

2019–20

ANNUAL REPORT



OUR VALUES

PRIDE IN PURPOSE - CURIOUS AND OPEN-MINDED - VALUING PEOPLE - CONTAGIOUS INTEGRITY - COURAGE (EVEN WHEN IT'S UNCOMFORTABLE)

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

Our work is important so we set high standards and strive for excellence. Our insights drive better government, and through that we have a real impact on issues that affect the people of New South Wales.

Curious and open-minded

Our people are empowered to look outward, find the best ways and question the status quo.
We are constantly curious and open to challenge.

Valuing people

People are at the heart of what we do. Every member of our team. Our stakeholders. The people of New South Wales.
We support, trust and respect our people. We embrace and celebrate our diversity. We work as a team.

Contagious integrity

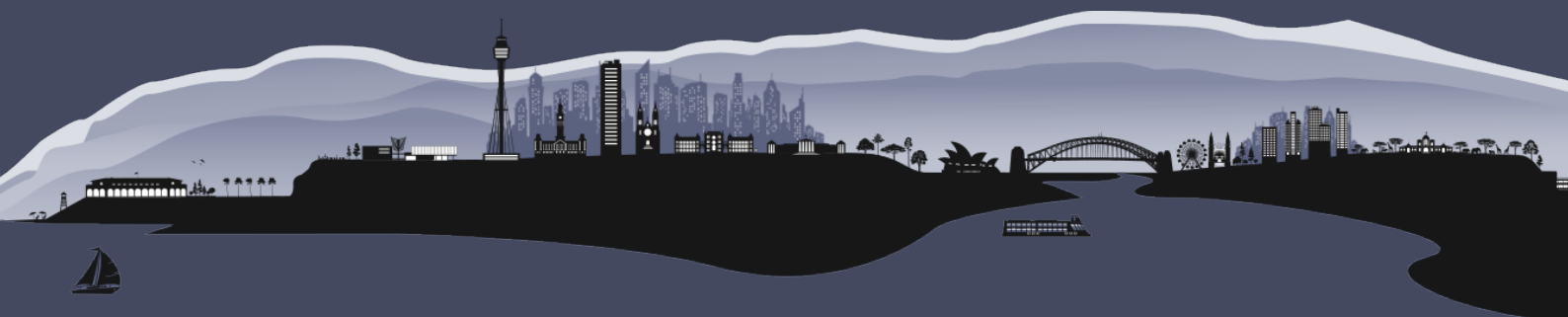
Behaving with the highest levels of integrity is fundamental to who we are.
We set a high standard and inspire others to do the same. We set the example.

Courage (even when it's uncomfortable)

We are impartial and objective. We listen and learn and strive for a balanced view. But we are not afraid to ask the uncomfortable questions and speak the uncomfortable truth.

Our main stakeholders

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



Contents

About this report

This annual report summarises the activities and performance of the Audit Office of New South Wales for 2019–20 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 reports are available on our website audit.nsw.gov.au

Cover: In 2019–20, the Audit Office of New South Wales worked with our staff to refresh our values. Our new values and accompanying artwork are showcased throughout this report.

Acknowledgement

The Audit Office of New South Wales acknowledges the Traditional Owners and Custodians of the land in which we live and work. We pay our respects to Elders past and present.

Our organisation	4
Auditor-General's message	6
Office Executive	8
Performance summary 2019–20	10
A year of adaptation	12
Our products	13
Our people and culture	25
Our systems and processes	35
Our finances	49
Appendices	87

**Audit Office
of New South
Wales***

Report

Parliament

Audit and Review

Accountability

Auditees

NSW state government entities

NSW local government councils

NSW universities

* The Audit Office of New South Wales is independent and reports directly to Parliament.

Our organisation

Who we are

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

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

What we do

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

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

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

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

Legislation allows a range of stakeholders including 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 resources

281 full-time equivalent staff at the Audit Office at 30 June 2020.

\$52.0 million revenue from government entities, councils and universities for audits of their financial statements.

\$10.2 million from the government for our performance and compliance audits and reports to Parliament.

44 per cent of our financial audit work is delivered in partnership with external Audit Service Providers.



History of the Auditor-General

1824

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

1855

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

1870

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

1902

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

1929

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

1984

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

1989

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

1991

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

2001

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

2004

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

2013

Tenure of Auditor-General extended to eight years.

2016

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

Auditor-General's message

The year 2019–20 has two distinct parts reflecting the unprecedented impact that the COVID-19 pandemic has had on all our lives. That said, I am pleased to present an annual report that showcases the resilience of our people and an organisation that has demonstrated the capacity to respond and adapt, driven by the pride we have in the purpose of our work.

A year of adaptation

The beginning of the new financial year saw us settling into our new office at Darling Park. This move was very smooth as a result of the strong project and change management approach used to transition to both a new location and a new way of working. At the time of writing, I have just been advised that our Office has received an Australian Business Award for the change management approach we used for this project. The open plan design, featuring both private and collaborative spaces, was quickly embraced by staff. Strategic investment in technology also supported more flexible and connected work, connected to each other and to external stakeholders.

By the end of the same year, all staff were working remotely, largely from their own homes. This shift could never have been predicted but the investments made in mobile technologies, in staff capability and in cooperative relationships with audit clients, have meant that we have continued to deliver our work without pause.

We have learnt a lot about our organisation and ourselves since early March when we asked all staff to work from home. I am immensely proud of the way we adapted and performed. That said, teamwork and friendships with colleagues are a highly valued feature of the Audit Office. We have worked hard to keep connected and to support each other but I do not underestimate how hard this year has been for some individuals. We continue to survey staff regarding wellbeing and encourage them to be aware of their mental health and to ask for any help they need.

The way we will work in the future remains a matter of discussion across the public sector and more broadly. It seems certain that working flexibly, from home, in the office or at other locations, will be more pervasive than before and I welcome this. We will continue to discuss with staff and audit clients what works best in terms of health and safety, team connection and delivering the audit outcomes.

The final year of our 2017–20 Corporate Plan

This report is framed around our [2017–20 Corporate Plan](#), its strategic objectives and the key initiatives that have helped us to fulfil our purpose and vision – to help Parliament hold government accountable for its use of public resources and, in doing so, to inform and challenge government to improve outcomes for citizens.

The report details progress made and our measures of success. I would like to highlight a small number of matters here. The first relates to the focus we have placed on audit quality. The professionalism and independence applied to the conduct of our audits has always been a hallmark of how we operate. In 2019–20, we have taken this further by appointing a respected former partner of a professional firm as independent chair of our Quality Audit Review Committee. We commissioned an external firm to conduct quality reviews of our files to benchmark our quality and review practices with others in the profession. Quality in everything we do will be one of our strategic objectives in our next Corporate Plan. Our performance against this objective is critical to the trust and confidence the Parliament, the community and our audit clients place in our work.

Next, I would like to reference the investment we made this year in cyber security across our Office. Our audits of state and local government and universities have revealed the growing risk in securing critical data and systems, and demonstrated weaknesses in capability and culture in managing and responding to this risk. We achieved at least the minimum compliance with the Australian Cyber Security Centre's 'Essential Eight'. All staff took part in training to ensure we are aware of emerging threats and scams, particularly in a COVID-19 pandemic environment. We implemented artificial intelligence-based email security, and a new security assessment process for our Audit Service Providers. Importantly, we recognise that cyber breaches are almost inevitable in a digitally enabled world. Accordingly, we worked with cyber risk experts to better understand how to determine our risk appetite and actively manage and appropriately invest in cyber security.

The quality of our audits, and clarity and objectivity of our reports to Parliament are key priorities for our Office. While there were small variations in survey responses from our stakeholders this year, the consistent message is that our work is respected and relevant. Particularly pleasing is the continued improvement in the survey results from the local government sector which we have been auditing now since 2016–17.

Survey results related to performance audits also improved in 2019–20 after a dip the previous year. For a range of reasons, fewer performance audits were completed this year, but importantly, 91 per cent of performance audit recommendations were accepted. And as always, our financial audits are relied upon to provide assurance over financial performance and reporting, and the governance arrangements so important to good public administration in New South Wales.

The consistent level of performance against the measures in our Corporate Plan is particularly noteworthy in a year that saw so much disruption to normal ways of working. It also establishes the benchmark for our next Corporate Plan which will guide us to 2024, the year that will mark the 200th anniversary for the Office of the Auditor-General for New South Wales.

Our Annual Work Program – responding to the risks in the sectors we audit

In accordance with normal practice we published our [Annual Work Program](#) to communicate the areas of focus for both financial and performance audits for the coming year, and foreshadowing likely performance audits planned for a further two years. The program is developed based on the insights our staff gain from the conduct of their audits along with consultation with key stakeholders. We aim to achieve broad coverage of the sectors we audit and to tackle areas of greatest risk and public interest.

In view of the emergencies New South Wales has confronted this year, and the challenges facing governments and the tertiary education sector in responding, emergency management and response will be a key focus of the audit work program this year and next. We have a clear obligation to provide assurance over the programs and spending delivered to respond in the short to medium term, and to assess the effectiveness of these efforts over the longer term.

Stories that matter

In 2019–20 a key focus of the Working Better, Working Together strategic initiative was to launch and embed our refreshed corporate values. These were developed to coincide with the move to our new building. Our staff were very deliberate about what values and behaviours they wanted to bring with them to our new location, and what they wanted to leave behind.

Featured throughout this report are the reflections of some of our staff about what our values mean to them. Each value accurately describes the Audit Office or what it aspires to. And this year, the 'Valuing People' value has been at the forefront of our minds – in how we work with our stakeholders and auditees, in our work with service providers and partners, and in how we have supported our staff to work safely and productively in this remarkable year in history.

As I said at the beginning of this message, the resilience and adaptability of the people in this organisation is remarkable. I could not be prouder of the talented, hard working and fun people I have the privilege of working with each day. Thank you!



Margaret Crawford
Auditor-General for New South Wales



Margaret Crawford, Auditor-General for New South Wales



GPO Box 12
Sydney NSW 2001

Members of Legislative Assembly
Parliament House
Sydney NSW 2000

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of members this report of the activities of the Audit Office of New South Wales for the year ended 30 June 2020.

Margaret Crawford



Auditor-General
15 October 2020

Office Executive

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

Margaret Crawford

Auditor-General

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

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

Ian's early career was in banking and capital markets, working at the Reserve Bank of Australia, a 'Big Four' accounting firm and the International Monetary Fund in Washington DC. Returning to Australia, Ian joined the Australian National Audit Office (ANAO) and as a Group Executive Director was responsible for leading the ANAO's Assurance Audit Services Group and the audit of the Australian Government's Consolidated Financial Statements. Ian is a Chartered Accountant Fellow and was an ACT Regional

Councillor for Chartered Accountants Australia and New Zealand. Ian is also a commissioned officer in the Australian Army who has deployed on domestic and overseas Australian Defence Force operations and dedicates time to his role in a cavalry unit in the Australian Army Reserve.

Claudia Migotto

Assistant Auditor-General, Performance Audit

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

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

Scott Stanton

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

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

Scott joined the Audit Office in 1987, and has significant experience in leading the delivery of audit services to a diverse range of public sector auditees including those in the transport, electricity and university sectors.



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

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 Gatt

Assistant Auditor-General, Financial Audit

Bachelor of Commerce, Chartered Accountant Fellow,
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 contributes strongly to the profession, the sector and the community through her roles on boards and advisory panels.

Aaron Green

Assistant Auditor-General, Financial Audit

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 Treasury, education and university sectors. Aaron most recently led the completion of Treasury audits including the Total State Sector Accounts, the Crown Entity and the Treasury, and now leads our financial audits in the local government sector.

Lyndal Hayward

Executive Director, Corporate Services

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

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

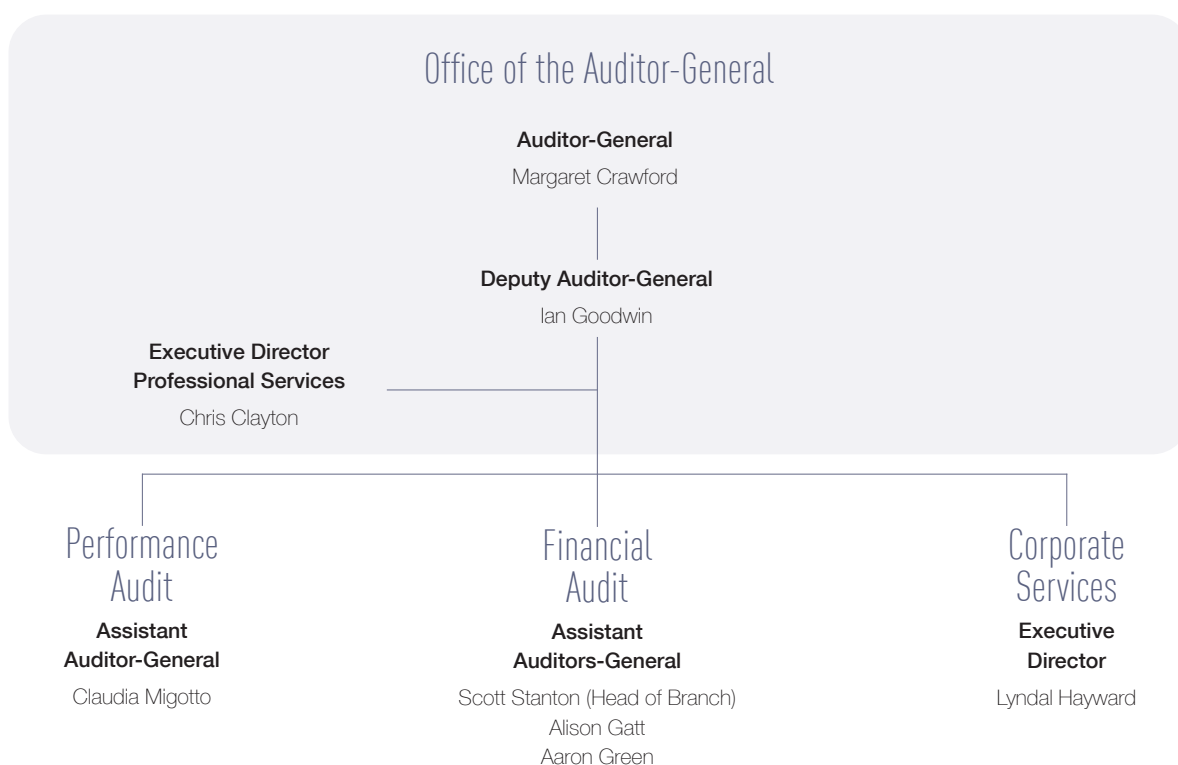
Chris Clayton

Executive Director, Professional Services

Bachelor of Commerce, Chartered Accountant

Chris joined the Audit Office in 2002 and was appointed Executive Director for quality and innovation in December 2017. In October 2019, Chris took on responsibility for the newly formed professional services branch.

Prior to these roles, Chris developed significant experience leading the delivery of financial audits to a diverse range of public sector entities in New South Wales. While working at the Audit Office, Chris has also spent time on secondment to the State Audit Institution of the United Arab Emirates and at a 'Big Four' accounting firm in their consulting and advisory practices.



Performance summary 2019–20

We report on the performance targets we set for ourselves in our Corporate Plan. Our four strategic objectives are detailed below, along with strategic initiatives and measures of success. Further details can be found throughout this report.

Our products

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

Strategic initiative

Influencing for Impact page 24

- Developed an External Stakeholder Engagement Strategy that will be finalised in 2020–21
- Piloted a video overview to enhance engagement with our Auditor-General's Reports to Parliament
- Further rolled out Key Audit Matters reporting in our financial audit reports

Measures of success

Parliamentarians are satisfied with our reports and services page 14

Target: 90% | Actual: 84%

Parliamentarians agree we operate independently from government page 14

Target: 90% | Actual: 92%

Auditees believe that performance audits help them improve the performance of the audited activity page 18

Target: 70% | Actual: 100%

Auditees value the assurance obtained from our audit of statutory financial statements page 18

Target: 80% | Actual: 89%

Performance audits completed page 20

Target: 20 | Actual: 11

Financial audits completed page 22

Target: 590 | Actual: 525

Total assurance engagements page 22

Target: 1,315 | Actual: 1,098

Our people and culture

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

Strategic initiative

Working Better, Working Together page 27

- Completed our Future Workplace Project page 27
- Developed our refreshed corporate values page 27
- Launched our Workforce Strategy page 29
- Implemented key components of our Leadership Development Framework page 33

Measures of success

Employee engagement page 26

Target: 80% | Actual: 76%

Employee satisfaction page 26

Target: 80% | Actual: Not measured in 2019–20

Women in middle management page 30

Target: 50% | Actual: 54%

Women in executive and senior leadership page 30

Target: 50% | Actual: 57%

Average training days per employee page 33

Target: 7 | Actual: 9

Our systems and processes

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

Strategic initiative

Innovating with Technology page 48

- Rolled out an audit methodology data analytics tool to 140 staff and identified champions for the new tool
- Developed a Data Capability Framework that will be used as the basis of a data capability uplift program for staff
- Supported the transition to a fully remote working environment with the rollout of social and collaboration tools
- Reached minimum maturity across all of the Australian Cyber Security Centre's 'Essential Eight' mitigation strategies

Measures of success

Financial audits are reported to Parliament on time page 36
Target: 100% | Actual: 100%

Financial audits are completed within ten weeks of receiving financial reports page 36
Target: 100% | Actual: 87%

Audit staff available hours charged to audit page 36
Target: 75% | Actual: 78%

Audit conclusions reviewed through our Quality Assurance Program are supportable page 39
Target: 100% | Actual: 100%

Our finances

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

Measures of success

We meet or do better than our budgeted result for the year
page 50

Result: Achieved

We generate a net cash inflow from our operating activities
page 51

Result: Achieved

A year of adaptation

Working and keeping safe during challenging times

Like all NSW public sector agencies, the Audit Office faced significant challenges in 2019–20. These challenges are discussed throughout this report, but are included here with greater detail and commentary to tell the story of how we have adapted to meet these challenges. It is also an opportunity to detail what we have learned about ourselves as an organisation over this unique year in our history, and the lessons and opportunities we plan to leverage as we move into a different future.

Bushfires

The 2019–20 New South Wales bushfires were unprecedented in their extent and intensity. During the bushfire crisis, our priority was to ensure the safety of our staff and especially those in high-risk areas. We did this by adapting our approach to client audits in active bushfire zones, using technology to support client meetings and to conduct audits in these areas.

COVID-19 pandemic

In March 2020, Crisis Management Team members under our Business Continuity Plan (BCP) came together to start managing our response to the pandemic, using lessons learned from our November 2019 BCP training simulation which had used a pandemic scenario. Scenarios were documented, including the actions we would take if a staff member contracted the illness, and extra hygiene measures were introduced.

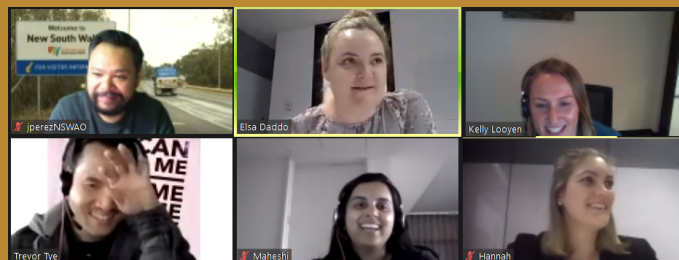
The move to remote working

In mid-March, staff were encouraged to work from home, and on 23 March we piloted an all-staff work-from-home day to see how our people, technology and auditees would cope if everyone worked remotely. This pilot was short-lived with our entire workforce moving to working from home exclusively from 24 March, following the NSW Premier's advice that anyone who could work from home should work from home.

Our people and our technology

Moving our entire workforce to a remote working environment was relatively seamless thanks to the positive and agile culture of our organisation and the strong technology infrastructure already in place. Our people quickly adapted to conducting audits and working with our auditees from home, and productivity remained largely consistent during the crisis. Our performance audits were impacted – understandably it has been difficult getting audit information from some agencies who are dealing with this crisis at the frontline and necessarily re-prioritising their work – for more details see page 20.

A key lesson from this crisis is how resilient our people are in terms of change. Before the pandemic, we had already planned to roll out new technology to better support remote working. Deployment was scheduled over several months later in the year. Given the rapidly changed needs of both our staff and our stakeholders in March, we decided to deploy the new technology immediately and implementation was accomplished in less than one week. Our people quickly picked up the new technology with little guidance and support, and our remote interactions were immediately and significantly improved. This gave us the confidence to proceed with an already planned full replacement of our laptop fleet, and every staff member has now received a new laptop and set it up themselves remotely.



ReClub online community events have helped keep our people connected during the COVID-19 pandemic.

Keeping it social

Another key lesson from the pandemic is how invaluable our social club (the ReClub) is in keeping our people connected and supported. The ReClub quickly transitioned from face-to-face to online community events which have boosted staff morale and allowed us all to have some fun during a difficult time. Working from home can be an isolating experience and the ReClub, along with our exceptional leaders and managers, has helped our people remain connected to each other, their teams and the organisation. More details of these online activities can be found on page 31.

Making a contribution

In 2019–20, the NSW Government called for assistance following a surge in COVID-19 cases. In response, four of our staff members volunteered to undertake the important work of contact tracing for the NSW Ministry of Health and were each seconded to the contact tracing team for two months. We are proud of the important contribution Jason Appleby (team lead), Stacie Adamedes, Andrew Fatseas and Rochelle Antonlin made to the NSW contact tracing effort.

Our Deputy Auditor-General Ian Goodwin supported the government's response to the 2019–20 bushfire, flood and COVID-19 emergencies during deployments with the Australian Army Reserve. Ian was awarded an Australian Defence Force Silver Commendation for his contribution to the bushfires relief effort.

Moving forward

In June 2020, we conducted a pulse survey to see how our people were travelling during the pandemic – details of this survey can be found on page 26. Our staff reported they were generally coping well and engagement and wellbeing scores were high.

Staff also let us know what they would like us to keep doing once the pandemic is over. Many positives have come out of this crisis for our staff including a better balance of work and homelife, finding more time for exercise and other activities, and travelling less to visit auditees across New South Wales. We are now considering how we can 'bake in' some of the changes made to the way we work and to leverage these changes to improve our organisational performance and deliver greater value to our stakeholders.

OUR PRODUCTS

Strategic objective

Our insights are trusted as independent, relevant, timely and impactful, and they make a positive contribution to government financial reporting and performance.

Our partnerships with stakeholders will be responsive and value-adding.

Our products and Parliament 14

Our products and auditees 17

Our performance audits and special reports 20

Our financial audits 22



Our products and Parliament

84% of parliamentarians are satisfied with our reports and services
92% of parliamentarians agree we operate independently from government

Our relationship with Parliament

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

We report directly to Parliament through the Public Accounts Committee (PAC). The PAC holds the entities we audit to account for implementing the recommendations in our reports. The PAC also reviews the performance and operation of the Audit Office every four years. See page 16 for further details on the PAC.

What Parliament thinks of us

We continually strive to ensure parliamentarians value our work and that we meet their expectations. We are committed to enhancing our public sector knowledge to ensure our work is relevant and impactful. This is driven by our 'Influencing for Impact' strategic initiative (see page 24).

Each year we survey parliamentarians to get feedback on our reports and services. In the 2020 survey, of the 135 parliamentarians invited to complete the survey, 24 per cent responded, lower than the 28 per cent response rate in 2018, the last year we surveyed. We did not conduct a survey of parliamentarians in 2019 as it was an election year.

Overall satisfaction down slightly

Although parliamentary satisfaction with the Audit Office's reports and services is high, overall satisfaction is down slightly compared to 2018. Eighty-four per cent of parliamentarians were satisfied overall in 2020, a decrease from 87 per cent in 2018.

