and Carmela DelaCruz)   | Team Award 2022                  | November 2022 |
| Venez Irawan   | Individual Award 2022            | July 2022     |
| Showmiah Raveendran  | Individual Award 2022            | July 2022     |
| Cassie Malone  | Individual Award 2022            | July 2022     |
| Michelle O'Brien   | Individual Award 2022            | July 2022     |
| Tania Singh  | Individual Award 2022            | July 2022     |
| Raymond La   | Individual Award 2022            | July 2022     |
| Michael Silton   | Individual Award 2022            | July 2022     |
| Kiara Church   | Individual Award 2022            | July 2022     |
| Lisa Dooley  | Individual Award 2022            | July 2022     |
| Joanne Ters  | Individual Award 2022            | July 2022     |
| Integrity of grants administration performance audit team (Alex Kaiser, Bettina Ocias and Terri Drage)   | Team Award 2022                  | July 2022     |
| Recruitment team (Kelly Looyen, Hannah Stopel, Angela McCormick, Luke Collins-Little, Jarryd Friedmann and Ali Khan)                               | Team Award 2022                  | July 2022     |
| TSSA/TAHE hard yards team (Renee Meimaroglou, Ray Bailey, Barry Li, Somaiya Ahmed, Kenneth Leung, Divya Bhandari, Tracey Morris and Nathan Carter) | Team Award 2022                  | July 2022     |

# Consultants and allied organisations

## Appendix thirteen

A consultant in the Audit Office is referred to as a person or organisation that provides recommendations or professional advice to assist decision-making by the Office Executive and the Auditor-General. Audit Office consultancy expenses for 2022–23 were \$83,475 compared to \$26,333 in 2021–22.

### 2022–23 consultancy expenses

| Consultant                                  | Nature of consultancy   | Impact of consultancy | Amount \$     |
|---|---|-----------------------|---------------|
| <b>Contracts \$50,000 or more</b>           |   |                       |               |
| ARTD Pty Ltd                                | Develop a framework for measuring the impact of audit recommendations |                       | 60,000        |
| <b>Total</b>                                | <b>(1 contract)</b>   |                       | <b>60,000</b> |
| <b>Contracts less than \$50,000 (total)</b> |   |                       |               |
|   | <b>(2 contracts)</b>  |                       | <b>23,475</b> |
| <b>Total expenditure for 2022–23*</b>       |   |                       | <b>83,475</b> |

\* This table excludes the engagement of Audit Service Providers and firms/individuals whom the Audit Office engaged to provide assistance on financial and performance audits.

### 2021–22 consultancy expenses

| Consultant                                  | Nature of consultancy | Impact of consultancy | Amount \$     |
|---|-----------------------|-----------------------|---------------|
| <b>Contracts \$50,000 or more</b>           |                       |                       |               |
| Nil   |                       |                       |               |
| <b>Contracts less than \$50,000 (total)</b> |                       |                       |               |
|   | <b>(2 contracts)</b>  |                       | <b>26,333</b> |
| <b>Total expenditure for 2021–22*</b>       |                       |                       | <b>26,333</b> |

\* This table excludes the engagement of Audit Service Providers and firms/individuals whom the Audit Office engaged to provide assistance on financial and performance audits.

### Allied organisations

The Audit Office does not have any allied organisations including controlled entities, formal partnerships, joint ventures or other related entities.

# GIPA application information

## Appendix fourteen

Commentary on applications for information under the *Government Information (Public Access) Act 2009* (GIPA Act) can be found on page 50.

**Table A: Number of applications by type of applicant and outcome\***

|   | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm/deny whether information is held | Application withdrawn |
|---|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|--|-----------------------|
| Media   | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Members of Parliament                                       | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Private sector business                                     | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Not-for-profit organisations or community groups            | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Members of the public (application by legal representative) | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Members of the public (other)                               | 0                      | 0                      | 0                      | 0                    | 0                             | 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) | 1                      |
| 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                      |

**Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act**

|   | Number of times consideration used* |
|---|-------------------------------------|
| Overriding secrecy laws   | 0                                   |
| Cabinet information   | 0                                   |
| Executive Council information   | 0                                   |
| Contempt  | 0                                   |
| Legal professional privilege  | 0                                   |
| Excluded information  | 0                                   |
| Documents affecting law enforcement and public safety   | 0                                   |
| Transport safety  | 0                                   |
| Adoption  | 0                                   |
| Care and protection of children   | 0                                   |
| Ministerial code of conduct   | 0                                   |
| Aboriginal and environmental heritage   | 0                                   |
| Information about complaints to Judicial Commission   | 0                                   |
| Information about authorised transactions under <i>Electricity Network Assets (Authorised Transactions) Act 2015</i>      | 0                                   |
| Information about authorised transaction under <i>Land and Property Information NSW (Authorised Transaction) Act 2016</i> | 0                                   |

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act**

|  | Number of occasions when application was not successful |
|--|---|
| Responsible and effective government                                 | 0   |
| Law enforcement and security   | 0   |
| Individual rights, judicial processes and natural justice            | 0   |
| Business interests of agencies and other persons                     | 0   |
| Environment, culture, economy and general matters                    | 0   |
| Secrecy provisions   | 0   |
| Exempt documents under interstate Freedom of Information legislation | 0   |

**Table F: Timeliness**

|  | Number of applications |
|--|------------------------|
| Decided within the statutory timeframe (20 days plus any extensions) | 0                      |
| Decided after 35 days (by agreement with applicant)                  | 0                      |
| Not decided within time (deemed refusal)                             | 0                      |
|  | <b>Total 0</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 NCAT   | 0               | 0               | 0              |
|  | <b>Total 0</b>  | <b>Total 0</b>  | <b>Total 0</b> |

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

|   | Number of applications for review |
|---|-----------------------------------|
| Applications by access applicants   | 0                                 |
| Applications by persons to whom information the subject of access application relates (see section 54 of the Act) | 0                                 |

**Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)**

|                               | Number of applications transferred |
|-------------------------------|------------------------------------|
| Agency-initiated transfers    | 0                                  |
| Applicant-initiated transfers | 0                                  |

# Public interest disclosures information

## Appendix fifteen

Commentary on public interest disclosures and the *Public Interest Disclosures Act 1994* can be found on page 53.

### Statistical information on Public Interest Disclosures (PIDs) for the period 1 July 2022 to 30 June 2023

|   | Corrupt conduct |          |          | Maladministration |          |          | Serious and substantial waste |          |          | Government information contravention |          |          | Local government pecuniary interest contravention |          |          | Total    |          |           |
|---|-----------------|----------|----------|-------------------|----------|----------|-------------------------------|----------|----------|--------------------------------------|----------|----------|---|----------|----------|----------|----------|-----------|
|   | Function        | Stat.    | Other    | Function          | Stat.    | Other    | Function                      | Stat.    | Other    | Function                             | Stat.    | Other    | Function  | Stat.    | Other    | Function | Stat.    | Other     |
| Number of public officials who made PIDs direct to the Audit Office                     | 1               | –        | 1        | –                 | –        | 1        | –                             | –        | 9        | –                                    | –        | –        | –   | –        | –        | –        | –        | 12        |
| Number of PIDs made directly to your investigating authority                            | 1               | –        | 1        | –                 | –        | 1        | –                             | –        | 9        | –                                    | –        | –        | –   | –        | –        | –        | –        | 12        |
| Number of PIDs received by your investigating authority under section 25 of the PID Act | –               | –        | –        | –                 | –        | –        | –                             | –        | 3        | –                                    | –        | –        | –   | –        | –        | –        | –        | 3         |
| Number of PIDs received by your investigating authority under section 26 of the PID Act | –               | –        | –        | –                 | –        | –        | 1                             | –        | –        | –                                    | –        | –        | –   | –        | –        | –        | –        | 1         |
| <b>Total number of PIDs</b>   | <b>–</b>        | <b>–</b> | <b>–</b> | <b>–</b>          | <b>–</b> | <b>–</b> | <b>–</b>                      | <b>–</b> | <b>–</b> | <b>–</b>                             | <b>–</b> | <b>–</b> | <b>–</b>  | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>16</b> |