However, there were quite a few areas of improvement, or areas where our performance remained consistent with our last survey period. Parliamentarians responded:

- in general, the Audit Office provides high quality reports and services, 97 per cent agreeing, down slightly from 100 per cent in 2018
- the Audit Office's reports and services provide valuable information on

public sector performance, with 97 per cent in agreement, up from 92 per cent

- the Audit Office's reports and services help improve public sector administration, with 94 per cent agreeing, up from 89 per cent
- the Audit Office performs audits with integrity, with 87 per cent agreeing, consistent with 89 per cent in 2018
- the Audit Office operates independently from government, with 92 per cent agreeing, the same result as 2018.

Satisfaction with financial audit reports decreased

Satisfaction with financial audit reports was down on 2018. The percentage of parliamentarians who agreed our financial audit reports clearly communicated the significant issues and their implications reduced from 95 per cent in 2018 to 86 per cent in 2020. There was also a decrease in the number who agreed that the reports were easy to understand, from 95 per cent in 2018 to 80 per cent. The number of parliamentarians who agreed our reports were presented effectively in terms of layout and design also declined from 89 per cent to 83 per cent. In terms of our financial audit reports helping them monitor the accountability and financial performance of the NSW public sector, 86 per cent of parliamentarians agreed, consistent with 85 per cent in 2018.

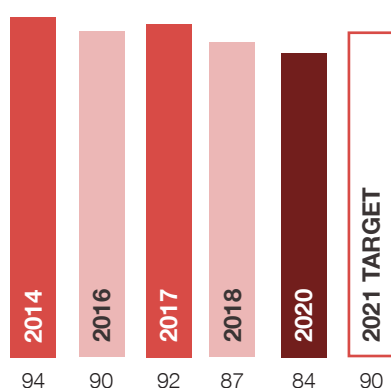
Performance audit satisfaction generally declined

Similar to the satisfaction results for our financial audit reports, parliamentary satisfaction with performance audits is generally declined on 2018. Eighty-seven per cent agreed the reports were easy to understand, down from 95 per cent in 2018. Similarly, 87 per cent of parliamentarians agreed the reports clearly communicated significant issues and their implications, down from 93 per cent in the previous survey. Agreement that the reports were effectively presented in terms of layout and design also declined, with 84 per cent agreeing compared with 92 per cent in 2018.

However, an area that improved significantly on 2018 results was 67 per cent of parliamentarians feeling our performance audits addressed their key areas of interest to a high or very high extent, up from 56 per cent in 2018. Eighty-seven per cent of parliamentarians also agreed performance audit reports helped them monitor the performance of the NSW public sector, consistent with 88 per cent in 2018.

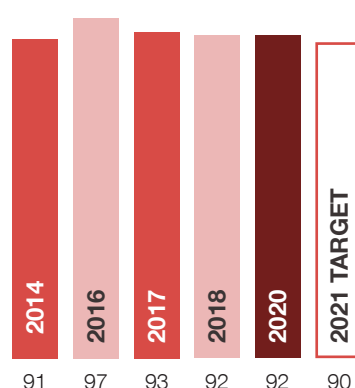
Satisfaction with our reports and services %

Survey not conducted in 2015 or 2019 due to election years



Agreement we operate independently from government %

Survey not conducted in 2015 or 2019 due to election years



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, 84 per cent of parliamentarians were satisfied in 2020. This is a decrease from 87 per cent in 2019 and below the 93 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:

- 94 per cent agreed that our reports help improve public sector administration, above the average of 89 per cent
- 97 per cent agreed our reports provide valuable information on public sector performance, the same result as the average of other audit offices
- 92 per cent agreed our reports communicate issues clearly, consistent with the 93 per cent average
- 86 per cent agreed our financial audit reports assisted them to monitor the accountability and financial performance of the public sector, consistent with the 87 per cent average
- 100 per cent were satisfied with the responsiveness of the Auditor-General or their office, above the 97 per cent average
- 100 per cent agreed the advice and information provided by the Auditor-General or their office met their needs, above the 86 per cent average.

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

- 80 per cent agreed our financial audit reports are easy to understand, below the 92 per cent average
- 87 per cent agreed our performance audit reports are easy to understand, below the 92 per cent average
- 86 per cent agreed our financial audit reports clearly communicated the significant findings and implications, below the 94 per cent average
- 87 per cent agreed our performance audit reports clearly communicated the significant findings and implications, below the 93 per cent average.

Satisfaction compared with other participating Australian audit offices

Audit Office of New South Wales Other participating Australian audit offices



Our products and Parliament

The Public Accounts Committee followed up on 21 performance audits
We appeared at two Public Accounts Committee hearings

Public Accounts Committee

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

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

In 2019–20, the PAC followed up on agencies' progress in implementing recommendations from 21 of our completed performance audit reports. The PAC held two public inquiries examining 11 of these audit reports.

The PAC's reports on the examination of these audits made 13 recommendations designed to improve the performance of government entities, building on matters already identified by the Auditor-General. Further details on these PAC reports can be found in the highlight box on this page.

Public Accountability Committee

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

In 2019–20, we attended an introductory briefing with the Public Accountability Committee but did not make any submissions.

Examination of performance audit reports

In November 2019 and May 2020, the Public Accounts Committee released its reports 'Examination of Auditor-General's Performance Audit Reports May 2017–December 2017' and 'Examination of Auditor-General's Performance Audit Reports February 2018–July 2018'.

The reports reviewed 21 performance audits covering the period from May 2017 to July 2018:

- Mining Rehabilitation Security Deposits
- Medical equipment management in NSW public hospitals
- NorthConnex
- Sydney Road Maintenance Contracts
- Information and Communication Technologies in schools for teaching and learning
- Office of Strategic Lands
- Planning and evaluating palliative care services in NSW
- Energy rebates for low income households
- Sharing school and community facilities
- Government Advertising: Campaigns for 2015–16 and 2016–17
- Managing demand for ambulance services
- Managing risk in the NSW public sector: risk culture and capability
- Detecting and responding to cyber security incidents
- Regional Assistance Programs
- Shared services in local government
- Fraud controls in local councils

- Regulation of water pollution in drinking water catchments and illegal disposal of solid waste
- Council reporting on service delivery
- Grants to non-government schools
- HealthRoster benefits realisation
- Matching skills training with market needs.

In both PAC reports, the Chair, Greg Piper MP said:

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

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

In the 'Examination of the Auditor-General's Performance Audit Reports May 2017–December 2017' report, the Chair also said:

'The PAC has made a total of six recommendations to NSW Government agencies to: develop key performance indicators to better manage the sharing of school and community facilities; improve the collection of patient data to manage medical equipment in NSW public hospitals; secure the long term future financial and operational sustainability of the Office of Strategic Lands; and better manage Sydney region road maintenance contracts.'

While in the 'Examination of Auditor-General's Performance Audit Reports February 2018–July 2018' report, the Chair said:

'The Committee has made a total of seven recommendations to NSW Government agencies to: improve cyber security in the NSW public sector; provide greater rigour in the performance management of regional assistance programs; and better manage shared services in local government.'

Our products and auditees

91% of our performance audit recommendations accepted
98% of our financial audit recommendations accepted

Improving public sector accountability and performance

Our audits identify opportunities for improving public sector accountability and performance. We develop recommendations in consultation with the entities we audit in response to our audit findings. Our recommendations are reported to 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 the recommendations made to the entities we audit. Our Internal Controls and Governance Auditor-General's Report to Parliament covered the 40 largest financial entities in the state, representing about 95 per cent of total expenditure for all NSW public sector agencies. Of the 358 recommendations made to these entities, 352 (98 per cent) were accepted, exceeding our target of 95 per cent.

Performance audit recommendations accepted

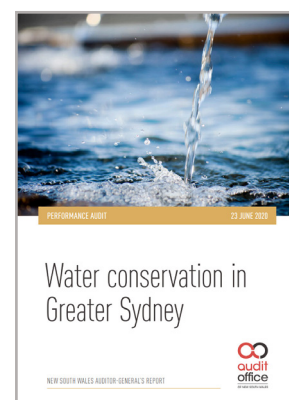
Of the 60 total performance audit recommendations made, 91 per cent were accepted either in full, or in principle, an increase on last year's result and above our target of 90 per cent. Four recommendations were noted and one was rejected.

The impact of our recommendations

An example of the impact our reports can have is related to our 'Local Schools, Local Decisions: needs-based equity funding' performance audit report released in April 2020. This report found that the NSW Department of Education did not have adequate oversight of how schools are using needs-based funding to improve student outcomes.

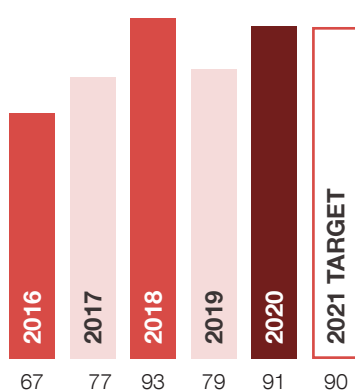
The department's response to this report indicates it will reform the Local Schools, Local Decisions program to ensure the right balance between accountability, intervention and support for schools; with reforms due to come into effect in 2021. The department said, 'these reforms will look to better ensure that evidence based practice teaching methods are used in the classroom, and that money is distributed through the Resource Allocation Methodology more effectively.'

In response to our performance audit report 'Water Conservation in Greater Sydney,' published in June 2020, both the Department of Planning, Industry and Environment and Sydney Water acknowledged that there are opportunities to improve water conservation in Greater Sydney and agreed with all of the audit recommendations. The Secretary of the department also thanked the audit team, and stated that the department has already started working with Sydney Water and other stakeholders to address the issues we raised in the report. The Managing Director of Sydney Water indicated that their alignment with the department in developing a new Greater Sydney Water Strategy will help to improve water management to meet the growing needs of the region.

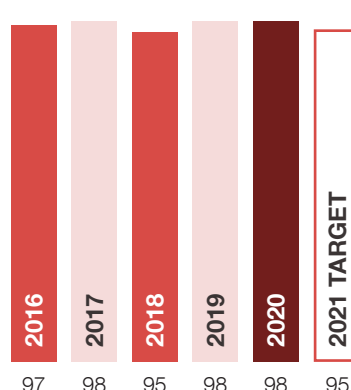


Recommendations accepted %

Performance audits



Financial audits



Our products and auditees

100% believe performance audits help them improve the performance of audited entities
89% value the assurance obtained from our financial audits

Our relationship with our auditees

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

What our auditees think of our services

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

In 2019–20, for our financial audit clients, we invited 384 Chief Financial Officers (CFOs) or General Managers (GMs) from our state government, local government and university auditees to participate in the survey. We also invited 182 Audit and Risk Committee Chairs (ARC Chairs) from our state government and university auditees to participate. The response rates were down on last year, most likely due to the surveys being conducted during the COVID-19 pandemic, with responses from 55 per cent of CFOs/GMs compared to 73 last year, and 60 per cent of ARC Chairs compared to 74 last year.

For our performance audit auditees, we invited 14 agency contacts to respond to the survey and received a response rate of 71 per cent, a slight increase on last year's response rate of 68 per cent.

How our auditees rate us overall

The overall CFO performance index for financial audits remained the same as last year at 74. ARC Chairs' satisfaction also remained steady, at 84 compared to 83 in 2018–19. The overall performance index for performance audits increased from 67 last year to 82, a five-year high.

Satisfaction with our audit process

The overall CFO performance index for our financial audit process remained at 76. CFOs were particularly positive about our:

- financial auditors conducting themselves professionally during the audit, the 96 per cent result the same as last year
- Client Service Plan adequately informing them about the audit strategy, key milestones and audit costs, 96 per cent agreeing compared to 95 last year
- financial auditors having the professional skills and knowledge required to conduct the audit, the 91 per cent result similar to last year's 93.

CFOs were less positive about:

- their organisation's staff members' time being used efficiently, the 73 per cent result similar to last year's 71
- the Audit Office having a good understanding of the local government sector, the 65 per cent result our lowest audit process result, although up from last year's 53.

ARC Chairs' ratings of our financial audit process were similar to last year, or increased. Ninety-six per cent of ARC Chairs agreed that we promptly informed them of significant issues, 96 per cent agreed our financial auditors

adequately understood their organisation, and 96 per cent agreed our financial auditors had the professional skills and knowledge to conduct the audit. The percentage of ARC Chairs who agreed our auditors met agreed deadlines also remained steady at 94.

The overall audit process performance index for performance audits was 85, increased from last year's 70. We received 100 per cent agreement on four key measures: our performance auditors communicating effectively; our auditors conducting themselves professionally during the audit; our auditors demonstrating they have the professional skills and knowledge to conduct the audit; and our auditors meeting agreed deadlines. All these results were improved from last year. Auditees were less positive about our auditors using their time efficiently and our auditors understanding their organisation and operating environment, with an 80 per cent result achieved for both measures.

Satisfaction with our audit reporting

The overall CFO performance index result of 76 for audit reporting was the same as last year. CFOs were particularly positive about our:

- client service reports communicating audit findings clearly, the 95 per cent result similar to last year's 97
- financial audit opinions being issued in a timely manner, the 89 per cent result similar to last year's 91
- having adequate opportunity to comment on financial audit findings and issues, the 90 per cent result the same as last year.

CFOs were less positive about management letters being issued in a timely manner, down from 86 per cent to 79.

ARC Chairs were positive about our client service reports and management letters communicating findings and issues clearly, at 100 and 98 per cent agreement respectively. ARC Chairs were also positive about management letters being issued in a timely manner, the 97 per cent result up from 85 last year.

The overall performance index for performance audit reporting increased from 68 last year to 80 this year. We received 100 per cent agreement on three key measures: auditees being provided with adequate opportunities to comment on the audit findings and issues before the report was tabled; the tabled report containing 'no surprises', and the tabled report communicating the audit findings and issues clearly. All these measures improved from last year. Auditees were less positive about our media release communicating the key audit findings and issues clearly, the 75 per cent result down from 80 per cent last year, and the media release being balanced and fair, also at 75 per cent although increased from 60 per cent last year.

Satisfaction with audit value

Our overall CFO performance index for financial audit value is 69, down slightly on 71 last year. Eighty-nine per cent of CFOs agreed they value the assurance obtained from our financial statement audits, down from 93 last year but above our target of 80, and 49 per cent of CFOs agreed our financial audit services provide value for money, down from 57.

Our financial audit services providing value for money increased with ARC Chairs, with 74 per cent agreeing, up from 69 last year. ARC Chairs also valued the assurance they obtain from our statutory financial statement audits, the result remaining steady at 96.

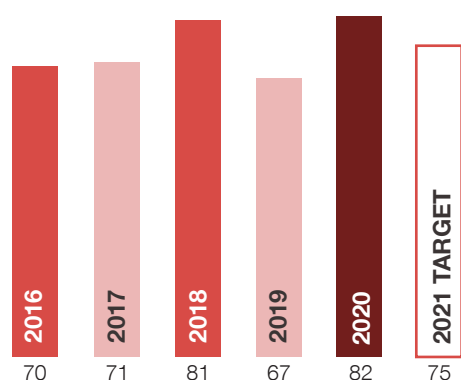
The overall audit value performance index for performance audits increased from 62 to 79. All measures were up on last year, including 100 per cent of auditees agreeing the audit will help them improve the performance of the audited activity, up from 71, and 90 per cent agreeing the audit provided a balanced assessment of the management of the activity, up from 52.

Comparing to other audit offices

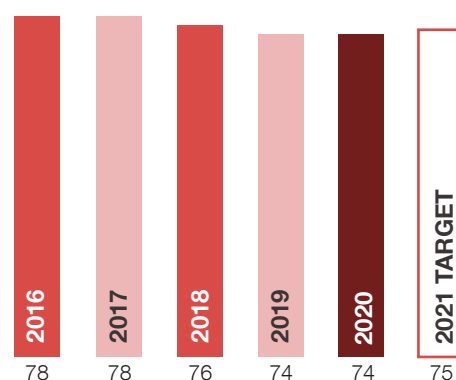
We have been comparing our auditee satisfaction with other Australian audit offices since 2005. In 2019–20, for our performance audits, our auditee survey results are above the other audit offices. The overall benchmarked performance index for Audit Office performance audits is 84 compared to 77 across all offices. On audit process, the Audit Office index is 87 compared to the average of 78, and on audit reporting the Audit Office index is 82 and the average 77. We are also above the other audit offices on audit value, with the Audit Office index at 83 and the average 75.

For our financial audits, our auditee survey results were slightly below other audit offices. The overall benchmarked performance index for Audit Office financial audits is 77, below the average of 80 for all offices.

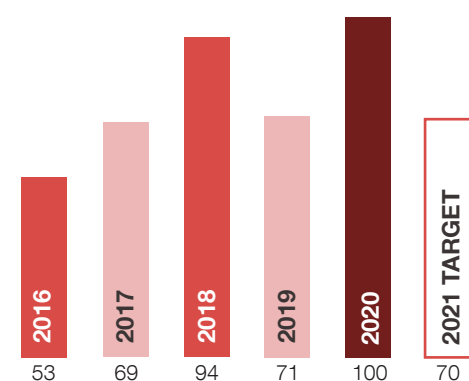
Performance audit overall performance index



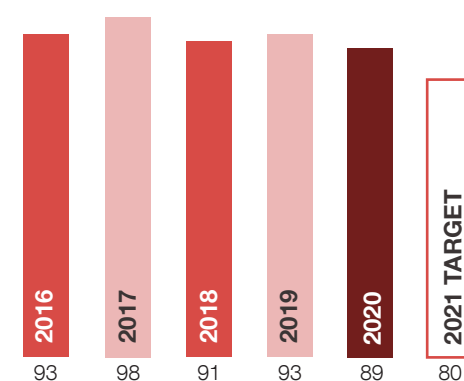
Financial audit overall performance index



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



Auditees value the assurance obtained from our financial audits



Our performance audits and special reports

11 performance audits completed
1 special report completed

What is a performance audit?

Performance audits are in-depth assessments of whether government entities are effective, efficient and economic 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
- 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, Industry and Environment and the Minister for Local Government. All reports are also tabled in NSW Parliament and published on our website.

Helping to improve public administration

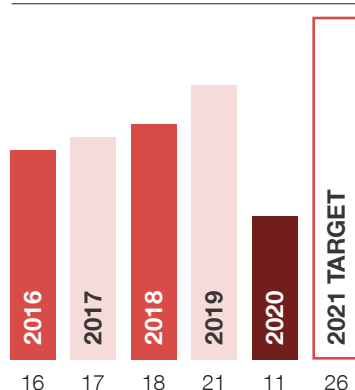
Performance audits provide information to the NSW Parliament and public about how well government programs and services are delivered. Ultimately, they aim to improve public administration.

In 2019–20, the Auditor-General tabled 11 performance audit reports on the effectiveness, efficiency and economy of the NSW public sector. These reports made a total of 66 recommendations to improve public administration.

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.

This year, we did not table as many performance audits as planned, with our 11 tabled reports significantly lower than our target of 20. A combination of factors influenced this outcome, including our approach to working with agencies in a COVID safe and sensitive manner, the impact of significant work undertaken at the request of ministers, and delays in receiving key information. A number of delayed audits were tabled early in the new financial year. We continue to work to improve our audit planning processes to ensure we are delivering our planned audits despite disruptions such as these.

Number of performance audits completed



Auditee responses to our reports

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

'The recommendations made in the report are welcomed, as is the focus which the audit has given to the provision of appropriate models of care for Aboriginal people experiencing mental illness.' *NSW Health, 'Mental Health Service Planning for Aboriginal People in New South Wales'*

'I would like to again thank you and your team for your work on this audit and the valuable insights it has provided.' *Department of Customer Service, 'Integrity of Data in the Births, Deaths and Marriages Register'*

'I would like to take this opportunity to express my appreciation for the input you and your office have added in supporting this important body of work.' *Department of Education, 'Local Schools, Local Decisions: Needs-Based Equity Funding'*

Choosing a performance audit topic

There are a multitude of government activities and programs we could audit. Our resources are limited, so we undertake a robust process to determine the performance audits we undertake. Our program is shaped by the risks and challenges faced by the government of the day, the interests of the community it represents, and the context in which it is delivering its key services.

We continue to work with Parliament's Public Accounts Committee, senior members of agencies, members of Parliament and other key stakeholders, to identify important issues and areas of concern to help define and focus the scope of our audits. In addition, we work collaboratively across our organisation to draw together insights from financial, performance and compliance audits to help formulate our program and enhance our understanding of key risks.

Our Audit Work Program is published on our website and is reviewed annually to ensure broad coverage of the sectors we audit and that we continue to address significant issues of interest to Parliament, and that it reflects contemporary thinking on public sector management.

Special reports

Legislation allows a range of stakeholders including 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. Each year we also review whether members of NSW Parliament complied with certain requirements outlined in the Parliamentary Remuneration Tribunal's Determination.

In 2019–20, we tabled one special report in Parliament, 'Members' Additional Entitlements 2019'. We were also asked to undertake two audits requested by ministers under Section 27B 3 (c) of the *Public Finance and Audit Act 1983*:

- Financial arrangements and management practices of integrity agencies – requested by the Special Minister of State on 4 November 2019
- Service NSW's handling of sensitive customer and business information – requested by the Minister for Customer Service on 19 May 2020.

These audits are both underway and will be completed in 2020–21.

Our 2019–20 performance audits

Entities audited	Performance audit report	Tabling date
<ul style="list-style-type: none"> NSW Health 	Mental health service planning for Aboriginal people in New South Wales	29 August 2019
<ul style="list-style-type: none"> Department of Education 	Ensuring teaching quality in NSW public schools	26 September 2019
<ul style="list-style-type: none"> NSW Health NSW Treasury Public Service Commission 	Ensuring contract management capability in government - HealthShare NSW	31 October 2019
<ul style="list-style-type: none"> Department of Communities and Justice 	Supporting the District Criminal Court	18 December 2019
<ul style="list-style-type: none"> Department of Customer Service 	Integrity of data in the Births, Deaths and Marriages Register	7 April 2020
<ul style="list-style-type: none"> Department of Education 	Local Schools, Local Decisions: needs-based equity funding	8 April 2020
<ul style="list-style-type: none"> Destination NSW 	Destination NSW's support for major events	9 April 2020
<ul style="list-style-type: none"> Transport for NSW 	Train station crowding	30 April 2020
<ul style="list-style-type: none"> NSW Police Force 	Funding enhancements for police technology	2 June 2020
<ul style="list-style-type: none"> Transport for NSW 	CBD South East Sydney Light Rail: follow-up performance audit	11 June 2020
<ul style="list-style-type: none"> Department of Planning, Industry and Environment Sydney Water Corporation 	Water conservation in Greater Sydney	23 June 2020



OUR VALUES | STORIES THAT MATTER

PRIDE IN PURPOSE

'I joined the Audit Office because I was passionate about using my skills to serve the public. I'm proud of our work because I've seen how our insights help auditees improve financial reporting and governance processes, enabling them to serve the NSW public more effectively.'

- Quentin Wong, Financial Audit -

Our financial audits

525 financial audits and 573 other assurance reviews completed, 1,098 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.

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

Our financial audit base

We completed 525 financial audits this year of NSW state, local government and university entities, compared to 590 last year. The reduction in the number of audits was due to agency restructures following the 2019 State election, the sale of Sydney Motorway Corporation, and financial reporting exemptions granted to some small entities. 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 country councils, to small boards and trusts (see Appendix Two for the full list of entities we audited over this period).

We also provided 573 other assurance audits and reviews (594 last year), most of which were acquittals or attesting compliance.

Total State Sector opinion

In addition to audits of individual state, university and local government entities, we audit the Total State Sector Accounts. These accounts provide aggregated whole-of-government financial information to Parliament, for example the State's budget result.

Modified auditor's opinions and conclusions

During 2019–20, we issued seven modified auditor's opinions and conclusions in our Independent Auditor's Reports (for details see Appendix Six). Modified opinions and conclusions included:

- 1 disclaimed opinion on an entity's financial statements
- 1 qualified opinion on an entity's financial statements
- 2 disclaimed opinions on an entity's special purpose financial statements
- 2 qualified opinions on audits of compliance with requirements
- 1 qualified conclusion on a review of compliance with requirements.

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

Qualified opinions and conclusions are issued when:

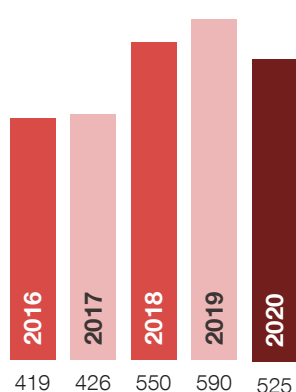
- financial statements contain material misstatements or sufficient appropriate audit evidence is not available; and the impact is material but not pervasive
- there is a scope limitation or material non-compliance with the compliance requirements.

Adverse opinions and conclusions are issued when:

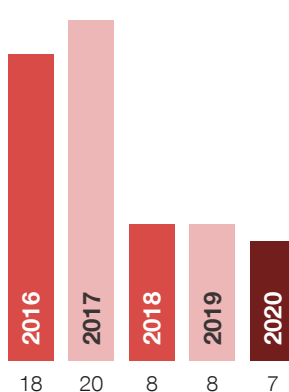
- misstatements in the financial statements are material and pervasive
- the non-compliance with compliance requirements are material and pervasive.

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

Number of financial audits



Modified auditor's opinions and conclusions



Our financial audit reports

The results of our 2019 financial statement audits were reported to Parliament in ten Auditor-General's Reports to Parliament in 2019–20. There were two less reports than the previous year as a result of the machinery of government changes that saw ten clusters amalgamated into eight.

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

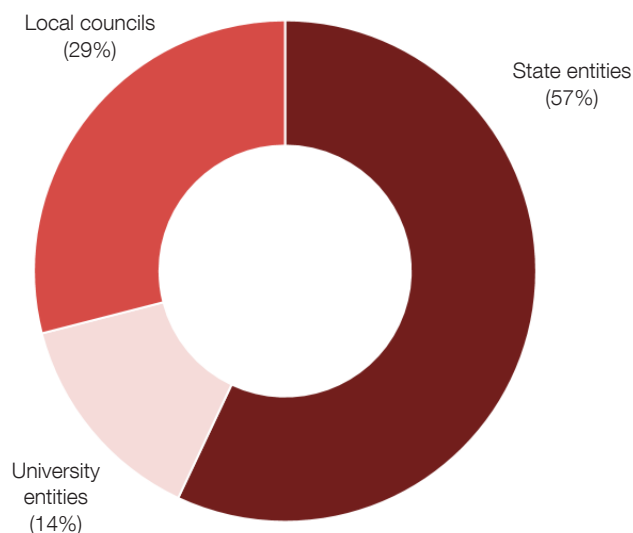
Our 'Internal Controls and Governance' report brings together the findings and recommendations from financial audits that relate to the internal controls and governance of the 40 largest NSW State Government agencies.

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

- Central Agencies
- Education
- Health
- Planning, Industry and the Environment
- Stronger Communities
- Transport.

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

Financial audits per sector



OUR VALUES | STORIES THAT MATTER

COURAGE (EVEN WHEN IT'S UNCOMFORTABLE)

'As a financial auditor, it is important to always challenge and question things, as asking questions and getting answers ensures we get the best result for the audit. This isn't easy when facing auditees with years of experience and in-depth knowledge of operations. The Audit Office has helped me develop confidence and experience in asking questions and having constructive conversations.'

- Tina Chen, Financial Audit -

Influencing for Impact

Strategic initiative focus

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

Innovations in our reporting process

In 2019–20, we produced an accessible version of our Transport Access Program performance audit report with the intention of meeting the needs of diverse people in the community, including those with lower literacy skills, an intellectual disability, or from a culturally or linguistically diverse background. We had a good response to the new ways of communicating our work and we will consider similar approaches for future reports where appropriate. We also produced our second short audio video presentation for our local government financial audit report highlighting key findings and recommendations.

Focusing on key audit matters

After finalising our pilot of Key Audit Matters (KAM) reporting on the Total State Sector Accounts, we commenced rolling this out more widely across our financial audits in 2019–20. KAM reporting adds value to users of financial statements by providing insights into the matters considered to be of most significance in the audit and increases transparency over the audit procedures to address those matters.

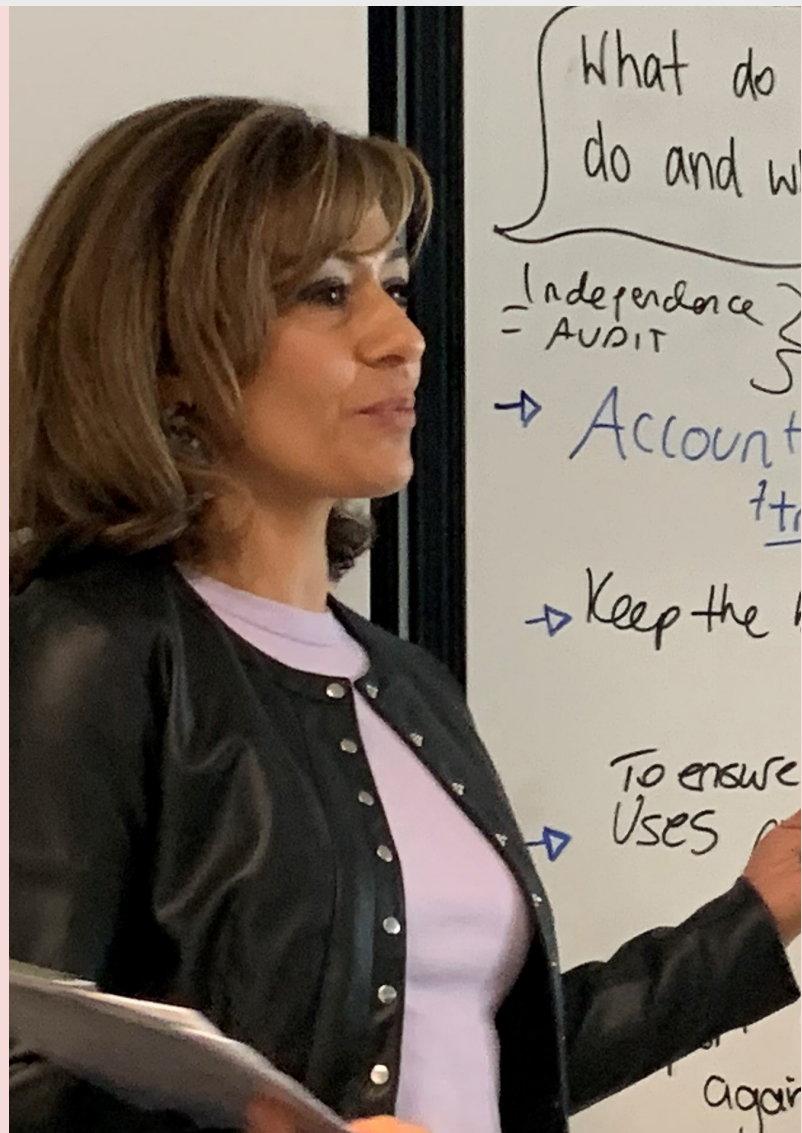
Improving our engagement with stakeholders

During 2019–20, we involved staff from across our office to help us develop an External Stakeholder Engagement Strategy. We also engaged with representatives from Parliament and our auditees. The process of developing this strategy has given us a better understanding of the needs of our stakeholders and helped us identify opportunities to improve how we engage with them.

The year ahead

In 2020–21, we will implement our External Stakeholder Engagement Strategy. The strategy will help us consistently communicate our role and our work, provide new opportunities to interact with our stakeholders and drive how we undertake external engagement.

We will also continue to improve our Auditor-General's Reports to Parliament and ensure they are as engaging, accessible and insightful as they can be.



Our leadership team participated in workshops to develop our External Stakeholder Engagement Strategy.

OUR PEOPLE AND CULTURE

Strategic objective

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

Staff engagement	26
Workforce management	28
Culture and diversity	30
Leadership and professional development	32
Work health and safety	34



Employee engagement

76% employee engagement

82% of staff agreed they had a good sense of wellbeing

A different survey approach this year

The NSW public sector People Matter Employee Survey 2020, planned for June 2020, was postponed until October 2020 because of the COVID-19 pandemic. In June 2020, the Audit Office instead conducted a pulse survey to check in with staff and see how they were coping working remotely after our office closed to staff in March 2020. In this pulse survey we asked staff to share their thoughts on the Audit Office's leadership, on their wellbeing and level of engagement throughout the pandemic, as well as our proposed approach for reopening head office.

Eighty-one per cent of staff participated in the pulse survey. Although down from the 91 per cent who participated in the June 2019 full survey, as the pulse survey was conducted during COVID-19 we were pleased with the participation rate. The relatively high response rate was complemented by many considered and valuable comments from staff which assisted us in our COVID-19 response efforts.

Employee engagement increases

The employee engagement measure was 76 per cent. This compares favourably to the 2018–19 result of 69 per cent but is below our target of 80 per cent. The results for each of the engagement questions in the pulse survey were significantly higher than last year's full survey results.

Strong leadership during COVID-19

Over 90 per cent of staff agreed with statements relating to Audit Office leadership during the COVID-19 pandemic. This included 95 per cent of staff agreeing our leaders are visible/accessible during the COVID-19 pandemic, and 95 per cent of staff agreeing they have confidence in the Audit Office's response to the COVID-19 pandemic. Further information on our response to the pandemic can be found at page 12.

Adapting well to new ways of working

The pulse survey results showed high levels of agreement on most statements relating to how individuals felt supported in the changed working environment as a result of the pandemic. The statement with the lowest level of agreement (80 per cent) concerned feeling connected to colleagues. Our office reopened on 1 July, providing a limited number of staff the opportunity to access the office each day within the boundaries of physical distancing regulations.

Positive mental health and wellbeing

Eighty-two per cent of employees agreed they had a good sense of wellbeing. Ninety-five per cent of staff said that they knew what they needed to do to keep safe and healthy, both mentally and physically, during the COVID-19 pandemic.

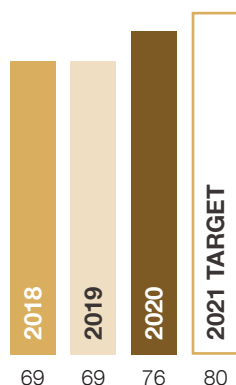
Fifty-seven per cent of employees agreed that their morale at the present time was very high or high. This compares with 38 per cent in the 2019 People Matter survey.

Although the measures around health and safety were encouraging, it is important to acknowledge the mental health and wellbeing strain that some of our staff have experienced because of changed living and working conditions during the pandemic.

How we might work in the future

We asked our staff in the survey what work practices they would like to continue after the pandemic. One of the most common suggestions from staff was that we continue to work from home more often than we did before the pandemic. However, it was acknowledged by several employees that some level of face-to-face engagement with auditees is preferable to conduct our work effectively.

Employee engagement %*



Employee satisfaction %*, **



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

** Employee satisfaction results for 2020 are not available as the People Matter Employee Survey was postponed due to the COVID-19 pandemic.

Working Better, Working Together

Strategic initiative focus

The objective of our Working Better, Working Together strategic initiative is to define what our work will look like in the future, the capabilities we will need, and the culture and conditions we will need to create.

In this 'People and Culture' section of our annual report you will find an overview of each of the key areas of focus in this strategic initiative in 2019–20, including our Values Refresh (see below), our Future Workplace Project (see below), our Workforce Strategy (page 29), and our Leadership Development Framework (page 33).

Refreshing our values

In 2019–20, a key focus of this initiative was to finalise, launch and implement our refreshed corporate values. With our move to a new office happening in 2019 (see below), and the cultural change opportunities this offered, we took the opportunity to think about what kind of behaviours we wanted to take with us to our new office, what we wanted to leave behind, and what new behaviours we wanted to embrace.

We commenced a grass-roots process to find out from our people what values they think are important for the Audit Office. A series of interviews and workshops with almost 100 staff resulted in five key themes being identified, with these themes worked into five new organisational values for the Audit Office. Each value incorporates a lot of our history and where we have come from, as well as demonstrating our desire to embrace new ways of working together and with our external stakeholders. Our values are:

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

These values were launched at our staff Office Forum in July 2019, and have since appeared on digital noticeboards, our intranet, on our reports to Parliament, and most significantly, on wall art in our new office (this artwork features throughout this report). We have also launched a campaign to help embed the values called 'Stories that Matter' that sees our staff share their own stories of what the values mean to them. Some of these stories have been included throughout this report. Given how important role-modelling values is to leadership, we have also incorporated our values into our new 'Leadership Essentials' development program – see page 33 for further details on leadership development.

Closing our Future Workplace Project

In February 2020, our Future Workplace Project was closed after successfully delivering the Audit Office a brand new office space. This project was established in 2018 to source a suitable site and create an optimal working environment for the Audit Office that aligns with our Workforce Strategy (see page 29).

The project was delivered within the \$5.0 million capital budget, ultimately coming in at \$4.5 million and maintaining a contingency of \$0.5 million. It was also delivered to schedule and the whole office, including all staff, relocated to the new office before our lease at the incumbent site expired on 31 July 2019. All required makegood activities at the old site were also completed by this deadline.



Our new workplace has been designed to support our collaborative and agile culture.

As well as meeting time and cost objectives, the Future Workplace Project also met strategic objectives and our workforce vision by creating a vibrant and appealing workplace that engages our staff while enhancing connectivity and encouraging a collaborative and integrated way of working. We closed the project noting that the benefits detailed in the project business case were delivered or 'on track to being delivered'.

In the 12 months since relocating to the new office space, and before the COVID-19 pandemic, all indicators from both follow-up surveys and room and desk booking data show that the office is being used as designed with far greater integration across teams and branches, less siloed, more agile ways of working, and more collaboration and connection both internally and externally.

Effective change management was a key focus for the project, and continues to be as we embed the project's behaviour change objectives in the longer term. Given the success of the change management approach used on this project, the approach has since been replicated to support other new initiatives including the quick rollout of new collaborative software to support the move to remote working as a result of the COVID-19 pandemic.

The year ahead

We will continue to embed our refreshed values in all that we do over the coming year, as well as ensure our people embrace new ways of working both at home and in our new office environment. That said, our world has changed since we moved into our new office and ensuring our office is a safe environment for our staff to work in during the pandemic has been our new focus. See page 12 for further details on our COVID-19 pandemic response.

Workforce management

281 full-time equivalent staff
11% staff turnover

Staff turnover just below our target

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

We experienced an 11 per cent staff turnover in 2019–20, slightly lower than 2018–19 and just under our target range of 12–15 per cent.

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

- appreciated the people at the Audit Office
- believed the Audit Office is a friendly place to work
- were made to feel part of their teams with support from colleagues
- felt they had good morale
- felt they had adequate freedom to exercise judgement in their work
- believed they received adequate training, although some suggested more consultation on training be provided in some areas
- had high satisfaction in their relationships with their managers and working teams
- felt more time and resources could assist with managing workloads
- felt more team and branch activities could assist collaboration
- would have preferred less travel as part of their work
- felt there were limited opportunities for promotion.

Of the employees who exited the Audit Office in 2019–20, 36 per cent moved elsewhere within the public sector, 32 per cent moved to the private sector, and 32 per cent exited for other reasons. Eighty-one per cent expressed they would return to the Audit Office if an opportunity arose.

Number of staff steady

The number of full-time equivalent staff at 30 June 2020 was 281, compared with 279 last year.

Our graduate recruitment program

In March 2020, we began our graduate recruitment process for 2021. We had to change our marketing campaign this year with professional accounting bodies and universities as careers fairs were not held due to the COVID-19 pandemic. Instead of attending careers fairs we promoted our program through targeted emails to university students and via other recruitment activities. From the 201 graduates who progressed to online tests, 37 candidates attended assessment centres, and we will issue 16 offers to candidates.

Due to the COVID-19 pandemic the graduate assessment centres were successfully held virtually for the first time.

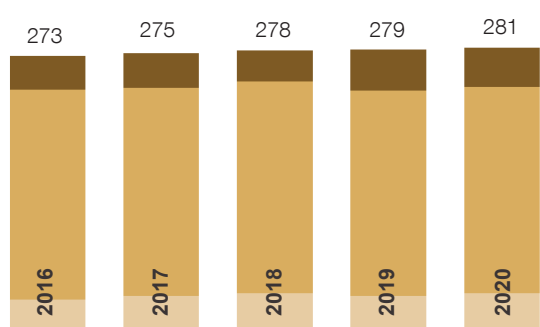
Focus on performance management

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

In 2019–20, we remained focused on managing performance by:

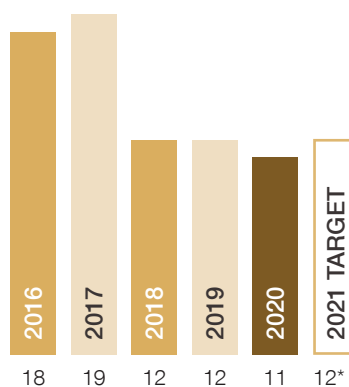
- cascading the Audit Office Corporate Plan down into branch plans and individual performance agreements
- strengthening our performance management process, including performance conversations and two-way feedback
- holding collaboration sessions for all classification levels to ensure managers have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

Full-time equivalent staff at 30 June



Leadership Audit Corporate

Staff turnover %



* Target range is 12–15 per cent

Working Better, Working Together

Strategic initiative focus

Fair and responsible remuneration

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

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

The Remuneration Committee met twice during 2019–20 to consider auditor and analyst progression and the year-end remuneration review. The committee reviews recommendations to the Auditor-General on the application of the Audit Office's remuneration policies and practices. These recommendations continue to improve the remuneration assessment process.

This year the usual process of merit increases and revising salary bands was put on hold until the Crown Employee (Audit Office) Award 2020 has been finalised at the Industrial Relations Commission. Pay increases for staff on executive contracts have also been put on hold until a determination by the Statutory and Other Offices Remuneration Tribunal (SOORT) is made. Once the Award negotiations and SOORT determination are finalised, remuneration outcomes for both Award staff and executive contract staff will be determined but this had not yet been finalised in the commission at the time of reporting.

Workforce Strategy

In 2019–20, a key focus of the Working Better, Working Together strategic initiative was to launch and begin implementation of our Workforce Strategy. The objective of the strategy is to ensure we build the right capability across our workforce to support both our current and future workforce needs, in a rapidly changing professional environment.

We started the development of this strategy by conducting research into the likely changing nature of our profession in the short, medium and longer term. This research was used by our Office Executive as the basis for a number of workshops to challenge our thinking about the future of our work, and to agree on a series of key, high-level workforce strategies. These strategies were tested and refined with our Leadership Team, before being launched to staff in November 2019.

Our seven workforce strategies are:

1. Integrate our audit approaches to create better insights.
2. Automate our processes to improve efficiencies and shift our focus to more analysis and insights.
3. Create greater diversity of thinking by leveraging our skills, capabilities and backgrounds.
4. Promote more flexible and dynamic approaches to work and talent management.
5. Develop an agile approach to internal resourcing.
6. Partner with external providers to deliver a proportion of our work.
7. Empower our people and foster innovation.

Our key achievements so far under these strategies include:

- moving our financial audit branch from 18 stand-alone teams to three industry-based neighbourhoods to enable a more agile resourcing model
- moving our performance audit branch to role classifications consistent with our financial audit branch to allow for greater integration across branches
- reviewing our Flexible Work Practices Policy and ensuring a more consistent and wider application of flexible working
- broadening our Study Support Policy and graduate program to support greater diversity in qualifications, experience and backgrounds.

The year ahead

In 2020–21, we will continue to implement our Workforce Strategy to equip our people with the capabilities they need to become the 'auditor of the future'.



Building capability for our current and future needs is a key priority.

Culture and diversity

57% of executive and senior leadership are women
54% of middle management are women

A strong focus on diversity

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

Gender diversity remains strong

The Audit Office has an ongoing commitment to support the growth and development of talented women in the organisation. The number of women as a percentage of the total full-time equivalent workforce remained at 53 per cent. The representation of women in middle management decreased from 58 to 54 per cent, while the percentage of women in executive and senior leadership positions increased from 51 to 57 per cent. We continue to conduct a gender pay gap analysis twice a year, with the Office Executive ensuring remuneration is managed to avoid gaps based on gender.

Increasing Indigenous representation

We are working to increase representation of Indigenous people at the Audit Office and developing strategies to support and celebrate Indigenous culture within our office environment. As part of this we celebrate NAIDOC week each year and are in the process of creating a Reconciliation Roadmap.

In 2019–20, we continued to develop and implement our Indigenous Internship Program. Two Indigenous interns worked at the Audit Office over a 12-week summer period and three Indigenous interns during the winter period.

Cultural diversity

Staff at the Audit Office come from over 42 countries and speak some 27 languages. In 2019–20, we celebrated many cultural festivals such as Diwali, NAIDOC, Lunar New Year, Harmony Day, Eid and International Women's Day. These celebrations help us recognise the diversity of our workplace and encourage our staff to learn more about other cultures and diversity groups.

We also delivered mandatory cultural awareness training for all staff and continued to inform and educate staff in cross-cultural attitudes, practices, norms, behaviours and communications using a 'Cultural Atlas'.

Promoting a flexible workplace

We continue to develop and support flexible working practices. Pre the COVID-19 pandemic, 15 per cent of staff had a formal flexible working arrangement in place such as part-time hours or compressed working weeks. Many more take advantage of flex leave and informal flexible working arrangements.

In our 2019 Work Health and Safety Survey, 62 per cent of respondents advised they have a formal or informal flexible working arrangement in place, up from 44 per cent the previous year. Informal arrangements can include working from home or working flexible hours.

On 17 March 2020, staff were advised they could work from home in agreement with their manager in response to the COVID-19 pandemic. We moved to all staff working from home from 24 March, with some staff returning to the office from 1 July 2020. For further details on our COVID-19 response see page 12.

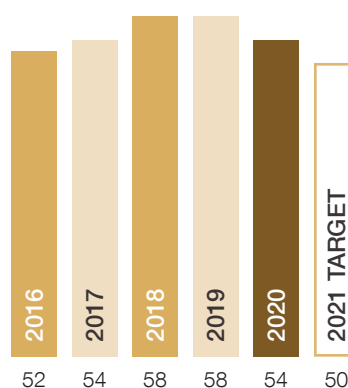
Supporting the wellbeing of our staff

The health and wellbeing of all employees remains a top priority. In 2019–20, five per cent of our employees utilised the Employee Assistance Program, and received free, independent and confidential counselling for themselves or their families. We encourage employees and managers to use the program to get professional, objective support for work or personal matters when required. Seventy-three per cent of employees who used the program sought assistance in relation to personal matters.

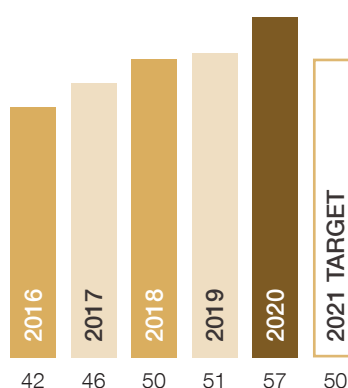
Ergonomic assessments were conducted for employees who have an injury or were experiencing discomfort whilst at work.

We continue to support employees who participate in the Corporate Cup running challenge as well as provide fresh fruit to promote healthier eating. In 2019–20, 25 per cent of staff participated in our flu vaccination program, down from 44 per cent last year. This was likely due to our office being closed and the subsequent cancellation of our onsite flu vaccination program. Staff were instead encouraged to arrange their own vaccinations with full reimbursement.