|  | Corrupt conduct |          |          | Maladministration |          |          | 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 PIDs referred to a public authority under section 25 of the PID Act              | –               | –        | –        | –                 | –        | –        | –                             | –        | 1         | –                                    | –        | –        | –   | –        | –        | –        | –        | 1         |
| Number of PIDs referred to another investigating authority under section 25 of the PID Act | –               | –        | –        | –                 | –        | –        | –                             | –        | –         | –                                    | –        | –        | –   | –        | –        | –        | –        | –         |
| Number of PIDs handled solely by your investigating authority                              | –               | 2        | –        | –                 | 1        | –        | –                             | –        | 12        | –                                    | –        | –        | –   | –        | –        | –        | –        | 15        |
| Number of PIDs handled with a public authority   | –               | –        | –        | –                 | –        | –        | –                             | –        | –         | –                                    | –        | –        | –   | –        | –        | –        | –        | –         |
| Number of PIDs handled with another investigating authority                                | –               | –        | –        | –                 | –        | –        | –                             | –        | –         | –                                    | –        | –        | –   | –        | –        | –        | –        | –         |
| <b>Total number of PIDs</b>  | <b>–</b>        | <b>2</b> | <b>–</b> | <b>–</b>          | <b>1</b> | <b>–</b> | <b>–</b>                      | <b>–</b> | <b>13</b> | <b>–</b>                             | <b>–</b> | <b>–</b> | <b>–</b>  | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>16</b> |
| <b>Number of PIDs handled by commencing a formal investigation</b>                         | <b>–</b>        | <b>–</b> | <b>–</b> | <b>–</b>          | <b>–</b> | <b>–</b> | <b>–</b>                      | <b>–</b> | <b>–</b>  | <b>–</b>                             | <b>–</b> | <b>–</b> | <b>–</b>  | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b>  |
| <b>Number of PIDs finalised in 2022–23</b>   | <b>–</b>        | <b>1</b> | <b>–</b> | <b>–</b>          | <b>–</b> | <b>–</b> | <b>–</b>                      | <b>–</b> | <b>9</b>  | <b>–</b>                             | <b>–</b> | <b>–</b> | <b>–</b>  | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>10</b> |

# Glossary

## Audit evidence

Audit evidence supports the completeness and accuracy of the financial statements. Main sources of audit evidence are observation, re-performance, and examination of documents (including confirmation with third parties) in combination with enquiry and analytical procedures.

## Audit methodology

A set of documented processes and procedures that provide evidence the audit team has appropriately addressed the risk of material misstatement in financial statements and comply with Australian Auditing Standards.

## Audit and Risk Committee

Provides oversight and review of the Audit Office's governance, risk management and internal control frameworks.

## Audit Service Provider

Provides services to the Auditor-General and the Audit Office in relation to the undertaking of financial audits of state entities, local government and/or universities.

## Australasian Council of Auditors General

Association established by Auditors-General for their mutual support and the sharing of information.

## Controlled entity

A controlled entity exists when another entity (the investor) is exposed, or has rights to variable returns, from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## CPA

The professional accounting body in Australia with three membership types including Associate (ASA), Certified Practising Accountant (CPA) and Fellow (FCPA).

## CA ANZ

The accounting body Chartered Accountants Australia and New Zealand whose members are Chartered Accountants.

## 'Follow the dollar' powers

Powers that enable the Auditor-General to audit the flow of money from government agencies into the private sector.

## Internal audit

Independent, objective assurance designed to add value and improve an organisation's operations.

## Internal control framework

An integrated set of policies and procedures designed to help management achieve its goals and objectives.

## Management letter

Letter sent to auditees outlining observations from the audit, their possible implications, audit recommendations to address the finding and management responses.

## Material misstatements

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

## Modified auditor's opinion

Modifications of an audit opinion can be adverse, qualified or disclaimed. Adverse opinions are issued when misstatements in the financial statements are material and pervasive. Qualified opinions are issued when there are material misstatements in the financial statements, or we cannot get all the evidence we require. An opinion is disclaimed only where auditors cannot get the evidence they need, and the effects could be material and pervasive.

## Risk Management Policy

A policy setting out how risks identified by a risk assessment process will be managed and controlled.

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## OUR VISION

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

## OUR PURPOSE

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

## OUR VALUES

Pride in purpose

Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

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