Women in middle management %



Women in executive and senior leadership %



Recognising our staff

Our Audies Recognition Program continued this year with 29 nominations received for the July 2019 to June 2020 period. There were 14 individual winners, including one recipient of the Karyn Neal Leadership Award, and nine team award winners. For further details on our 2019–20 winners please see Appendix Twelve.

Recreation Club

The Recreation Club (the ReClub) is a social organisation which is run by the ReClub committee and governed by the ReClub constitution. At 30 June 2020, 52 per cent of staff were members, compared to 56 per cent last year. The club is fully funded by staff and run by a representative committee.

The ReClub organises several key events, including an Annual Dinner and numerous 'Happy Hour' celebrations. In 2019–20, the ReClub also organised our futsal indoor soccer competition which this year included four teams with 35 players, and partially subsidised City2Surf entry fees for ReClub members.

During the COVID-19 pandemic, the ReClub was faced with the unique challenge of moving activities online. In response, the ReClub used a community collaboration platform to host several virtual challenges to elevate

staff morale and offered the chance to win prizes, sourced from ReClub staff membership fees. These challenges included:

- Pet challenge – staff were asked to submit a picture of their pet which was used to form a quiz that involved matching pets with their owners.
- Work from home desk challenge – staff were asked to share their work from home spaces and then vote on the best set-up.
- MasterChef challenge – as we could not host our traditional Cancer Council Biggest Morning Tea, staff were instead asked to post a picture of a meal they had prepared during the pandemic and then vote on their favourite entry. This year, we raised \$879 for the Biggest Morning Tea, the largest amount we have collected for this event in our 13 years of participation.
- ReClub's Got Talent – staff members were asked to submit a video or artwork to a panel of judges who selected two winners from each category.
- Housie – six games of Housie or Indian Bingo were played.

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



OUR VALUES | STORIES THAT MATTER

VALUING PEOPLE

'Our organisation is defined by how much it values its people. I have found the openness, transparency and frequency of communication here so much more personal and compassionate than I ever expected. The culture is very inclusive and diverse.'

'I have been touched to see how much people outside the Audit Office are also valued. The charity and fundraising initiatives and donations organised always go above and beyond. This emphasises that valuing people is at the heart of our organisation.'

- Michael Lee-Azad, Financial Audit -

Leadership and professional development

9 training days per employee

Well-developed skills

Our learning and development program ensures our staff have the skills and capability they need to excel in their roles, and that they are supported to meet their career goals within the Audit Office and the broader NSW public sector.

General training in 2019–20 included a combination of online training, face-to-face/virtual training, external courses, seminars and conferences. Staff also continued to consistently learn and develop while on the job. Internal coaching, face-to-face and virtual training delivered by Audit Office subject matter experts continue to form an integral part of our learning program. During the COVID-19 pandemic office closure, several learning and development programs were converted to a virtual format to ensure staff continued to receive formal development.

In 2019–20, our training program included:

- professional scepticism training for all auditors
- mandatory training for all staff on bullying and harassment, workplace health and safety, code of conduct, cyber security and disability awareness
- public interest disclosure training for our performance auditors
- unstructured data mining training for our performance auditors
- face-to-face legislation training focusing on changes to the *Government Sector Finance Act 2018* and the *Public Finance and Audit Act 1983* for all auditors
- eLearning training for all staff on the *Government Sector Finance Act 2018*
- training focusing on virtual skills including running effective virtual meetings, coaching virtually and presenting virtually
- our 2020 graduate induction program, including a new segment on client interviewing skills and an on-the-job shadowing day
- a broad variety of online learning through LinkedIn Learning.

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

Technical development

In 2019–20, financial audit staff were trained across a variety of technical subject areas including audit methodology, accounting standards, Higher Education Research Data Collection (HERDC), auditing local government, and SAP software training.

Performance audit staff attended industry conferences and developed advanced report writing skills through face-to-face training and coaching. Some staff also attended introduction to performance audit training, conducted by subject matter experts from Australasian Council of Auditors-General (ACAG) audit offices.

Supporting professional qualifications

We continued to help staff gain their professional accounting qualifications in 2019–20 by reimbursing 100 per cent of fees and providing study leave. We also supported 64 staff towards their professional qualifications, with 23 staff becoming fully qualified as Chartered Accountants and one as a Certified Practising Accountant. In addition, two staff members achieved a Graduate Diploma of Government and one person graduated from the Australian Institute of Company Directors.

Supporting tertiary education

We continued to support our staff with tertiary education by paying a percentage of fees for studies relevant to their role, our organisation or to the public sector. In addition to financial support, approved staff were also granted study leave to maximise their potential for success. In 2019–20, we supported 17 staff in completing degrees across a broad range of disciplines.

Staff development

Throughout 2019–20, we continued to offer our staff a diverse range of external and internal development opportunities, including internal movement to other teams or branches and opportunities to act at higher levels.

We maintained our ongoing commitment to offering staff development experiences with external organisations, and in 2019–20 we seconded 11 staff to a 'Big Four' accounting firm and one to a mid-tier accounting firm. Six of our staff were also offered development opportunities in the broader NSW public sector including the Independent Pricing and Regulatory Tribunal, the Department of Planning, Industry and Environment, Property NSW, and the Independent Commission Against Corruption.

Leadership development

In alignment with our Leadership Development Framework launched in 2018–19, in 2019–20 we delivered the 'Leadership Essentials' training program – see page 33 for further details. Managers also completed eLearning on disability awareness and technical training on our expense management system. New managers also completed respectful workplace training that was specifically targeted to leaders.

This year 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.

Working Better, Working Together

Strategic initiative focus

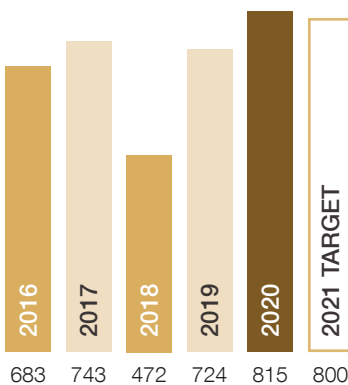
Training days increased

In 2019–20, we delivered an average of approximately nine training days per staff member, an increase from last year's seven days and in line with our target.

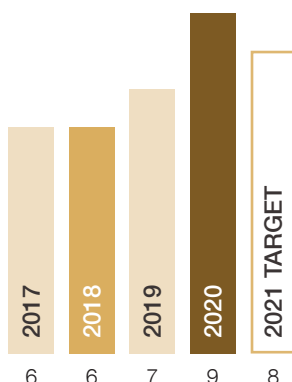
Investment in development increased

We increased our learning and development expenditure in 2019–20, with \$814,601 invested in the development of our staff, up from \$724,270 last year.

Learning and development spending \$'000



Average training days per employee



Leadership Development Framework

In 2019–20, we implemented a major component of our Leadership Development Framework to support the objectives of our Working Better, Working Together strategic initiative. This framework is designed to support all staff on their leadership journey, from leading themselves to leading others, and right through to strategic leadership.

The implementation of the 'Leadership Essentials' training program was the key focus of the year. This program was launched as a pilot in November 2019, and then rolled out to all middle managers, many of whom are first-time managers.

The three-month program, which includes three days of face to face or virtual training, has been aligned to both our new values (see page 27) and previous development programs around constructive leadership behaviours. At the end of the program, participants are expected to be able to:

- articulate a common understanding of effective leadership
- conduct quality conversations to guide, coach, provide feedback, empower, inspire, support and develop team members
- build a sense of belonging in remote and changing teams
- inspire team members to take ownership of change
- gain commitment from teams to develop innovative ideas
- take responsibility for self-development.

In March 2020, we had just completed the second day of the program for one of the intakes when the COVID-19 pandemic resulted in all staff transitioning to remote working overnight. We quickly worked to transform the final day of training to a remote delivery model so this intake did not miss out on completing the program in full. We have since transitioned all leadership and other training programs to online delivery – see page 12 for further details on our COVID-19 pandemic response.

The year ahead

In 2020–21, we will assess the effectiveness of our 'Leadership Essentials' training program with our middle manager group using an impact evaluation. We will roll out the program to new middle managers and will also focus on development for more senior leaders.



The Leadership Essentials training program commenced in 2019, bringing together staff from across the office.

Work health and safety

3 reportable notifiable incidents
0 new workers' compensation claims

WHS injuries and incidents

In 2019–20, we recorded a total of three reported notifiable injuries directly related to Work Health and Safety (WHS), down from six in 2018–19. These were immediately reported and addressed, and none were classified as a notifiable incident to Safe Work Australia.

There were no active workers' compensation claims at 30 June 2020, following closure of two claims in 2019–20.

Our WHS committee is engaged and active

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

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

In 2019–20, we engaged a new WHS Coordinator who will complete WHS Committee training in early 2020–21. All other committee members have already completed the training. Along with our WHS Committee members, we also have four first aid officers and 11 fire wardens, all fully trained.

This year, 20 employees participated in a pilot of Mental Health First Aid training, where participants learnt how to assist people who may be developing a mental health problem, experiencing a worsening of an existing mental health problem or are in a mental health crisis.



Injuries by body part

Body part	Injuries
Head	1
Arm	1
Knee	1
Total	3

Injuries by mechanisms

How injuries occurred	Injuries
Slips, trips and falls	3
Total	3

Staff satisfaction with WHS

In 2019–20, we conducted our annual WHS Survey with the highest ever participation rate of 75 per cent. The survey aims to gain a better understanding of employee awareness of WHS, as well as give employees the opportunity to provide confidential feedback on areas they perceive as risks in the workplace and areas for improvement.

In 2019–20, the survey showed a WHS satisfaction index score of 94, up from last year's 88 and above our target of 85. Positive results from respondents included:

- 93 per cent knew where to find our WHS policies
- 90 per cent believed their managers are aware of their WHS obligations
- 81 per cent agreed there are clear procedures in place in the event of an emergency
- 85 per cent knew where to find WHS Committee members' details
- 86 per cent of staff felt they could talk to their manager about working flexibly.

The key areas staff want us to focus on are improving employee wellbeing, WHS at auditee sites and awareness of WHS issues.

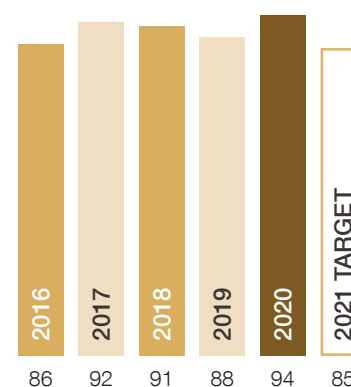
In response to these survey findings, the WHS Committee has developed a WHS Action Plan which includes:

- improving and increasing the regularity of WHS communications
- refreshing WHS intranet content
- developing training focused on wellbeing and mental health
- improving support for staff at auditee sites
- developing a health and wellbeing strategy.

WHS during the COVID-19 pandemic

In the second half of 2019–20, much of our WHS emphasis was on ensuring our staff were working in a safe and sustainable way during the first few months of the global pandemic. This initially included ensuring we had adequate hygiene measures in place in the office and procedures in the case of a confirmed COVID-19 case amongst our staff. Once our entire workforce moved to working from home in March, we shifted our focus to ensuring staff were working from home safely. This included providing working from home guidance, new tools and technology, and relevant online training such as how to run virtual meetings. Further details on our COVID-19 response can be found on page 12.

WHS employee satisfaction index



OUR SYSTEMS AND PROCESSES

Strategic objective

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

Audit and reporting processes	36
Quality processes	38
Governance	40
Technology and environment	47



Audit and reporting processes

78% of audit staff available hours charged to audit
100% of financial audits reported to Parliament on time

Timeliness of our performance audits

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

Timeliness of our financial audits

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

Timeliness of parliamentary reporting

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

In 2019–20, we reported 100 per cent of our financial audits to Parliament on time.

Timeliness of issuing financial audit opinions

Under the *Public Finance and Audit Act 1983*, we are required to issue all NSW government entity financial audit opinions within ten weeks of receiving entities' financial statements. Eighty-seven per cent of our opinions were issued within ten weeks in 2019–20, up from 85 per cent.

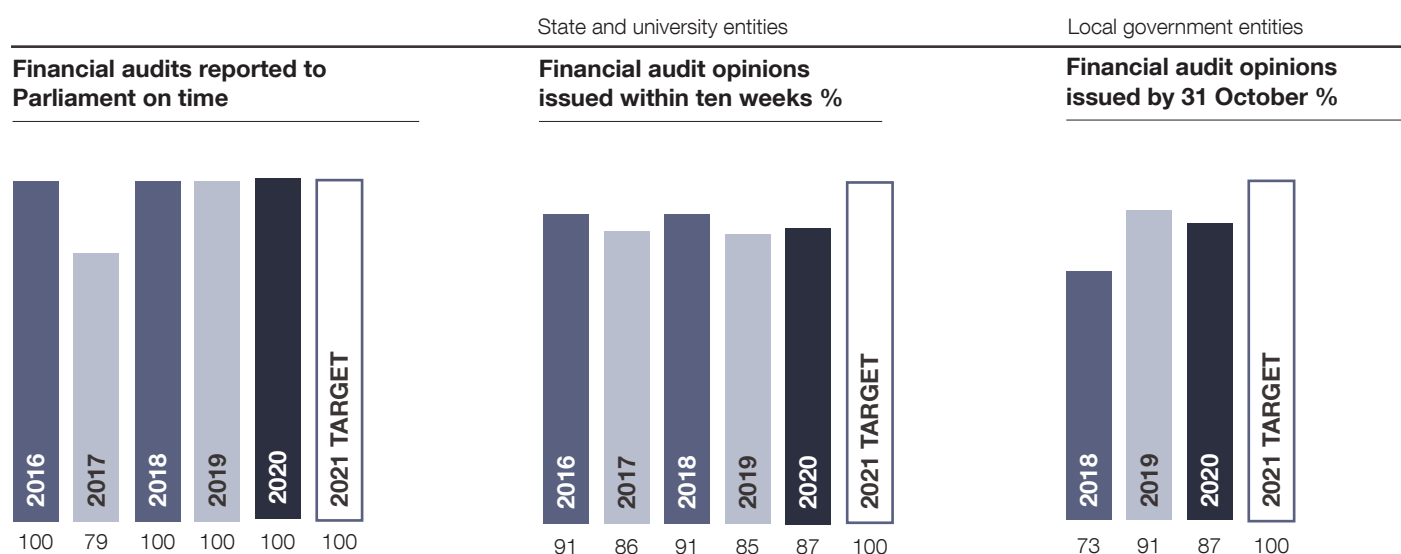
In our second year auditing the financial statements of local government entities, we provided 87 per cent of audit opinions by 31 October 2019, a drop from 91 per cent last year. Our target for the 2019–20 year was 100 per cent.

Timeliness of issuing management letters

While we issue interim management letters throughout the audit, we aim to issue our final management letter at the same time as our audit opinion, but no later than the following six weeks. In 2019–20, 73 per cent of management letters were issued within six weeks, consistent with last year's 74 per cent. We continue to develop and implement strategies to improve the timeliness of our management letters.

Efficient resource utilisation

Key to delivering cost efficient audits is effectively managing our audit staff resources. Our target is that 75 per cent of total available audit time is charged to audit activities. In 2019–20, we exceeded our target by charging 78 per cent of our available audit time to audit activities. Audit time includes all time available from both our performance and financial auditors, and does not include our audit policy and research staff in professional services, or our corporate support staff.



Cost of our audits

Our performance audit costs

The average cost of performance audits published in 2019–20 was \$318,642. This was below the target of \$330,000 and four per cent higher than the 2019–20 result of \$305,733.

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

Our financial audit costs

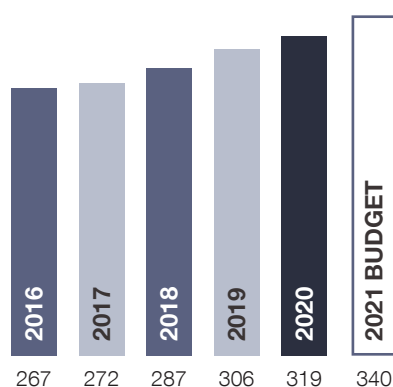
Our average cost per financial audit opinion in 2019–20 was \$90,376. This is an increase in cost from the \$87,069 per audit opinion last year. This includes the cost of auditing the state, university and local government sectors.

We compare our financial audit costs with other Australian audit offices. In 2019–20, our cost per financial audit was above the average of \$77,194 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.

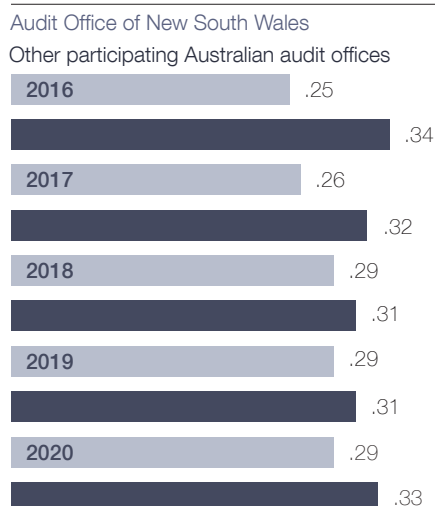
Benchmarking our total audit costs

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

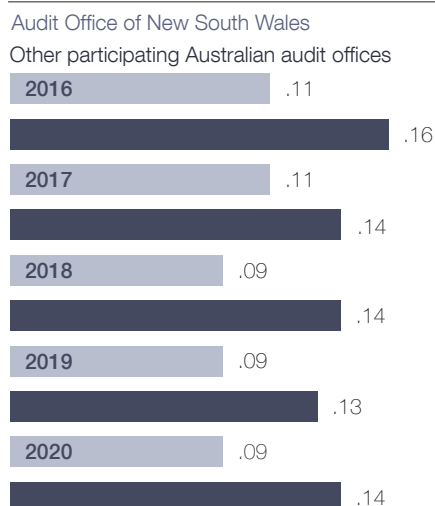
Average cost of performance audits \$'000



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



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



Quality processes

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

Our quality assurance framework

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

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

Quality Audit Review Committee

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

The Quality Audit Review Committee is chaired by an external member from the profession, and includes the Deputy Auditor-General and two other internal practitioners with appropriate experience and qualifications.

Internal quality reviews

We recognise the importance of audit quality in achieving our vision. Audit quality is supported through our comprehensive quality assurance program.

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

During 2019–20, we engaged a professional services firm to review our quality review checklist as well as financial audits conducted internally, with the objective of benchmarking our quality review and audit practices with others in the profession.

During 2019–20, our quality review program included monitoring reviews of nine financial audits as well as five monitoring reviews across other types of engagements. Overall, the reviews found that the assurance conclusions for the reviewed audits were appropriate.

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 learning and development program of the Audit Office to promote an environment of continuous improvement.

Based on these reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2019–20.

External quality reviews

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

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

- A quadrennial review by a person appointed by Parliament's Public Accounts Committee to examine the auditing practices and standards of the Auditor-General. The last review in 2017–18 concluded that we demonstrated the Auditor-General has in place methodology and tools to effectively, economically and efficiently deal with our core business and achieve compliance with the appropriate standards. The next quadrennial review is expected to occur in 2021–22.
- Periodic peer reviews of aspects of the Audit Office arranged under a quality assurance framework, sponsored by the Australasian Council of Auditors-General. The last peer review conducted in 2016–17 confirmed that very sound governance and audit practice management are in place at the Audit Office. The next peer review will be conducted in 2020–21.
- An external review of the Audit Office's system of quality control and a selection of financial audits will be conducted by the Australian Securities and Investments Commission in 2020–21. This review will provide insights into the effectiveness of our quality control systems and audit processes.

Ensuring the quality of our Audit Service Providers

Our ability to deliver quality audits is influenced by those we partner with – our external ASPs. Our ASPs are required to comply with Audit Office policies, including policies related to managing independence, conflicts of interest, and other audit-related policies. They are also subject to our internal quality assurance reviews. The proactive supervision of our 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 technical matters that our auditors encounter through their audits. The Technical Issues Committee (TIC) is responsible for considering complex technical matters, including areas of significant accounting judgements and estimates, complex transactions, modifications to our auditor's reports, and issues creating precedent or affecting a range of our auditees. The TIC is a forum where technical issues are debated to enhance audit quality. Internal stakeholders consider the technical merits of contentious matters, and the views of external parties, peak bodies, central agencies and the practices in other jurisdictions. Accordingly, technical matters are considered in detail and from multiple perspectives. The committee is chaired by the Auditor-General, and includes the Deputy Auditor-General and senior audit executives. Technical support is provided by the quality and innovation group within the professional services branch.

Safeguarding our independence

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

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

As our mandate does not permit us to perform non-audit services (such as consulting or advisory work), we do not provide these services to our auditees. Our policies do provide for 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 occasions. 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 our independence – and the independence of our ASPs – is preserved.

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

We monitor compliance with these policies and our approach to accepting (or approving our ASPs to accept) other engagements to ensure our independence is beyond reproach.

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 2019–20 annual report, Appendix Ten summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this report.

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

Building capability

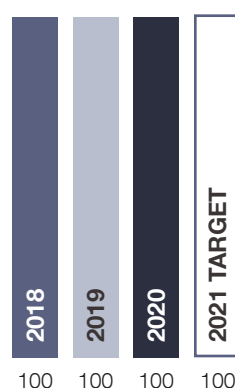
To deliver quality audits we must support the capability of our people. We have a comprehensive learning and development program that ensures we support and maintain the capabilities and knowledge of our people. This program has a strong focus on audit quality – including core accounting, auditing, and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

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 2019–20, we participated in and supported various ACAG sub-groups 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 2019–20, we prepared or contributed to eight ACAG responses to standard setters (see Appendix Five for further details).

Audit conclusions reviewed through our quality assurance program are supportable %



Governance

Framework and structures

Strong governance foundations

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

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

ASX Principle 1: Management and oversight

Our Corporate Plan

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

ASX Principle 2: Structure

Structured to add value

The Audit Office has a well-defined governance structure consisting of the Office Executive, independent Audit and Risk Committee, externally chaired Remuneration Committee and Quality Audit Review Committee, as well as external and internal audit functions (see page 43).

Office Executive

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

- setting a clear strategic direction and monitoring performance against strategic objectives
- overseeing the delivery of key strategic projects
- establishing and monitoring strategic key performance indicators
- defining the organisation's Risk Appetite Statement (RAS) and ensuring strategic risks are identified, assessed and treated appropriately
- supporting the Auditor-General to develop the forward audit 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 (PAC) reviews
- monitoring compliance with relevant laws, directions, codes and practices, ensuring Audit Office policies are periodically reviewed and updated
- role-modelling and embedding a culture of 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 and

Performance Audit, the Executive Director Corporate Services, and the Executive Director Professional Services. The Chief Financial Officer and Executive Manager Governance (Risk and Internal Audit) also attend each monthly meeting. For further details on our Office Executive, including how it is structured, see pages 8–9.

Key focus areas for the Office Executive during 2019–20 included:

- reassessing and tracking progress against the Audit Office's Corporate Plan and strategic initiatives (see pages 10–11), and starting work on the next four-year Corporate Plan
- reviewing the Audit Office's strategic risks and monitoring actions to mitigate each strategic risk to an acceptable level (see page 46)
- embedding the Audit Office's new values (see page 27)
- developing a new external stakeholder engagement strategy (see page 24)
- uplifting our cyber security framework, systems and processes (see page 48)
- managing and responding to COVID-19 risks to ensure business continuity, and support the health and wellbeing of staff (see page 12).

Audit and Risk Committee

The Audit and Risk Committee assists the Auditor-General by providing oversight and review of the Audit Office's governance, risk management and internal control frameworks.

We assessed the committee's activities in 2019–20 to confirm compliance with Treasury Policy Paper Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03). For a copy of the Internal Audit and Risk Management Attestation see Appendix Eight. The committee's charter aligns with the requirements of TPP 15-03 and can be found on our website, as can the committee's annual report to the Auditor-General outlining its activities and achievements during the financial year.

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

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

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

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

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

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

Remuneration Committee

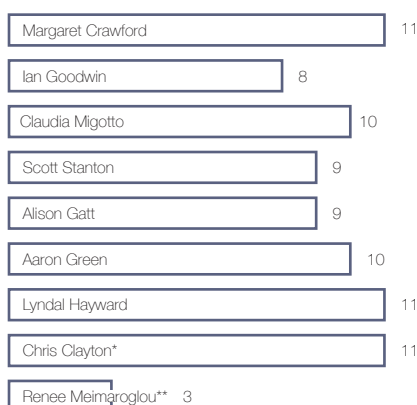
The Remuneration Committee provides advice on the appropriateness and application of the Audit Office's remuneration policies and procedures. Please see page 44 for more information on the Remuneration Committee.

Quality Audit Review Committee

Our Quality Audit Review Committee monitors the quality of audit products, and provides the Auditor-General with assurance the Audit Office complies with the requirements of ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements and APES 320 Quality Control for Firms. Please see page 38 for more information on the Quality Audit Review Committee.

Formal Office Executive meetings attended

A total of 11 monthly meetings held

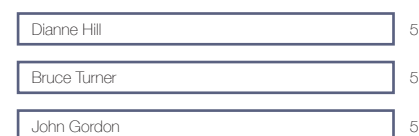


* Chris Clayton became a member of the Office Executive in October 2019.

** Renee Meimaroglou attended the formal Office Executive meetings when acting in the role of Assistant Auditor-General.

Audit and Risk Committee meetings attended*

A total of five meetings held, including one special meeting to review the annual financial statements.



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

ASX Principle 3: Ethics

High standards of conduct are instilled

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

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

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

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

In 2019–20, we reviewed the:

- Code of Conduct and updated it to include our new Audit Office values. We also refreshed and conducted staff training on the Code of Conduct
- Statement of Business Ethics and updated it to align with the Code of Conduct
- Conflict of Interest and Professional Independence Policy.

We also provided additional guidance to staff on identifying and managing conflicts of interest and threats to professional independence, including updated 'Q&As' and real-life scenarios.

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 has a Privacy Management Plan that sets out how we manage personal information in line with these obligations.

During 2019–20, we completed a review of our Privacy Management Plan, which can be accessed on our website. We also completed the Information and Privacy Commission's Privacy and Data Breach prevention self assessments.

Prevent, detect and respond to fraud and corruption

The Audit Office has a zero tolerance for fraud and is committed to minimising the incidence of fraud by implementing and regularly reviewing strategies that prevent, detect and respond to fraud and corruption. No instances of suspected fraud against the Audit Office were detected during 2019–20.

Compliance management

The Audit Office has many compliance obligations including against legislation, central agency directions, standards and codes. To meet these obligations, our compliance program promotes the importance of compliance to all staff and assists staff 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, updated in late 2019
- a Register of Compliance Obligations that includes a risk assessment formally reviewed by the Office Executive
- annual certification of compliance through the Management Control Questionnaire
- financial and performance audit methodologies mapped to professional standards and legislation
- annual management review of the compliance management system.

In 2019–20, our approach to compliance management was strengthened through a restructure within the Office of the Auditor-General. The restructure brought together our governance, legal, audit, and technical compliance knowledge into one 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
- follow-up on compliance with internal audit recommendations and conduct an annual compliance review across the office.

Governance

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 also provide independent assurance over how well our processes operate and comply with relevant laws, standards and policies.

Financial reporting

The Audit and Risk Committee independently reviews the objectivity and reliability of the Audit Office's financial information, and ensures our financial statements are supported by appropriate management sign-off on the adequacy of internal controls. At each meeting, finance reports are presented to the committee for review. Special meetings are also held to review the annual financial statements (see page 41).

Auditor-General and Management Control Questionnaire

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

This certification is supported by the Management Control Questionnaire (see page 46 for further information) and the Chief Financial Officer's sign-off on the effectiveness of internal controls over financial information.

External audit

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

Internal audit

The Office Executive, Audit and Risk Committee and senior management are committed to supporting an internal audit function that operates as an independent, objective assurance and consulting activity designed to add value and improve operations.

Our internal audit function is led by the Chief Audit Executive, and is supported by in-house staff and an external service provider for internal audit services.

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

The internal audit plan is a risk-based, rolling three-year plan. It is refreshed each year to ensure it remains current and relevant, and that it responds to changes in our environment and operations.

The Audit and Risk Committee recommended the approval of the 2019–20 internal audit program to the Auditor-General, which included a review of the following areas:

- data security governance and privacy
- ISO 27001 Information Security Management System (ISMS)
- budget process
- follow-up of previous Public Accounts Committee recommendations
- practice management
- follow-up of previous internal audit recommendations.

Although the practice management internal audit was conducted in 2019–20, it was not finalised at the time of reporting and will be finalised in 2020–21.

With the exception of the review of data security governance and privacy, all of these completed reviews had either a 'satisfactory' or 'good practice' conclusion, the two highest ratings. This meant that the overall control environment of the areas assessed was either satisfactory with a small number of low risk improvement opportunities or represented good practice with no improvement opportunities identified.

Although the data security governance and privacy review concluded an adequate control environment was in place for most areas, two moderate risk improvement opportunities requiring corrective action were identified. The agreed recommendations to address these risks are on track to be implemented within the agreed timeframe.

Recommendations from internal audits and independent reviews are tracked, and progress reported regularly to the Office Executive and Audit and Risk Committee. During 2019–20 a new dashboard was developed to report on the status of recommendations, allowing greater visibility and oversight of progress and emerging trends. Most recommendations have been implemented with a strong focus on addressing higher risk findings. No 'high' or 'significant' rated recommendations remained open at the end of the year.

As part of the quality assurance and improvement program, the annual assessment conducted by the Audit and Risk Committee monitored the performance of the outsourced internal Audit Service Provider, RSM.

Performance reporting

In 2019–20, performance against the Audit Office's Corporate Plan was tracked and reported to the Office Executive and Leadership Team.

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

ASX Principle 5: Disclosure

Open access information

The Audit Office holds a significant amount of government information. Most of the government information held by the Audit Office 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:

- Information Guide – explaining who we are, what we do and how to interact with us
- information about the Audit Office 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 (if any) that the Audit Office does not make publicly available.

In 2019–20, we completed our annual review of our compliance with the GIPA Act.

Proactive release

In 2019–20, the Audit Office refined its authorised proactive release of information program to consider what information the Audit Office holds that is of public interest and should be made publicly available. In 2019–20, the Audit Office proactively released:

- our Risk Appetite Statement
- the Technical Issues Committee technical advice template
- various financial audit templates.

Access applications and informal release

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

During 2019–20, we did not receive any formal GIPA access applications. One agency consulted with us on a GIPA application they received and whether we consented to the release of information that related to the Audit Office.

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

Annual report

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

In June 2020, we were awarded a Gold Australasian Reporting Award for reporting excellence for the eleventh consecutive year for our 2018–19 annual report, and were finalists in the categories of 'Governance Reporting Award – Public and Not-for-Profit Sectors' and 'Online Reporting – Public Sector'.

ASX Principle 8: Remuneration

Remuneration Committee

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

In 2019–20, the committee met twice and:

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

See Appendix One for details of our executive remuneration.

ASX Principle 6: Key stakeholder rights

Building effective relationships

In 2019–20, we maintained our focus on building effective relationships with our key stakeholders: NSW Parliament, citizens, state government entities, councils and universities.

Our strategic initiative 'Influencing for Impact' provided strategic direction on effective stakeholder relations and is described in more detail on page 24.

Stronger auditee engagement

In 2019–20, we briefed agency Secretaries of all clusters that make up the NSW public sector on the proposed audits of NSW government agencies over the coming three years. This is part of a stronger focus on promoting auditee engagement while still maintaining our independence.

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

As part of our commitment to engaging effectively with parliamentarians, we provided briefings to newly elected and existing members of Parliament and the Public Accounts Committee. We also provided an introductory briefing to the Public Accountability Committee. These briefings covered information on the relevant work of the Audit Office, and current and future planned audit topics and focus areas.

We meet with the Public Accounts Committee during each sitting of Parliament (see page 16). In 2019–20 we also continued to meet regularly with NSW Treasury, the Department of Premier and Cabinet and the Public Service Commission, as well as regular meetings with the Office of Local Government within the Department of Planning, Industry and Environment.

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

Working with the public and other integrity agencies

We work closely with other independent agencies in New South Wales and audit offices in other jurisdictions to improve our services and increase the impact of our work. This includes our important work in responding to

feedback from the public about the entities we audit and public interest disclosures where serious and substantial waste is involved.

Public interest disclosures

The Auditor-General has the power to examine allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994* (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 staff and public officials to report allegations of serious and substantial waste. These policies are consistent with the NSW Ombudsman's model policy and the requirements of the PID Act.

In 2019–20, we examined five public interest disclosures about state government entities, all of which were referred to our financial audit branch for consideration as part of their audits. One of these public interest disclosures was referred to us from another oversight agency. See Appendix Sixteen for further statistical information about public interest disclosures.

Reporting wrongdoing under the *Corporations Act 2001*

In July 2019, amendments were made to the whistleblowing provisions in the *Corporations Act 2001* (Corporations Act). These changes mean that when receiving a report of wrongdoing, the Audit Office now makes an assessment on whether the disclosure also meets the criteria for a report of wrongdoing under the Corporations Act. In 2019–20, we received two reports of wrongdoing that met the criteria under the Corporations Act but did not meet the criteria for a public interest disclosure under the PID Act. These were referred to our financial audit branch for consideration as part of their audits.

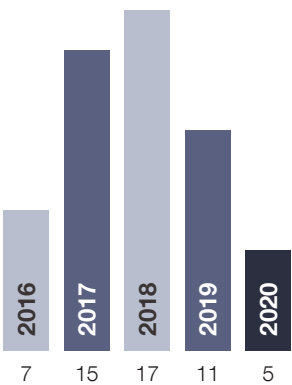
Responding to feedback and complaints

We are committed to actively seeking and using feedback to improve our performance and services. Feedback received about the entities we audit is reported to the Office Executive bi-annually. In 2019–20, we received 112 new items of feedback/complaints from members of the public. Of these:

- 46 related to local councils
- 49 related to state government agencies
- 12 were classified as 'other' – covering feedback outside of our mandate and about the government in general
- 5 related to the Audit Office.

Most feedback received was referred to our financial or performance audit branches for action and/or information. Of the five complaints received about the Audit Office in 2019–20, four related to our local government audit work and one related to our recommendations in an audit report.

Public interest disclosures



Subject of complaint	2017–18	2018–19	2019–20
Local government	18	22	46
State government	60	46	49
Other	8	9	12
Audit Office	2	6	5
Total	88	83	112

ASX Principle 7: Risk management

Recognising and managing risk

The Audit Office's risk management and strategic planning are integrated and risks are used as an input into the development of our Corporate Plan. Risks are continually reassessed and managed in accordance with our risk management framework and Risk Appetite Statement to ensure that activities and decisions are in line with the achievement of our Corporate Plan.

The Office Executive regularly reviews the Audit Office's strategic risks which is supported by detailed analysis of each risk, taking into account the underlying operational and project risks. 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 NSW Public Sector (TPP 15-03), the Risk Management Toolkit (TPP 12-03), the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2018), and the Accounting Professional and Ethical Standards Board's Professional Risk Management Standard (APES 325 Risk Management for Firms).

During 2019-20, we:

- reassessed our strategic risks in line with our refreshed Corporate Plan 2017-2020 and any key developments and emerging risks
- identified and prepared a risk analysis of the impacts of COVID-19 on the Audit Office's operations, keeping abreast of the rapid changes and aiding decision making about the response required
- refined the strategic and operational risk reports to better support robust risk discussions and better communicate risks throughout the organisation
- continued to work closely with our operational areas to help them better understand, manage and report risks
- continued to monitor the effectiveness of controls to mitigate risks
- continued to improve the Audit Office's risk maturity through the risk management plan; to improve our risk culture and embed risk management practices
- embedded the practice of continually scanning our operating environment, and understanding the impact changes have on our strategic and operational risks.

Strategic risks

In 2019-20, our six key strategic risks were reaffirmed as follows:

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

Risk management and internal control attestation

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

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

The second is an annual attestation by the Chief Financial Officer certifying the effectiveness of internal controls over financial information. This attestation is supported by a Management Control Questionnaire which is completed annually in line with the Audit Office's financial statements and covers the financial year. The Leadership Team complete the questionnaire on the implementation of internal controls as they relate to their business area and staff compliance with our policies (see page 43).

The third is an annual attestation by the Auditor-General on the management of cyber security risks consistent with the mandatory requirements set out in the NSW Government Cyber Security Policy (see our Cyber Security Annual Attestation Statement in Appendix Nine).

Technology and environment

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

Enhancing technology infrastructure and systems

In 2019–20, we enhanced audit delivery through improved technology systems and processes. Our technology achievements include:

- faster rollout of new software, devices and security updates by migrating our desktop environment to cloud-based management tools
- enhancing flexibility, mobility and choice for our people through the procurement and rollout of a new fleet of laptops
- providing the tools staff need, and connecting those tools effectively, economically and securely through a new serverless integration framework
- supporting a flexible workforce, and providing high-quality remote meeting capabilities via new collaboration tools – this work was fast-tracked in March 2020 when we moved our entire workforce to remote working in response to the COVID-19 pandemic
- ensuring our staff have secure access to the resources they need wherever they are through a new Virtual Private Network (VPN)
- developing a Cloud Adoption Strategy
- enabling better operational insights with online application and infrastructure monitoring tools.

We continued to meet compliance and operational stability requirements by:

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

Reducing our environmental impact

The Audit Office reports its progress against the Government Resource Efficiency Policy (GREP) which helps us to meet our environmental targets. In 2019–20, we focused on reducing our environmental footprint by:

- using 100 per cent recycled paper in our photocopiers and printers and recycling ink and toner cartridges
- continuing to use recycling sorting bins to encourage greater recycling of cardboard, plastic and other recyclable products
- recycling wastepaper using secure disposal processes
- disposing laptop batteries in an environmentally friendly way
- using a secure online file-transfer platform to share files digitally
- using sensor integrated LED lights throughout the office that automatically switch off after 30 minutes of inactivity
- transitioning all audit correspondence and Auditor-General's Reports to Parliament to electronic format only, significantly reducing our printing
- maintaining our coffee pod recycling program
- turning off air conditioning, digital screens, excess fridges and lighting when the office is unattended.

As a result of the COVID-19 pandemic we also reduced travel to auditees and other stakeholders in 2019–20, using virtual collaboration technology instead.

Maintaining our greenhouse performance

In 2019–20, the Audit Office achieved a greenhouse building rating of 5 stars, in line with government targets, by:

- buying 40 per cent green electricity and energy efficient equipment
- installing timers on lights and equipment.



OUR VALUES | STORIES THAT MATTER

CURIOUS AND OPEN-MINDED

'Here at the Audit Office I've enjoyed the challenge of two secondment roles. The Audit Office's commitment to learning and development is truly encouraging and I am grateful for these opportunities and the support I receive in my studies.'

- Amy Divall, Corporate Services -

Innovating with Technology

Strategic initiative focus

This initiative seeks to drive innovation and improvement in our audits and reporting, with a focus on technology and data analytics. It is designed to bring efficiencies to our audits and generate better insights. Some of our 2019–20 achievements under this initiative are detailed below.

Increasing our capability in data analytics

Adopting a greater use of data analytics will help us better identify risks and tailor our approach to audits, ensuring we develop greater insights in our work. In 2019–20, we rolled out an audit methodology data analytics tool to 140 staff, supported by training. We also created a Chief Data Officer role that we will recruit for in 2020–21. We also in 2019–20 developed a Data Capability Framework that will be used as the basis of a data capability uplift program for our staff, to prepare them for a data future. We have identified resources, online learning and other development tools and programs that can be used to achieve this uplift.

Implementing our innovation roadmap

In 2019–20, we established an Innovation Lead role to progressively implement our 'Innovation Roadmap'. Two innovation pilots were progressed this year. The first pilot is the development of an external collaboration portal to communicate and exchange information with external stakeholders such as auditees and Audit Service Providers. The second pilot will trial a system for seamless and efficient end-to-end production and delivery of audit client documents.

Uplifting our cyber security maturity

Uplifting our cyber security will mitigate against the risk of losing confidential information, one of our key strategic risks, as well as ensure we are compliant with the NSW Cyber Security Policy. This year we worked with cyber risk experts to better understand how to actively manage and appropriately invest in cyber security in an ever-changing environment. We have now achieved at least minimum compliance with all of the Australian Cyber Security Centre's 'Essential Eight' mitigation strategies, and significant effort has been invested in ensuring our people are aware of any emerging threats and scams, particularly in a COVID-19 pandemic environment. Other achievements include implementation of an Artificial Intelligence (AI)-based email security solution, new advanced phishing controls, implementing application whitelisting, and establishing a new third party security assessment process for our Audit Service Providers.

Improving the digital experience of our employees

What started as an initiative to leverage the full functionality of our existing Microsoft 365 subscription in a user-friendly but records compliant manner, has this year shifted to a broader focus on how we can create a digital work experience commensurate with our new physical office environment. Although our new office move has been a success (see page 27), a lot of our staff work remotely at auditee sites most of the year so we want to make sure that this experience brings the same sense of connection to our culture as those working at head office. This has become even more important in the wake of the COVID-19 pandemic where most staff are now working remotely. To enable this Digital Employee Experience (DEX) focus the DEX program of works was born. Some of the achievements this year under this program include the development of a draft Digital Workplace Strategy, the investigation of appropriate records solutions to underpin our Microsoft 365



Equipping our staff with the right technology and software is a priority.

implementation, the replacement of all our laptops, and the super-fast roll-out of several elements of Microsoft 365 to support our staff in a COVID-19 remote working environment. We had planned to finish our Digital Workplace Strategy in 2019–20 and make greater progress on our DEX program of works but this was delayed due to other priorities related to managing the COVID-19 impact on our business and ensuring we had the technology solutions in place to support our staff in remote working.

Streamlining expense management

In June 2020 we launched a new expense management system, a one-stop-shop for all expense claims and travel bookings. Expense 8 has brought increased visibility and improved tracking for staff across their claims, given managers greater visibility over travel costs, and saves staff time in bookings, claims and acquittals, all of which can now be completed on a mobile phone.

The year ahead

In 2020–21, we will recruit a new Chief Data Officer and develop a Data Analytics Strategy. We will also complete our two innovation pilots and assess their viability for further roll-out. Cyber security will continue to be a key focus as we continue to work on mitigating our risks in this space and increasing our maturity. Finally, we will complete and begin implementation of our Digital Workplace Strategy, and deliver our DEX program of works.

OUR FINANCES

Strategic objective

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

Financial performance	50
Financial position	51
Key financial statistics	52
Financial report	53



Financial performance

We remain on target of breaking even over the medium-term

Close to our break-even target

The work of the Audit Office is largely self-funded from audit fees paid by auditees. These fees are set to cover our expenses while maximising value. Unlike private sector auditors, we aim to break even over the medium-term rather than make a profit. Over the four years to 2019–20, we have achieved a cumulative loss of \$0.1 million (excluding superannuation adjustments), close to our medium term break-even target.

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

Budgeting

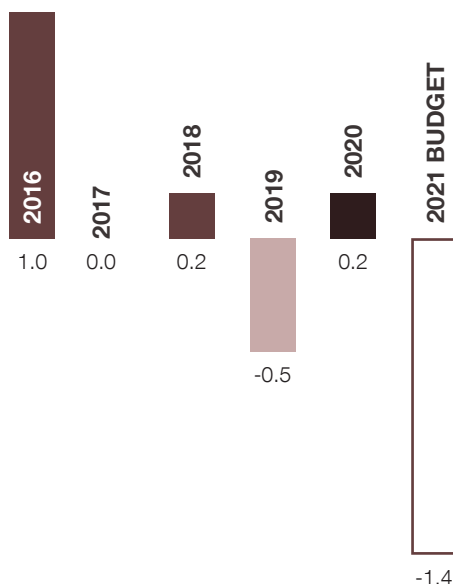
Our actual surplus for the year of \$0.2 million is better than the original budgeted loss of \$1.6 million. This result was due to deferring some Corporate Plan initiatives until next year due to other priorities including managing the impact on our business of the COVID-19 pandemic. This includes parts of the Digital Employee Experience program of works and activities related to data analytics under our Innovating with Technology strategic initiative – see page 48 for further details.

Revenue and expenditure

Excluding audit scope adjustments resulting from agency restructures and the introduction of new accounting standards, our revenue growth was less than two per cent. We earned revenue of \$52.0 million (\$48.9 million in 2019) from auditing the financial statements of state government entities, universities and local government entities. The NSW government contributed \$10.2 million towards our performance audits and reports to Parliament. Our 2019–20 total expenditure of \$62.6 million, excluding the defined benefit schemes' superannuation adjustments, was \$1.6 million or 2.6 per cent more than the previous year's \$61.0 million.

Operating result 2019–20/\$m

Excluding superannuation



OUR VALUES | STORIES THAT MATTER

CONTAGIOUS INTEGRITY

'One of the things I love most about my job is the shared sense of purpose amongst staff at the Audit Office. We are all driven by the importance of what we do – for the Parliament of NSW, and the community. Many of our day-to-day conversations naturally come back to the core principles that drive our work: integrity, transparency and accountability. Working in an environment like this really rubs off on you. It is very inspiring.'

- Claudia Migotto, Performance Audit -



Financial position

Our financial position is sound

While we have a net liability position, we are a going concern as we have a sustainable level of working capital and we continue to generate net cash inflows from our operating activities. Our net liability position is a result of the actuarial losses on the defined benefit superannuation schemes. This liability is a long-term liability. The Audit Office has not been required to make employer contributions to these schemes for several years.

Most of our assets and liabilities are of a financial rather than physical nature. Cash remains one of our largest assets, with \$8.2 million at 30 June 2020. Our assets also include \$8.7 million for the Crown agreeing to fund our staff's long service leave entitlements. This offsets the liability in our financial statements. We also have \$5.2 million in receivables from government entities and local councils for our auditing services.

Our liabilities at 30 June 2020 were \$93.7 million, an increase of \$17.6 million from 30 June 2019. The increase is largely due to our recognition of a lease liability of \$14.2 million under the new lease accounting standard. We have also recognised a right of use asset of \$13.8 million.

Solvency and debtor management remains steady

Our current ratio at 30 June 2020 shows we had \$1.50 in current assets to meet every \$1.00 of current liabilities. This is consistent with last year's ratio and within our target range of between \$1.50 and \$2.00.

The average time to collect unpaid invoices has remained steady at 27 days (26 days in 2019) and is within our target of 28 days. The improvements we put in place to monitor and follow up outstanding balances have continued to help reduce the time it takes to collect money owing to us. Timely payment by auditees is important to ensure we have sufficient cash on hand to meet our liabilities.

Our core business continues to generate net cash inflows

We generated \$3.2 million from our operating activities in 2019–20, \$2.1 million more than the previous year. Part of the reason for this large increase in net cash inflows is our accounting for office lease payments as a financing activity under the new lease accounting standard.

As a self-funded organisation, it is important that we generate enough cash to fund today's expenditure, our capital works program and future investment in the organisation. We expect to generate \$2.0 million from our operating activities in 2020–21.

Timely creditor payments

During the year we paid 97 per cent of our creditors on time. We are expected to pay all creditors within 30 days, unless the agreed contract terms state otherwise.

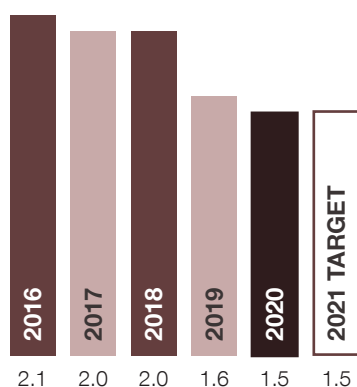
For further details on our performance with creditor payments, see Appendix Thirteen.

The year ahead

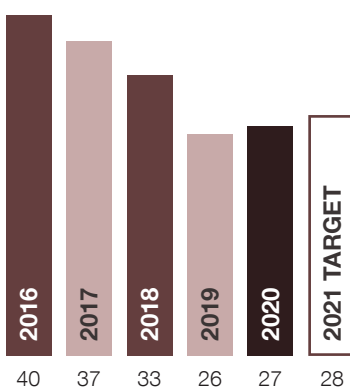
In 2020–21, we will:

- continue to work on our finance strategy to ensure we remain financially sustainable in the longer term
- continue to improve our internal reporting capability, bringing together the financial and non-financial metrics which measure our inputs, outputs and success.

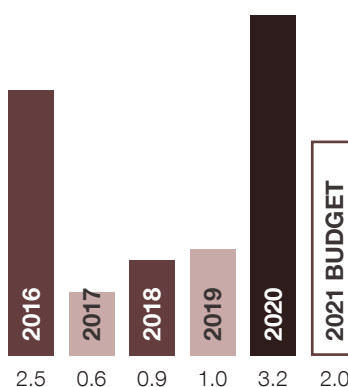
Solvency — current ratio



Debtor management — average days to collect



Cashflows from operating activities 2019–20/\$million



Key financial statistics

	2015–16 \$'000	2016–17 \$'000	2017–18 \$'000	2018–19 \$'000	2019–20 \$'000
Five-year trend					
Financial performance¹					
Total revenue	44,979	47,251	59,334	60,439	62,770
Total expenses	43,975	47,246	59,147	60,979	62,567
Operating profit/(loss)	1,004	5	187	(540)	203
Financial position					
Total assets	26,857	27,228	28,721	29,609	44,560
Total liabilities	72,975	56,279	55,497	76,114	93,730
Accumulated funds	(45,970)	(29,051)	(26,776)	(46,505)	(49,170)
Solvency and debtor management					
Current ratio	2.1	2.0	2.0	1.6	1.5
Average days to collect debts	40	37	33	26	27

	2019–20 Budget \$'000	2019–20 Actual \$'000	2020–21 Budget \$'000
Performance against budget ¹			
Revenue			
Audit fees	49,730	52,038	51,508
NSW Government contributions	10,438	10,175	10,751
Interest	149	59	50
Other revenue	210	498	380
Total revenue	60,527	62,770	62,689
Expenditure			
Salaries and related expenses	40,088	38,100	40,455
Other expenses including operating expenses, maintenance, loss on disposal and finance costs	7,310	7,468	7,707
Audit Service Provider costs	11,871	14,267	13,189
Depreciation and amortisation	2,858	2,732	2,756
Total expenditure	62,127	62,567	64,107
Operating surplus/(loss)	(1,600)	203	(1,418)

¹ Excludes defined superannuation scheme adjustments of \$1,287,000 in 2019–20.

FINANCIAL REPORT

Independent Auditor's Report	54
Statement by Auditor-General for New South Wales	56
Statement of comprehensive income	57
Statement of financial position	58
Statement of changes in equity	59
Statement of cash flows	60

Notes to and forming part of the financial statements

1. Basis of preparation and significant changes	61
2. Budget review	64
3. Our financial performance	65
4. Our assets	69
5. Our liabilities	76
6. Risk and other notes	86



Independent Auditor's Report

to the Members of New South Wales Parliament



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Independent Auditor's Report

To the Members of New South Wales Parliament

Report on the audit of the financial report

Opinion

I have audited the financial report of the Audit Office of NSW (the 'Audit Office'), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Auditor-General's declaration.

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

- a giving a true and fair view of the Audit Office's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and section 41B of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

Basis for opinion

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

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

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

The Auditor-General is responsible for the other information. The other information comprises the information included in the Audit Office of New South Wales' annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

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

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Independent Auditor's Report (continued)



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

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

Responsibilities of the Auditor-General for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

A stylized blue ink signature of "Grant Thornton" in a cursive script.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A stylized blue ink signature of "A J Archer" in a cursive script.

A J Archer
Partner – Audit & Assurance

Sydney, 3 September 2020

Statement by the Auditor-General for New South Wales

for the year ended 30 June 2020

Under section 41C of the *Public Finance and Audit Act 1983*, I state that, in my opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Audit Office of New South Wales at 30 June 2020 and its performance for the year then ended.

I further state:

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



Margaret Crawford
Auditor-General for New South Wales

Sydney, 3 September 2020

Audit Office of New South Wales

Statement of comprehensive income for the year ended 30 June 2020

	Notes	2019–20 Actual \$'000	2019–20 Budget \$'000	2018–19 Actual \$'000
Revenue				
Rendering of services	C1	52,038	49,730	48,891
NSW Government contributions	C1	10,175	10,438	10,095
Other revenue	C1	557	359	1,128
Other income	C1	–	–	325
TOTAL REVENUE AND OTHER INCOME		62,770	60,527	60,439
Expenses				
Employee related expenses	C2	39,386	40,088	39,751
Operating expenses	C3	21,423	18,829	21,800
Depreciation and amortisation	C4	2,732	2,858	1,009
Loss on disposal of assets		24	–	–
Finance costs	E2.1	289	352	22
TOTAL EXPENSES		63,854	62,127	62,582
Net result		(1,084)	(1,600)	(2,143)
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods:				
Superannuation actuarial gain/(loss) on liabilities	E3.2	(2,238)	–	(21,251)
Superannuation actual return on Fund assets less interest income	E3.2	657	–	3,665
Total other comprehensive income		(1,581)	–	(17,586)
TOTAL COMPREHENSIVE INCOME		(2,665)	(1,600)	(19,729)

The accompanying notes form part of these financial statements.

Audit Office of New South Wales

Statement of financial position as at 30 June 2020

	Notes	2019–20 Actual \$'000	2019–20 Budget \$'000	2018–19 Actual \$'000
Assets				
Current assets				
Cash and cash equivalents	D1	8,225	8,022	7,544
Receivables	D2	5,962	5,699	5,310
Work in progress	D3	1,904	1,500	1,502
Other current assets	D4	7,991	9,000	8,471
Total current assets		24,082	24,221	22,827
Non-current assets				
Right of use assets	D5	13,794	13,510	–
Property, plant and equipment	D6	4,793	5,430	4,503
Intangible assets	D6	1,196	2,322	1,542
Other non-current assets	D4	695	620	737
Total non-current assets		20,478	21,882	6,782
Total assets		44,560	46,103	29,609
Liabilities				
Current liabilities				
Payables	E1	2,693	3,503	2,120
Borrowings	E2	1,443	1,137	–
Provisions	E3	12,122	12,190	12,104
Total current liabilities		16,258	16,830	14,224
Non-current liabilities				
Borrowings	E2	12,751	12,799	–
Provisions	E3	64,721	43,046	61,890
Total non-current liabilities		77,472	55,845	61,890
Total liabilities		93,730	72,675	76,114
Net liabilities		(49,170)	(26,572)	(46,505)
Equity				
Accumulated funds		(49,170)	(26,572)	(46,505)
Total equity		(49,170)	(26,572)	(46,505)

The accompanying notes form part of these financial statements.

Audit Office of New South Wales

Statement of changes in equity for the year ended 30 June 2020

		Accumulated Funds
	Notes	Actual \$'000
Balance at 1 July 2018		(26,776)
Net result for the year		(2,143)
Other comprehensive income:		
– Superannuation actuarial gain/(loss) and return on Fund assets	E3.2	(17,586)
Total comprehensive income for the year		(19,729)
Balance at 30 June 2019		(46,505)
Balance at 1 July 2019		(46,505)
Net result for the year		(1,084)
Other comprehensive income:		
– Superannuation actuarial gain/(loss) and return on Fund assets	E3.2	(1,581)
Total comprehensive income for the year		(2,665)
Balance at 30 June 2020		(49,170)

The accompanying notes form part of these financial statements.

Audit Office of New South Wales

Statement of cash flows for the year ended 30 June 2020

	Notes	2019–20 Actual \$'000	2019–20 Budget \$'000	2018–19 Actual \$'000
Cash flows from operating activities				
Receipts				
Rendering of services and government contributions		69,908	60,168	66,574
Interest received		59	149	168
Other		498	210	1,058
Total receipts		70,465	60,527	67,800
Payments				
Employee related		(38,093)	(40,088)	(37,776)
Payment to Audit Service Providers		(13,544)	(11,871)	(13,458)
Other		(15,357)	(6,341)	(15,548)
Finance costs		(289)	(333)	–
Total payments		(67,283)	(58,633)	(66,782)
Net cash flows from operating activities	D1.1	3,182	1,894	1,018
Cash flows from investing activities				
Purchases of property, plant and equipment		(975)	(1,470)	(4,425)
Purchases of intangible assets		(256)	(1,280)	(63)
Net cash flows used in investing activities		(1,231)	(2,750)	(4,488)
Cash flows from financing activities				
Payment of principal portion of lease liability		(1,270)	(938)	–
Net cash flows used in financing activities		(1,270)	(938)	–
Net increase/(decrease) in cash		681	(1,794)	(3,470)
Opening cash and cash equivalents		7,544	9,816	11,014
Closing cash and cash equivalents	D1	8,225	8,022	7,544

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 2020

A1. Entity information

The Audit Office of New South Wales (the Audit Office) is a statutory authority, established under the *Public Finance and Audit Act 1983* that 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 public resources. The Audit Office is a not-for-profit entity as profit is not its principal objective. Its financial statements are consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Auditor-General on 3 September 2020.

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 *Public Finance and Audit Act 1983* (PF&A Act) and Public Finance and Audit Regulation 2015
- Treasurer Directions issued under the PF&A Act.

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

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

A3. Going concern

At 30 June 2020, the Audit Office has a net liability position of \$49.2 million (2019: \$46.5 million). Despite the net liability position, we believe the assumption that the Audit Office is a going concern is justified. The Audit Office's current ratio (solvency) is 1.50 at 30 June 2020 (1.60 at 30 June 2019) and the cash balance is at a sustainable level. The Audit Office continues to generate positive cash flows from its operating activities and it also 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.

The net liability position is due to the Audit Office having net defined benefit superannuation scheme liabilities of \$63.6 million (2019: \$60.7 million). Note E3.2 contains more detail about this liability. The liability is a long-term, non-current liability and the Audit Office has not been required to make employer contributions for several years to the schemes, nor do we foresee making any contributions in the near future. The Trustee of the schemes has advised that we do not need to make any contributions in 2020–21. This is because the Trustee uses the measurement basis under AASB 1056 'Superannuation Entities' to determine an employer's obligation to make contributions. Based on the recent actuarial assessment, the combined schemes have a net surplus of \$6.4 million at 30 June 2020 (2019: \$9.8 million).

Factors that could trigger a contribution by the Audit Office include: multiple large lump sum payments to members that exceed the available surplus under AASB 1056; and/or poor investment returns; and/or reduction in the value of fund assets.

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

A4. Significant accounting judgments, estimates and assumptions

The significant judgements, key assumptions and estimates we have made in preparing these financial statements are listed below. We have revisited all key assumptions and estimates in the context of the COVID-19 pandemic. Please refer to the relevant note for more details.

Note	Item	Key Judgement/Estimate
C1	Revenue	From 1 July 2019: We exercised judgement in recognising revenue over time based on the actual cost incurred and performance obligations. Until 30 June 2019: We exercised judgement in determining the stage of completion for recognising revenue.
D2	Receivables	We exercised judgement in assessing the expected credit losses (asset impairment) from amounts we have invoiced to auditees.
D3	Work in progress	We exercised judgement in assessing the impairment of 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 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 the Audit Office's physical and intangible assets. We also concluded that the written down value of physical assets approximates 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 future discounts in measuring employee liabilities.
E3.2	Superannuation defined benefit plans	We made assumptions about the discount rate, mortality rates, future salary increases, future investment returns and the level of inflation. The calculation of the defined benefit liability involves actuarial assumptions that may differ from actual developments in the future. We have also included additional disclosure around the economic uncertainty related to COVID-19.
F1	Financial instruments	We believe recognising the Audit Office's financial instruments at amortised cost approximates their fair value because of their short-term nature.

A5. Statement of compliance

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

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 are stated with the amount of GST included.

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

A8. New Australian Accounting Standards

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

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

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) comes into effect for reporting periods beginning on or after 1 January 2020. This standard will not impact the Audit Office's future financial statements as we have not entered into any service concession arrangements as a grantor.

A number of other accounting standard changes have also been issued that are not yet effective. These relate to changes to the conceptual framework, hedge accounting (interest rate benchmark reform), disclosure of new international standards issued but not yet effective, and changes to whole of government reporting. None of these are likely to impact the Audit Office's future financial statements.

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

The Audit Office has applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time in 2019–20. The nature and effect of the changes as a result of adoption of these new accounting standards are described below and in the notes. Several other amendments and interpretations apply for the first time in 2019–20, but they did not have an impact on the financial statements.

• AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations. It applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard results in revenue recognition policies aligning with the satisfaction of performance obligations in contracts with customers.

The core principle of AASB 15 Revenue is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

In accordance with the transition provisions in AASB 15 and NSW Treasury mandate, the Audit Office has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The application of this new standard has not changed the way the Audit Office recognises its audit fee revenue. As a result there are no adjustments to opening equity at 1 July 2019.

• AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

In accordance with the transition provisions in AASB 1058 and NSW Treasury mandate, the Audit Office has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The application of this new standard has not changed the way the Audit Office recognises government contributions that fund the performance audit mandate and the Auditor-General's Report to Parliament. As a result there are no adjustments to opening equity at 1 July 2019.

• AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases in the Statement of Financial Position. Lessor accounting under AASB 16 is substantially unchanged from AASB 117, though the Audit Office has not entered into any leases as the lessor.

AASB 16 requires the Audit Office to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the Audit Office recognises a lease liability and right of use asset at the inception of the lease. 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 lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right of use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

In accordance with NSW Treasury mandate, the Audit Office has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated. By adopting AASB 16 at 1 July 2019, the Audit Office recognised a lease liability of \$15.2 million and a corresponding right of use asset of \$15.2 million.

The Audit Office has elected to use the practical expedient in the standard to expense lease payments for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets). This was applied for the Audit Office's previous office accommodation lease which expired on 1 August 2019, and the lease of motor vehicles. The low-value expedient has been applied to the lease of photocopiers.

A9. Impact of COVID-19

In preparing the financial statements, we have considered the 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. The 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 impact on our defined superannuation liability
- 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.

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 2020

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 loss of \$1.1 million was \$0.5 million better than the budgeted loss of \$1.6 million. The main reason for the favourable variance is because we deferred or avoided expenditure because of the COVID-19 pandemic. This includes some corporate projects and recruitment, training, venue hire and travel costs. The deferred activity will now occur in 2020–21.

The expenditure savings we made were partly negated by the \$1.3 million current service cost and interest expense we recognised at year-end for the Audit Office's defined superannuation liability. We do not budget for these expenses as they are actuarially assessed at the end of the financial year and outside our control. More information on the defined superannuation liability can be found in Note E3.2.

Assets and liabilities

The Audit Office's total current assets of \$24.1 million at 30 June 2020 is largely consistent with the budgeted position of \$24.2 million. Total non-current assets were \$1.4 million lower than budget because of an underspend on the Audit Office's capital program.

The Audit Office's total current liabilities of \$16.3 million at 30 June 2020 is largely consistent with the budgeted position of \$16.8 million. The Audit Office's total non-current liabilities are significantly higher than budget because we do not budget for the movement in the defined superannuation liability. This liability is actuarially assessed each year and it can change significantly depending on the discount rate, future investment returns and other key assumptions used by the actuary in determining the liability.

Cash flows

The Audit Office generated \$3.1 million of net cash inflows from its operating activities, some \$1.2 million better than budget. The favourable result was largely due to either expenditure that was avoided or deferred until next year. The Audit Office's net cash outflow from investing activities was significantly less than budget because of an underspend on the capital program.

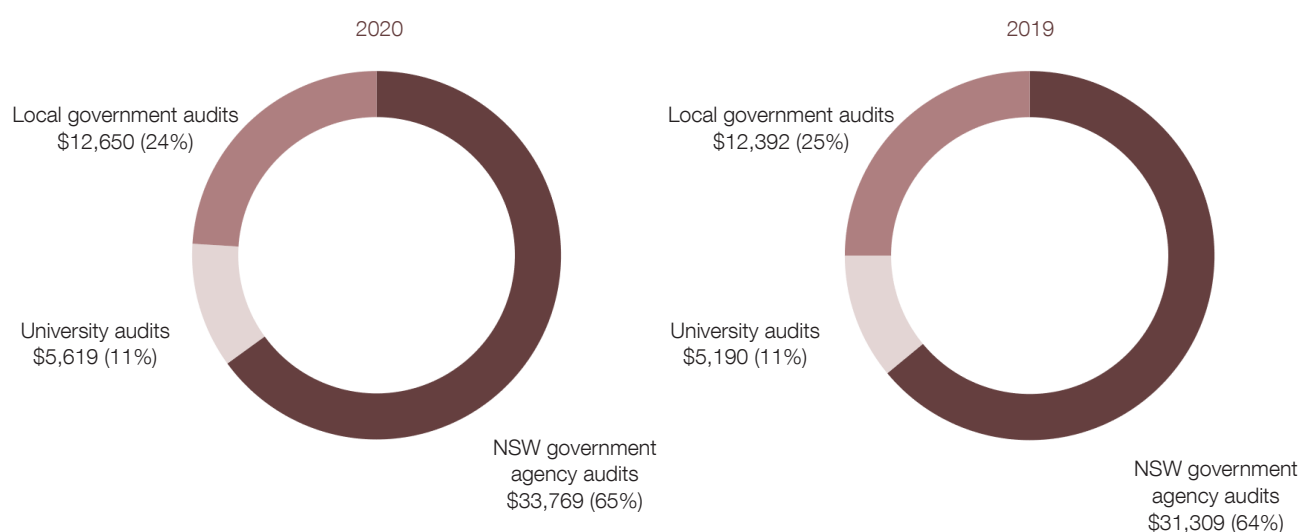
Section 3: Our financial performance

Notes to and forming part of the financial statements for the year ended 30 June 2020

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

C1. Revenue	2020 \$'000	2019 \$'000
(a) Rendering of services		
Audit fee revenue from NSW Government agency audits	33,769	31,309
Audit fee revenue from university audits	5,619	5,190
Audit fee revenue from local government entity audits	12,650	12,392
	52,038	48,891
(b) NSW Government contributions		
Funding for performance audits and compliance review	7,366	7,300
Funding for the Auditor-General's Report to Parliament	2,809	2,795
	10,175	10,095
(c) Other revenue		
Interest income	59	168
Recoupment of salaries and on-costs from staff secondments	459	662
Grant funding - twinning support to the Office of the Auditor General Solomon Islands	–	228
Other	39	70
	557	1,128
(d) Other income		
Gain from make good settlement	–	325
	–	325

Audit fee revenue analysis by auditee type \$'000



Section 3: Our financial performance (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Recognition and measurement — revenue

Until 30 June 2019, income was recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. From 1 July 2019, income is recognised in accordance with the requirements of 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

- AASB 15 Revenue from Contracts with Customers (from 1 July 2019)

The Audit Office recognises revenue when it has satisfied a performance obligation. Audit fee revenue is recognised over time (as opposed to as at a point in time) because the auditee simultaneously receives and consumes the benefits of the audit services. Furthermore, the conduct of the audit work does not create an asset with an alternative use to the Audit Office. The Audit Office has an enforceable right to payment for performance completed to date because the PF&A Act and the *Local Government Act 1993* provides a legal basis to recover the cost of conducting audits of state, university and local government entities.

In measuring the value of revenue (the transaction price), the Audit Office applies the input methods approach under AASB 15. Revenue is recognised on the basis of the Audit Office's efforts to complete the audit work such as actual labour hours and direct costs spent on an audit.

- AASB 118 Revenue (until 30 June 2019)

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

Revenue is recognised when:

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

The stage of completion for audit engagements is determined by reference to the actual costs incurred.

(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 on-costs

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

Key judgements and estimates

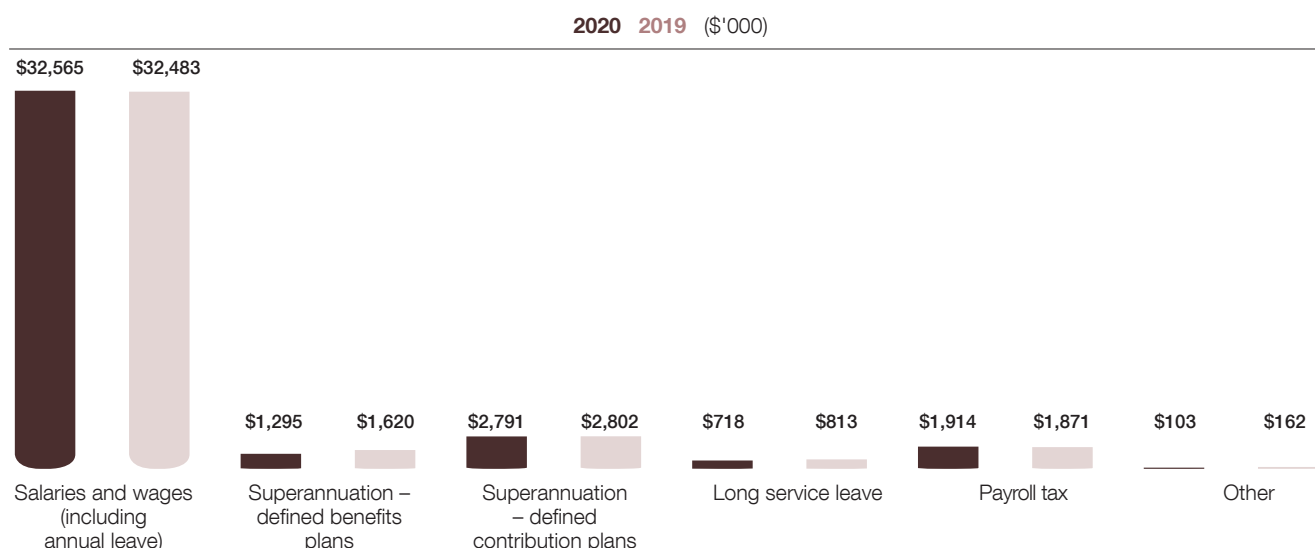
At reporting date, we have reviewed amounts owed to the Audit Office (Receivables - see Note D2) and unbilled time and charges on all fee earning audit engagements (Work in progress - see Note D3) to assess whether they are impaired.

Where there is objective evidence that the debtor balance and/or the unbilled time and charges may not be recovered, we have raised an allowance for expected credit losses/ impairment loss using the simplified approach.

Factors considered when making this assessment include: the agreed audit fee; the engagement budget; known or possible variations to the audit engagement; the likelihood of additional recoveries from the auditee; the risk of default by auditees based on past experience; and the impact of COVID-19.

C2. Employee related expenses

The Audit Office's employee related expenses for the period totalled \$39,386,000 (2019: \$39,751,000). The chart below shows the split between the major components.



Section 3: Our financial performance (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

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 Assistant Auditors-General, the Executive Director, Corporate Services and Executive Director, Professional Services. We believe they have the authority and responsibility for planning, directing and controlling the activities of the Audit Office.

The Executive Director, Professional Services role was created in October 2019, following a restructure of the Office of the Auditor-General. The Executive Director, Professional Services is also the Audit Office's Chief Risk Officer and Chief Audit Executive. The comparative figures do not include this role.

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

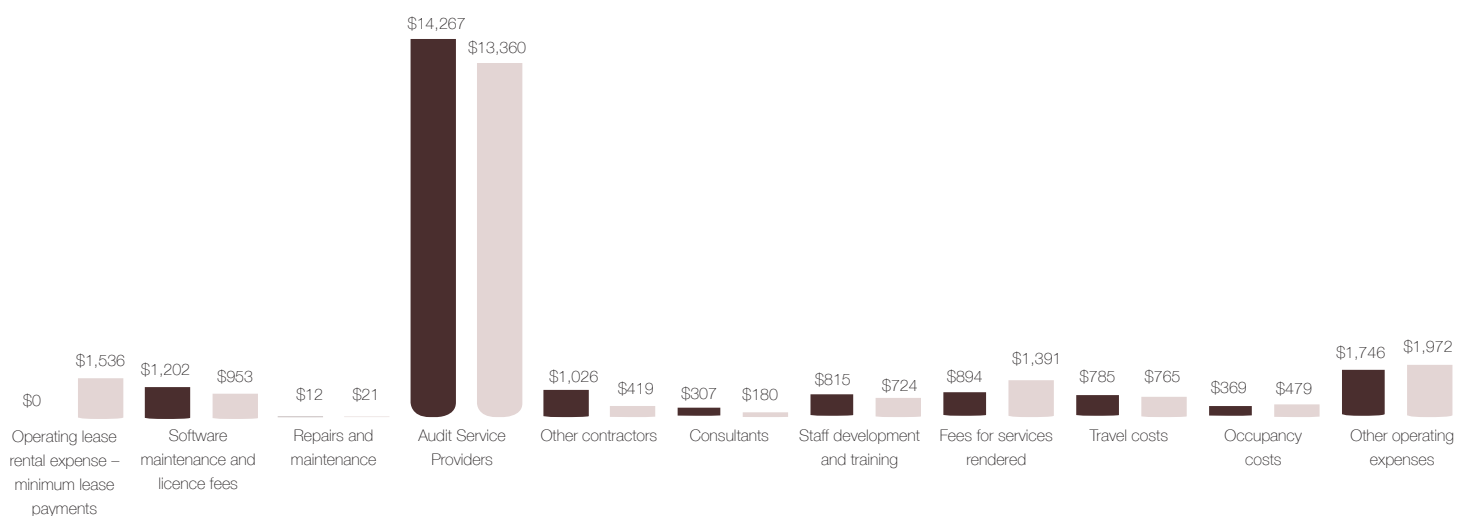
	2020 (\$'000)	2019 (\$'000)
Short-term employee benefits:		
Salaries	2,605	2,464
Other long-term employee benefits	98	87
Post-employment benefits	203	175
Total remuneration	2,906	2,724

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

C3. Operating expenses

The Audit Office's operating expense for the year totalled \$21,423,000 (2019: \$21,800,000). The chart below shows the split between the major components.

2020 2019 (\$'000)



The Auditor-General contracts out a number of financial audits to private sector audit firms. These firms are referred to as Audit Service Providers.

Section 3: Our financial performance (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

C3.1 Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:	2020 \$'000	2019 \$'000
Within one year	—	1,397
Between one to five years	—	6,156
More than five years	—	9,312
Total operating lease commitments (excluding GST)	—	16,865

This lease commitment disclosure relates to leases accounted for under the old standard AASB 117 Leases up until 30 June 2019. They relate to our office accommodation at Darling Park Tower. It also includes our lease of photocopiers and motor vehicles. There are no disclosures in the current year because the leases have been accounted for in accordance with AASB 16 Leases.

Recognition and measurement under AASB 117 Leases (until 30 June 2019)

Up until 30 June 2019, the Audit Office accounted for its leases in accordance with AASB 117 Leases. From 1 July 2019, leases are accounted for in accordance with AASB 16 Leases.

Under AASB 117, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the entity was classified as a finance lease. For the previous year, the Audit Office did not have any finance leases. It did however have operating leases for office accommodation, office equipment and motor vehicles. In accordance with AASB 117, the Audit Office recognised the operating lease payments as expenses on a straight-line basis over the period of the lease term.

Comparison between operating leases commitment note at 30 June 2019 and finance lease liabilities as at 1 July 2019

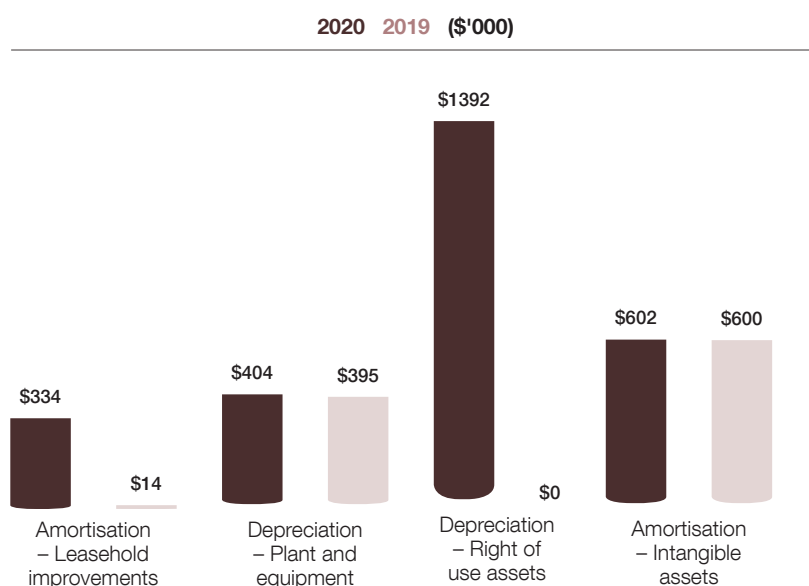
	2019 \$'000
Operating lease commitments at 30 June 2019 (excluding GST)	16,865
Borrowing rate applied at 1 July 2019	2.00%
Discounted operating lease commitments as at 1 July 2019	15,351
Less: commitments relating to short-term leases	(131)
Less: commitments relating to low value assets	(34)
Lease liabilities balance as at 1 July 2019	15,186

At 30 June 2019, the operating commitment note included: the Margaret Street lease which ended 31 July 2019; the Darling Park lease; the short-term lease of three motor vehicles; and the lease of low value printers. At 1 July 2019, the Darling Park lease was recognised as a lease liability in accordance with AASB 16 Leases.

C4. Depreciation and amortisation

The Audit Office's depreciation and amortisation expenses for the year totalled \$2,732,000 (2019: \$1,009,000). The chart below shows the split between the major components.

Right of use assets is a new asset recognised for the first time under AASB 16 Leases, therefore the prior year comparative is nil. See Note D5 Right of use assets.



Section 4: Our assets

Notes to and forming part of the financial statements for the year ended 30 June 2020

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

D1. Current assets – cash and cash equivalents	2020 \$'000	2019 \$'000
Cash at bank and on hand	8,225	7,544

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

For the purposes of the statement of cash flows, cash and cash equivalents include only cash at bank. The Audit Office does not hold cash on hand.

Credit facility

The Audit Office has a credit card facility of \$350,000 (2019: \$350,000). At the reporting date we had used \$15,000 of the facility. Aside from having access to the NSW Government's overdraft facility, the Audit Office has no other standing credit facility. The Audit Office's cash position throughout the year has adequately met our liquidity requirements.

Risk

Interest rate risk

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

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

D1.1 Reconciliation of cash flows from operating activities to net results	2020 \$'000	2019 \$'000
Reconciliation of cash flows from operating activities to the net result as reported in the statement of comprehensive income		
Net cash from operating activities	3,182	1,018
Depreciation and amortisation	(2,732)	(1,009)
Plant and equipment write offs	(39)	(95)
Finance costs	(289)	(22)
Impairment losses on assets	(329)	–
Decrease/(increase) in provisions	(2,602)	(3,301)
Increase/(decrease) in receivables and other assets	1,151	974
Decrease/(increase) in creditors	573	292
Net result	(1,085)	(2,143)

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

D2. Current assets – receivables	2020 \$'000	2019 \$'000
Rendering of services – audits	5,180	4,584
Less: Allowance for expected credit losses	–	–
Total receivables	5,180	4,584
Prepayments	777	628
GST receivable from ATO	–	27
Accrued income and other debtors	5	71
	5,962	5,310
Reconciliation of allowance for expected credit losses		
Balance at 1 July	–	(16)
Amounts recovered during the year	–	16
Balance at 30 June	–	–

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. Because the receivables are short-term, the invoice amount is considered to be the amortised cost as the effect of discounting is immaterial.

Impairment of financial assets

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

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, 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 receivable, the reversal of the ECL is also recognised through the net result for the year.

Risk

Receivables – trade debtors

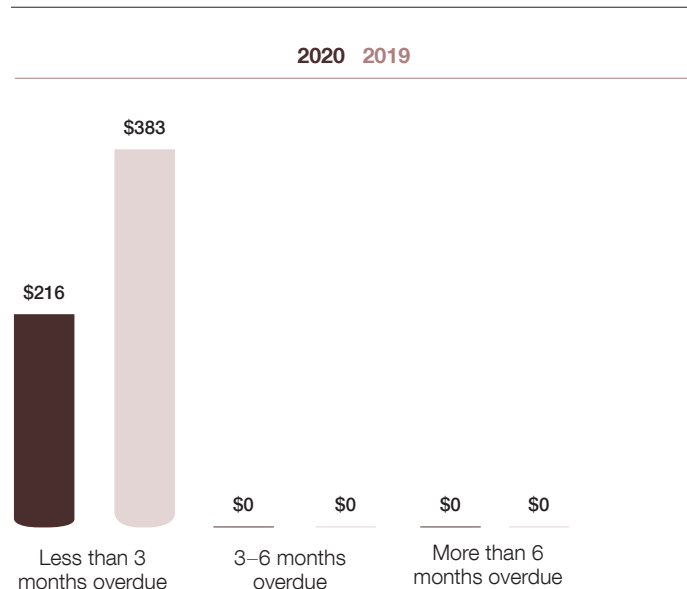
Credit risk is the risk of financial loss arising from the auditee defaulting on their contractual obligation, resulting in a financial loss to the Audit Office. This amount is equal to the total amount of receivables for services of \$5,180,000 (2019: \$4,584,000) and amounts recorded in WIP \$1,904,000 (2019: \$1,502,000).

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

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

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



Key judgement/estimates – receivables

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

Despite the presence of COVID-19, we have no expected credit losses (ECLs) at reporting date as we believe all outstanding receivables are recoverable (2019: nil). This is because all amounts owing are bound by engagement terms with our auditees. We also have a legal right to recover the cost of our audits. In the last five years, we have not written off any receivables.

The ageing profile of our debtors is shown in the chart below. None of the amounts owing at reporting date are older than three months (2019: Nil).

* 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.

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

D3. Work in progress	2020 \$'000	2019 \$'000
Work in progress – unbilled charges on audit engagements	2,233	1,502
Less: Allowance for unrecoverable work in progress	(329)	–
	1,904	1,502

Recognition and measurement – WIP

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

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

Risk

Credit Risk – We believe the Audit Office is exposed to minimal credit risk. The maximum exposure arises from an auditee defaulting on their receivable or the Audit Office being unable to recover WIP.

Our audit directors closely review and monitor WIP on a monthly basis. WIP is also regularly monitored by the financial audit branch and the Office Executive. Refer to Note D2 on receivables for commentary on auditee creditworthiness.

Key judgement/estimates – WIP

We have reviewed WIP (unbilled staff time and charges) on each engagement to assess their recoverability at reporting date. The figure recognised in the financial statements is net of any time or charges we believe may not be recoverable.

In assessing the recoverability of WIP, we have made reference to factors such as: the remaining budget versus forecasted effort to complete the audit engagement; the historical cost for recurring audit engagements; historical write offs; audit inefficiencies; scope variations; and the potential to recover scope variations with additional billings. Based on these factors, and the potential impact of COVID-19 on audit efficiency, we decided to recognise a provision for unrecoverable amounts of \$329,000.

D4. Current/non-current assets – other	2020 \$'000	2019 \$'000
Crown acceptance of long service leave liability – current	7,991	8,471
Crown acceptance of long service leave liability – non-current	695	737
	8,686	9,208

The 'Crown Acceptance of Long Service Leave Liability' represents the Audit Office's right to reimbursement from the Crown Finance Entity for long service leave owed to employees. See Note E3 and E3.2 for more details.

D5. Right of use assets	2020 \$'000	2019 \$'000
Balance at 1 July 2019	15,186	–
Additions	–	–
Depreciation expense	(1,392)	–
Balance at 30 June 2020	13,794	–
Net carrying amount as at 30 June 2020 represented by:		
Cost (gross carrying amount)	15,186	–
Accumulated depreciation and amortisation	(1,392)	–
Net carrying amount as at 30 June 2020	13,794	–

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

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.

From 1 July 2019, AASB 16 Leases requires a lessee to recognise a right of use asset for most leases. In accordance with NSW Treasury mandate, the Audit Office has applied the partial retrospective option in AASB 16 and the right of use asset and corresponding liability are initially measured at the present value of the future lease payments upon initial adoption. The comparatives for the year ended 30 June 2019 have not been restated.

The Audit Office has elected to recognise payments for short-term leases 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 assets are assets with a fair value of \$10,000 or less when new and comprise mainly photocopyers.

After the initial adoption date, the Audit Office recognises any new right of use assets at the inception of the lease (such as the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. The 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 lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

In accordance with NSW Treasury's mandate, the Audit Office does not apply AASB 16 to the lease of intangible assets.

Depreciation

The right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Impairment

Right of use assets are tested for impairment where an indicator of impairment exists. If any indication exists, or when annual impairment testing is required, the Audit Office estimates the right of use assets recoverable amount.

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 the Audit Office has recognised an impairment loss, it is reversed only if the assumptions used to determine the right of use asset's recoverable amount have changed. The reversal is limited so that the carrying amount of the right of use asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had the Audit Office not recognised an impairment loss in prior years.

Key judgement/estimates – right of use assets

Because our office accommodation lease does not have an implicit interest, and because we do not borrow, we have measured our 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. We have also applied the fixed, four per cent annual 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 for our office accommodation lease). We have also concluded 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 related to a specialised asset, and because there are no economic incentives, 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.

In terms of external factors, we have considered current market research by the leading real estate firms to compare our lease arrangement against current industry rental rates. We have also compared our lease arrangement with a comparable office space that is currently available for lease.

The current industry rental rates for prime office space in Sydney CBD, and lease incentives being offered by landlords, indicates that our lease arrangement is not impaired at this point in time. The net effective rent that we are paying per square metre is below the prevailing industry rates for similar office space. Our net effective rent is also below the current advertised rent for similar office space in the same location. Given the headroom we have relative to industry rates and comparable space that is currently marketed for lease, we have concluded our right of use asset is not impaired.

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

D6. Property, plant, equipment and intangibles

2020:	Leasehold improvements \$'000	Plant and equipment \$'000	Intangible assets \$'000	TOTAL \$'000
At 1 July 2019				
Cost (gross carrying amount)	3,291	1,903	5,687	10,881
Accumulated depreciation and amortisation	(14)	(678)	(4,145)	(4,837)
Net carrying amount as at 1 July 2019	3,277	1,225	1,542	6,044
Additions	94	974	256	1,324
Depreciation and amortisation expense	(334)	(404)	(602)	(1,340)
Disposals	–	(39)	–	(39)
Net carrying amount as at 30 June 2020	3,037	1,756	1,196	5,989
Net carrying amount as at 30 June 2020 represented by:				
Cost (gross carrying amount)	3,385	2,838	5,850	12,073
Accumulated depreciation and amortisation	(348)	(1,082)	(4,654)	(6,084)
Net carrying amount as at 30 June 2020	3,037	1,756	1,196	5,989
2019:	Leasehold improvements \$'000	Plant and equipment \$'000	Intangible assets \$'000	TOTAL \$'000
At 1 July 2018				
Cost (gross carrying amount)	3,108	2,977	6,499	12,584
Accumulated depreciation and amortisation	(3,108)	(2,395)	(4,421)	(9,924)
Net carrying amount as at 1 July 2018	–	582	2,078	2,660
Additions	3,291	1,133	64	4,488
Depreciation and amortisation expense	(14)	(395)	(600)	(1,009)
Disposals	–	(95)	–	(95)
Net carrying amount as at 30 June 2019	3,277	1,225	1,542	6,044
Net carrying amount as at 30 June 2019 represented by:				
Cost (gross carrying amount)	3,291	1,903	5,687	10,881
Accumulated depreciation and amortisation	(14)	(678)	(4,145)	(4,837)
Net carrying amount as at 30 June 2019	3,277	1,225	1,542	6,044

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Recognition and measurement – intangible assets

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

Research and development costs

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

Amortisation

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

Impairment

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

Recognition and measurement – plant and equipment

Acquisition of assets

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

Revaluation

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

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

Depreciation

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

	2020	2019
Computer equipment	3 years	3 years
Office equipment	5 years	5 years
Furniture and fittings	5–10 years	5–10 years
Leasehold improvements	Over the term of the lease	Over the term of the lease

Key judgement/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 ten years. The major intangible assets are:

- audit methodology software – 9 years (2019: 10 years)
- corporate management systems – 6 years (2019: 5 years)
- other software licenses – 3 to 5 years (2018: 3 to 5 years).

Effective 1 April 2020, we reduced the useful life of our audit methodology and software by 12 months and increased the life of our corporate financial/practice management system by 12 months. These changes arose from our reassessment of their remaining lives given current license arrangements and proposed future investments. This change has reduced the Audit Office's depreciation and amortisation expense by \$42,000 in 2019–20. The change will increase depreciation and amortisation expense by \$70,261 in 2020–21, \$7,802 in 2021–22 and decrease by \$47,122 by 2022–23.

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

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

Key judgement/estimates – plant and equipment

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

We review the useful lives of all assets annually. We also assess whether there are any indicators of impairment. The lives ascribed to some of the Audit Office's intangible assets were revised in 2019–20. The lives of all remaining assets remain unchanged from the prior year. We have also reviewed PPE assets for any indication of impairment. None was noted in the current year (nil in the previous year).

Some of the factors considered in setting the useful lives include: technical obsolescence; the typical life cycle of similar assets; 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 is unlikely to be material.

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.

Section 5: Our liabilities

Notes to and forming part of the financial statements for the year ended 30 June 2020

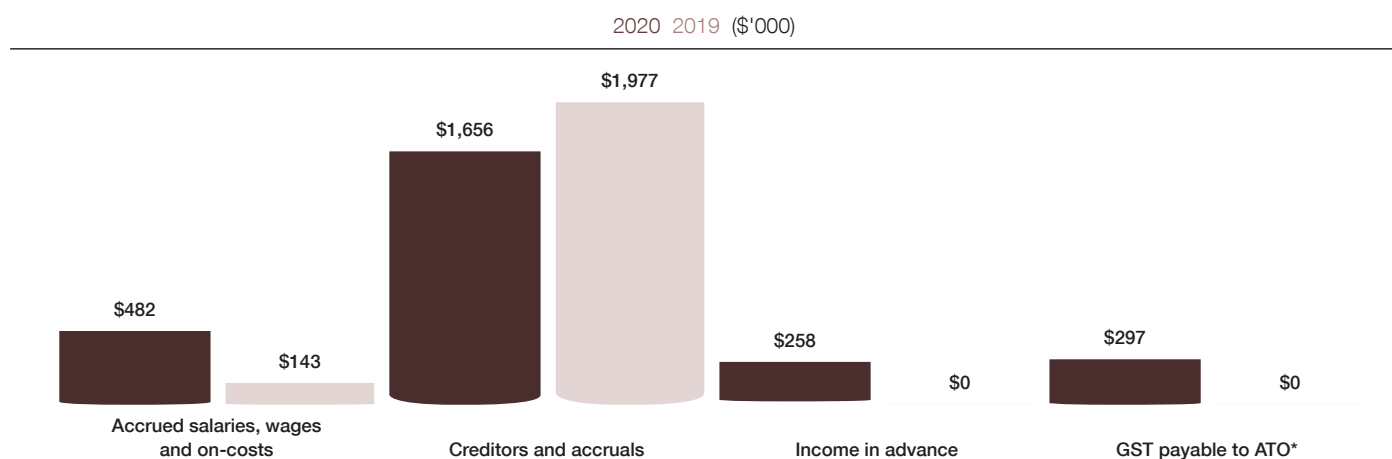
An essential characteristic of the Audit Office's liabilities is that a present obligation exists from past transactions or other past events. An obligation is a duty or responsibility to act or perform in a certain way. A future commitment (such as a decision by the Audit Office to acquire assets in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

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

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

E1. Current liabilities – payables

The Audit Office's payables at 30 June 2020 totalled \$2,693,000 (2019: \$2,120,000). The chart below shows the split between the major components.



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

Recognition and measurement – payables

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

Irrespective of whether we have received an invoice or not, we recognise a liability for an amount due to be paid for goods or services we received at or before the reporting date.

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 no later than the end of the month following the month in which the Audit Office receives an invoice.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid unless an existing contract specifies otherwise. For payments to other suppliers, the Audit Office may pay the supplier simple interest. The Audit Office paid \$82 interest during the year for a late payment (2019: nil).

Risk

Liquidity risk

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

During the current and prior year, there were no defaults of payables. No assets have been pledged as collateral. By having at least two months of working capital, timely invoicing of auditees for services provided and weekly cash flow forecasting, we were able to maintain sufficient liquidity during the COVID-19 pandemic.

Despite the ongoing presence of the COVID-19 pandemic, we feel the Audit Office's exposure to liquidity risk remains low based on prior period's data and our current risk assessment.

Maturity profile

All of the Audit Office's payables and accruals have a maturity of less than 12 months (2019: less than 12 months).

Market risk

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

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

E2. Borrowings – lease liabilities

The following table presents liabilities under leases:

	2020 \$'000
Balance at 1 July 2019	15,186
Additions	–
Interest expenses	278
Payments	(1,270)
Balance at 30 June 2020	14,194
Lease liabilities – current	1,443
Lease liabilities – non-current	12,751
	14,194

The following amounts were recognised in the statement of comprehensive income for the year ended 30 June 2020 in respect of leases where the entity is the lessee:

	2020 \$'000
Depreciation expense of right of use assets	1,392
Interest expense on lease liabilities	278
Expense relating to short-term leases	131
Expense relating to leases of low-value assets	–
Total amount recognised in the statement of comprehensive income	1,801

The Audit Office recorded total cash outflows of \$1,680,000 for its leases in 2019–20.

Recognition and measurement – lease liabilities

Lease liabilities

The 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.

Instead of recognising a right of use asset and lease liability for short-term leases and low value leases, the Audit Office recognises these payments as expenses on a straight-line basis. This is consistent with the NSW Treasury mandate.

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.

Key judgement/estimates – lease liabilities

Because our office accommodation lease does not have an implicit interest, and because the Audit Office does not borrow, we have measured our 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. However, we have excluded the five-year option period in our office accommodation lease. This is because at the lease commencement date it is not reasonably certain that we will exercise this option.

The Audit Office's lease liabilities relate solely to its ten-year office accommodation lease for Level 19, 201 Sussex Street Sydney. The lease commenced on 1 August 2020 and it has a five-year renewal option. The annual rent increases by four per cent each year.

E2.1 Finance costs

The finance costs for the year is made up of interest expenses on lease liabilities of \$278,000, and the unwinding of the discount rate on the make good provision disclosed in note E3.1.

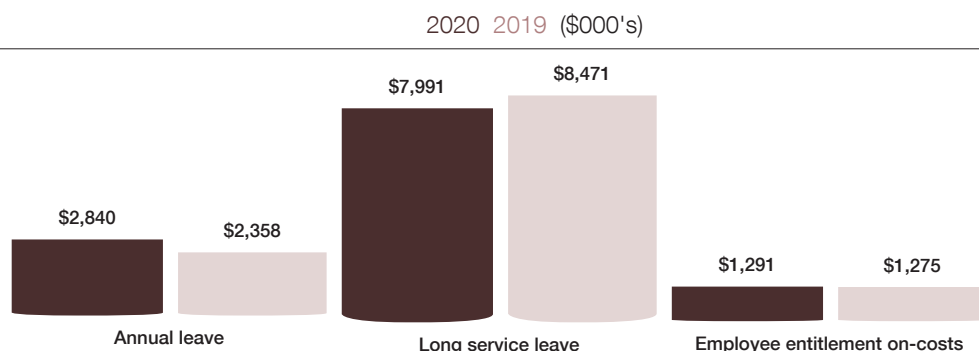
Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

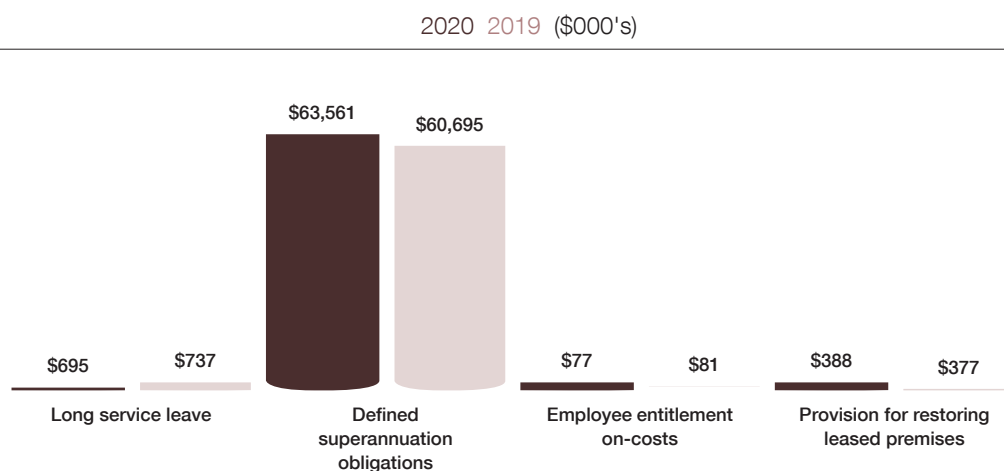
E3. Current/non-current liabilities – provisions

The Audit Office's current provisions at 30 June 2020 totalled \$12,122,000 (2019: \$12,104,000) and its non current provisions totalled \$64,721,000 (2019: \$61,980,000). The charts below show the split between the major components.

Current liabilities – provisions



Non-current liabilities – provisions



a) Employee benefits and related on-costs

Annual leave

The annual leave liability at 30 June 2020 was \$2,840,000 (2019: \$2,358,000). Of this liability, we expect to pay \$1,806,000 (2019: \$1,574,000) within the next 12 months and \$1,034,000 (2019: \$784,000) after 12 months.

Long service leave

The long service liability at 30 June 2020 was \$8,686,000 (2019: \$9,208,000). This liability comprises:

	2020 \$'000	2019 \$'000
Short-term – expected to be settled within 12 months	372	217
Long-term – not expected to be settled within 12 months	8,314	8,991
	8,686	9,208

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

The Audit Office made contributions of \$718,000 to the Crown Finance Entity pool during the year (2019: \$811,000).

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Recognition and measurement – employee entitlements

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

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

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

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

Long service leave

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

Consequential on-costs

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

Key judgement/estimates – employee entitlements

Annual leave

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

Long service leave

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

- discount rate of 0.87 per cent (2019: 1.32 per cent)
- short-term salary increases of 3.2 per cent for FY2019/20 and 3.2 per cent per annum thereafter.

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

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

E3.1 Other provisions

Restoration costs

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

Movements in the provision during the financial year is set out below:	2020 \$'000
Carrying amount at the beginning of financial year	377
Re-measurement of provision	–
Unwinding/change in the discount rate	11
Carrying amount at end of financial year	388

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Recognition and measurement – other provisions

Other provisions

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

Key judgement/estimates – other provisions

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

E3.2 Superannuation

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

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

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

Regulatory Framework

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

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

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

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

Valuations

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

Governance

The Fund's Trustee is responsible for 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.

The following information has been prepared by the scheme actuary.

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Reconciliation of the net defined benefit liability

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net amount \$'000
At 1 July 2018	(109,964)	68,458	(41,506)
Current service cost	(514)	–	(514)
Interest (expense)/income	(2,858)	1,769	(1,089)
(Expense)/income recognised in profit or loss	(3,372)	1,769	(1,603)
Contributions by fund participants			
Employers	–	–	–
Plan participants	(211)	211	–
	(211)	211	–
Remeasurements			
Actual return on Fund assets less interest income	–	3,665	3,665
Actuarial gains/(losses) arising from changes in demographic assumptions	(13)	–	(13)
Actuarial gains/(losses) arising from changes in financial assumptions	(21,871)	–	(21,871)
Actuarial gains/(losses) arising from liability experience	633	–	633
Amount recognised in other comprehensive income	(21,251)	3,665	(17,586)
Benefits paid	3,795	(3,795)	–
Taxes, premiums and expenses paid	(425)	425	–
At 30 June 2019	(131,428)	70,733	(60,695)
At 1 July 2019	(131,428)	70,733	(60,695)
Current service cost	(485)	–	(485)
Interest (expense)/income	(1,705)	904	(801)
(Expense)/income recognised in profit or loss	(2,190)	904	(1,286)
Contributions by fund participants			
Employers	–	–	–
Plan participants	(184)	184	–
	(184)	184	–
Remeasurements			
Actual return on Fund assets less interest income	–	657	657
Actuarial gains/(losses) arising from changes in demographic assumptions	–	–	–
Actuarial gains/(losses) arising from changes in financial assumptions	(1,486)	–	(1,486)
Actuarial gains/(losses) arising from liability experience	(753)	–	(752)
Amount recognised in other comprehensive income	(2,238)	657	(1,581)
Benefits paid	3,656	(3,656)	–
Taxes, premiums and expenses paid	(160)	160	–
At 30 June 2020	(132,544)	68,983	(63,561)

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Fair value of fund assets

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

	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total	Percentage invested in each asset class
	Level 1	Level 2	Level 3		
Asset category at 30 June 2020	\$'000	\$'000	\$'000	\$'000	%
Cash	1,889,511	2,206,787	–	4,096,298	10
Australian fixed interest	–	1,066,448	–	1,066,448	3
International fixed interest	30,408	1,879,015	–	1,909,424	5
Australian equities	6,901,927	392,284	–	7,294,211	18
International equities	11,487,308	463,022	–	11,950,330	30
Property	644,805	16,266	2,691,395	3,352,466	8
Alternatives	23,408	4,337,075	6,162,350	10,522,833	26
Total	20,977,368	10,360,897	8,853,745	40,192,010	100

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

Fair value of pooled fund assets

The disclosures below relate to total assets of the Pooled Fund. The fair value of the Pooled Fund assets as at 30 June 2020 include \$36.9 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$340 million (30 June 2019: \$316 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$343 million (30 June 2019: \$331 million).

Significant actuarial assumptions at the reporting date

As at	30 June 2020	30 June 2019
Discount rate	0.87% p.a	1.32% p.a
Salary increase rate (excluding promotional increases)	3.2% p.a	3.2% p.a
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter.	1.75% for 2018/19 and 2019/20, 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the Trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the Trustee's website. The report shows the pension mortality rates for each age.

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

The economic assumptions adopted for 30 June 2020 AASB 1056 Accounting Standard Superannuation Entities are:

Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	7.0% p.a.
Expected rate of return on Fund assets backing other liabilities	6.0% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.2% p.a.
Expected rate of CPI increase	2.0% p.a.

Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2020 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2020.

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

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	above rates plus 0.5% p.a	above rates less -0.5% p.a	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	above rates plus 0.5% p.a	above rates less -0.5% p.a
Defined benefit obligation (A\$'000)	132,543,032	143,422,629	122,799,845	143,008,611	123,058,318	132,898,695	132,192,634

	Base case	Scenario G lower mortality*	Scenario H higher mortality**
Defined benefit obligation (A\$'000)	132,543,032	135,289,794	130,773,774

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

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

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

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Surplus/deficit

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

	2020 \$'000	2019 \$'000
Accrued benefits*	62,560	60,964
Net market value of Fund assets	(68,983)	(70,733)
Net surplus	(6,423)	(9,769)

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

Contribution recommendations

Recommended contribution rates for the Audit Office are:

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

Expected contributions

	SASS	SANCS	SSS
			Financial year to 30 June 2021
Expected employer contributions	NIL	NIL	NIL

Additional disclosure

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, we have shown sensitivities to this assumption for the AASB 1056 results in Table 1 below (results for 2019 shown for comparative purposes).

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

30 June 2020	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% p.a	6.5% p.a	7.5% p.a
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% p.a	5.5% p.a	6.5% p.a
Rate of CPI increase	2.0% p.a	as base case	as base case
Salary inflation rate	3.2% p.a	as base case	as base case
Accrued benefits (\$A)	\$62,559,842	\$65,297,311	\$60,028,623

30 June 2019	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.4% p.a	6.9% p.a	7.9% p.a
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.4% p.a	5.9% p.a	6.9% p.a
Rate of CPI increase	2.0% p.a	as base case	as base case
Salary inflation rate	3.2% p.a	as base case	as base case
Accrued benefits (\$A)	\$60,963,871	\$63,593,703	\$58,533,093

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2020

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years.

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.

Key judgement/estimates – defined superannuation liability

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

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

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

Risk

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

Investment risk

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

Longevity risk

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

Pension indexation risk

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

Salary growth risk

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

Legislative risk

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

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

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.

Section 6: Risk and other notes

Notes to and forming part of the financial statements for the year ended 30 June 2020

F1. 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 responsibilities for the establishment and oversight of risk management, as well as reviewing and agreeing policies for managing each of these risks. Risk management policies are established to identify and analyse risks, to set risk controls and to monitor the risks faced by the Audit Office. Compliance with policies is reviewed by the Audit Office on a continuous basis.

F2. Capital commitments

The Audit Office had no capital commitments at 30 June 2020 (2019: \$13,440 GST exclusive).

F3. Contingent assets and contingent liabilities

We are not aware of any contingent assets or contingent liabilities (2019: nil).

F4. Auditor's remuneration

In April 2018, the Governor appointed Mr Andrew Archer to audit the Audit Office's financial statements for 2017–18, 2018–19 and 2019–20. Mr Andrew Archer is a partner at Grant Thornton and he uses the firm's resources to complete the audit. The auditor's remuneration for auditing the 2019–20 financial statements is \$51,000 (2019: \$45,000).

While Mr Andrew Archer did not provide any other services during the year to the Audit Office, his firm did provide services as an Audit Service Provider. Grant Thornton is currently an Audit Service Provider on several financial audits. The Audit Office paid Grant Thornton \$930,982 for this work in 2019–20 (\$531,600 in 2018–19). Grant Thornton's appointment is for a period of up to four years and they conduct these audits under the control and direction of the Auditor-General. Mr Andrew Archer is not involved in these audits.

F5. Related party disclosures

Transactions with NSW government agencies

During the period, the Audit Office provided audit and audit related services to entities that are controlled by the NSW Government. These services were provided at arm's length based on agreed terms and using our standard charge rates and pricing approach. None of these transactions were individually significant. The total revenue received from NSW Government agencies was \$33.8 million (2019: \$31.3 million). Of this amount, \$3.7 million (2019: \$2.7 million) is owed to the Audit Office at the reporting date.

The Audit Office also received funding of \$10.1 million (2019: \$10.1 million) from the Crown Finance Entity to fund the performance audit program and the Auditor-General's Reports to Parliament. This funding is set through the annual State Budget process, together with any subsequent adjustments. There were no adjustments in 2019–20.

End of audited financial statements

APPENDICES

Appendix one: Senior executive and leadership positions	88
Appendix two: Financial audit entities, reviews and other related services	89
Appendix three: Overseas visits	95
Appendix four: Appearances before parliamentary committees	96
Appendix five: Submissions to professional bodies	97
Appendix six: Modified auditor's opinions and conclusions	98
Appendix seven: Publications	100
Appendix eight: Internal Audit and Risk Management Attestation	101
Appendix nine: Cyber Security Annual Attestation Statement	102
Appendix ten: Transparency reporting	103
Appendix eleven: Workforce diversity and disability inclusion	104
Appendix twelve: Recognition program winners	106
Appendix thirteen: Accounts payable performance	107
Appendix fourteen: Consultants	108
Appendix fifteen: GIPA application information	109
Appendix sixteen: Public interest disclosures information	111



Appendix one

Senior executive and leadership positions

Public Service Senior Executive remuneration band equivalent range and average remuneration*

Band	2018–19		2019–20	
	Range \$	Average \$	Range \$	Average \$
Band Four (equivalent)	475,151–548,950	537,996	487,051–562,650	551,447
Band Three (equivalent)	337,101–475,150	380,957	345,551–487,050	395,578
Band Two (equivalent)	268,001–337,100	284,129	274,701–345,550	294,321
Band One (equivalent)	187,900–268,000	227,940	192,600–274,700	232,440

* Due to the nature of our business, 26 per cent of the Audit Office's employee-related expenditure in 2019–20 was related to senior executive, compared with 25 per cent in 2018–19.

Public Sector Senior Executive remuneration band equivalent and gender

Band	2018–19		2019–20	
	Female	Male	Female	Male
Band Four (equivalent)	1	0	1	0
Band Three (equivalent)	0	2	0	2
Band Two (equivalent)	2	3	3	4
Band One (equivalent)	16	13	17	10
Total	37		37	

Number of executive and leadership positions filled by women



Appendix two

Financial audit entities, reviews and other related services

Aboriginal Housing Office Dunghutti Trust	Corporation	Department of Premier and Cabinet	Greater Sydney Commission
Agency for Clinical Innovation	Chief Investigator of the Office of Transport Safety Investigations	Department of Transport	Greyhound Welfare and Integrity Commission
Agricultural Scientific Collections Trust	City West Housing Pty Limited	Destination NSW	Gulaga Board of Management
Albury Base Hospital	Clinical Excellence Commission	Electricity Assets Ministerial Holding Corporation	Health Administration Corporation Public Health System Support Special Purpose Service Entity
Alpha Distribution Ministerial Holding Corporation	Coal Innovation Fund	Electricity Retained Interest Corporation - Ausgrid ERIC Alpha Holdings Pty Ltd	Health Care Complaints Commission
Ambulance Service of New South Wales Ambulance Service of New South Wales Special Purpose Service Entity	Cobar Water Board	Electricity Retained Interest Corporation - Endeavour ERIC Epsilon Holdings Pty Ltd	Health Education and Training Institute
ANZAC Health and Medical Research Foundation	Combat Sports Authority of NSW	Electricity Transmission Ministerial Holding Corporation	Health Infrastructure Health Infrastructure Special Purpose Entity
ANZAC Health and Medical Research Foundation Trust Fund	Cowra Japanese Garden Maintenance Foundation Limited	Energy Industries Superannuation Scheme EIF Pty Ltd	Health Professional Councils Authority Aboriginal and Torres Strait Islander Health Practice Council of New South Wales
Art Gallery of New South Wales Foundation	Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund NSW Fire Brigades Superannuation Pty Limited	Energy Industries Superannuation Scheme Pool A Energy Industries Superannuation Scheme Pool B Energy Investment Fund	Chinese Medicine Council of NSW Chiropractic Council of NSW Dental Council of NSW Medical Council of NSW Medical Radiation 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
Art Gallery of New South Wales Trust	Crown Entity Electricity Retained Interest Corporation Fund - Ausgrid Electricity Retained Interest Corporation Fund - Endeavour NSW Generations (Community Services and Facilities) Fund NSW Generations (Debt Retirement) Fund Restart NSW Social and Affordable Housing NSW	Environment Protection Authority	
Australian Museum Trust		Environmental Trust	
Australian Technology Park Sydney Limited		Epsilon Distribution Ministerial Holding Corporation	
Barangaroo Delivery Authority		Essential Energy	
Belgenny Farm Agricultural Heritage Centre Trust		Far West Local Health District	
Biamanga Board of Management		Financial Counselling Trust Fund	
Board of Surveying and Spatial Information	Crown Solicitor's Office Crown Solicitor's Trust Account	Fire and Rescue New South Wales	
Border Fence Maintenance Board	Dams Safety Committee	Fisheries Trust Funds	HealthShare NSW eHealth NSW HealthShare NSW Service Centres
Building Insurer's Guarantee Corporation	Department of Finance, Services and Innovation	Forestry Corporation of NSW	
Building Professionals Board	Department of Education	Foundation for the Historic Houses Trust of New South Wales	Historic Houses Trust of New South Wales
Bureau of Health Information	Department of Family and Community Services John Williams Memorial Charitable Trust	Foundation for the Historic Houses Trust of New South Wales Limited	Home Purchase Assistance Fund
Cancer Institute NSW		Gaagal Wangaan (South Beach) Board of Management	Hunter & Central Coast Development Corporation
CB Alexander Foundation	Department of Industry Crown Reserve Improvement Fund Jobs for NSW Fund	Game and Pest Management Fund	Hunter New England Local Health District
Cemeteries and Crematoria NSW		Generator Property Management Pty Limited	Hunter Water Australia Pty Limited
Centennial Park and Moore Park Trust	Department of Justice	Graythwaite Trust	Hunter Water Corporation
Central Coast Local Health District	Department of Planning and Environment		
Central Coast Regional Development			

Appendix two

Financial audit entities, reviews and other related services

Illawarra Shoalhaven Local Health District	Mid North Coast Local Health District	Insurers' Guarantee Fund Investment Trust	TCorplM Medium Term Growth Fund
Independent Commission Against Corruption	Ministerial Holding Corporation	Long Service Corporation Investment Fund	TCorplM Multi-Asset Class Fund
Independent Liquor and Gaming Authority	Ministry of Health Ministry of Health - Annual Prudential Compliance Statement Ministry of Health - NSW State Pool Account	NSW Generations (Debt Retirement) Fund Investment Trust	TCorplM Short Term Income Fund
Independent Pricing and Regulatory Tribunal	Mt Grenfell Board of Management	NSW Infrastructure Future Fund	TCorplM Small Cap Australian Share Fund
Information and Privacy Commission NSW	Multicultural NSW	NSW TCorp Investment Management Funds	TCorplM Specialist Emerging Market Share Fund
Infrastructure NSW	Murrumbidgee Local Health District	Parliamentary Contributory Superannuation Fund Investment Trust	TCorplM Unlisted Infrastructure Fund
Insurance & Care NSW	Mutawintji Board of Management	Social and Affordable Housing NSW Fund Investment Trust	TCorplM Unlisted Property Fund
Jenolan Caves Reserve Trust	Natural Resources Access Regulator	TCorp Commonwealth Guarantee Fee	Treasury Managed Fund Investment Portfolio
Judicial Commission of New South Wales	Natural Resources Commission	TCorp Controls Over Investment Management	Northern NSW Local Health District
Justice Health and Forensic Mental Health Network	Nepean Blue Mountains Local Health District	TCorp Controls Over Managed Asset Portfolios	Northern Sydney Local Health District
Landcom	New South Wales Aboriginal Land Council NSWALC Properties Pty Ltd NSWALC Resources Pty Ltd	TCorplM Absolute Return Multi-Asset Class Fund	NSW Architects Registration Board
Lands Administration Ministerial Corporation	New South Wales Crime Commission	TCorplM Alternative Risk Premia Fund	NSW Biodiversity Conservation Trust
Law Enforcement Conduct Commission	New South Wales Electoral Commission	TCorplM Australian Bond Fund	NSW Crown Holiday Parks Land Manager
Legal Aid Commission	New South Wales General Government and Total State Sector Accounts	TCorplM Australian Inflation Linked Bond Fund	NSW Education Standards Authority
Legal Profession Admission Board	New South Wales Government Telecommunications Authority	TCorplM Australian Share Fund	NSW Food Authority
Legal Services Council	New South Wales Health Foundation	TCorplM Bank Loan Fund	NSW Health Pathology Special Purpose Service Entity, NSW Health Pathology
LGSS Pty Limited	New South Wales Institute of Sport	TCorplM Cash Fund	NSW Land and Housing Corporation
Liability Management Ministerial Corporation	New South Wales Rural Assistance Authority	TCorplM Cyclical Growth Australian Share Fund	NSW Ovine Johne's Disease Transaction Based Contribution Scheme
Library Council of New South Wales Library Council of New South Wales Staff Agency	New South Wales Rural Fire Service BushFire Co-ordinating Committee	TCorplM Cyclical Growth International Share Fund	NSW Police Force
Lifetime Care and Support Authority of New South Wales	New South Wales Technical and Further Education Commission	TCorplM Direct Infrastructure Fund A	NSW Self Insurance Corporation Home Building Compensation Fund
Local Land Services	New South Wales Treasury Corporation	TCorplM Direct Investment Fund B	NSW Skills Board
Long Service Corporation	ICNSW Australian Equities Fund	TCorplM Direct Investment Fund C	NSW Trains
Lord Howe Island Board	ICNSW International Equities Fund (Unhedged)	TCorplM Direct Investment Fund D	NSW Trustee and Guardian
Luna Park Reserve Trust	ICNSW International Equities Hedged Fund	TCorplM Downside Protection Australian Share Fund	NSW Trustee and Guardian - Common Fund
Macquarie University Professorial Superannuation Scheme		TCorplM Downside Protection International Share Fund	NSW Trustee and Guardian - Common Fund Financial Management
Mental Health Commission of NSW		TCorplM Emerging Market Debt Fund	Office of Environment and Heritage
		TCorplM Emerging Market Share Fund	Office of Local Government OLG Statement of Payments Audit
		TCorplM Global Credit Fund	Office of Sport
		TCorplM High Yield Fund	
		TCorplM Indexed Australian Share Fund	
		TCorplM Indexed International Share (Unhedged) Fund	
		TCorplM International Share (Hedged) Fund 2018	
		TCorplM International Share (Unhedged) Fund	
		TCorplM Liquidity Cash Fund	
		TCorplM Listed Property Fund	
		TCorplM Long Term Growth Fund	

Appendix two

Financial audit entities, reviews and other related services

Office of the Children's Guardian	Service NSW	The Treasury	Foundation Limited
Office of the Director Public Prosecutions	Sesquicentenary of Responsible Government	Transport for NSW	MGSM Limited
Ombudsman's Office	South Eastern Sydney Local Health District	Transport Service of NSW	MQ Health Pty Ltd
Parliamentary Contributory Superannuation Fund	South Western Sydney Local Health District	Trustees of the ANZAC Memorial Building	U@MQ Limited
Trustees of the Parliamentary Contributory Superannuation Fund	Southern NSW Local Health District	Trustees of the Farrer Memorial Research Scholarship Fund	Southern Cross University
Parliamentary Counsel's Office	Sporting Injuries Compensation Authority	Trustees of the Museum of Applied Arts and Sciences	Southern Cross Campus Limited
Paramatta Trust	State Archives and Records Authority of New South Wales	University of Sydney Professorial Superannuation System 2018	University of New England
Place Management NSW	State Emergency Service	Urban Growth Development Corporation	Agricultural Business Research Institute
Planning Ministerial Corporation	State Insurance Regulatory Authority	Venues NSW	UNE Life Pty Ltd
Port Authority of New South Wales	State Library of New South Wales Foundation	Veterinary Practitioners Board	UNE Partnerships Pty Ltd
Port Botany Lessor Pty Limited	State Rail Authority Residual Holding Corporation	Waste Assets Management Corporation	UNE Foundation
Port Kembla Lessor Pty Limited	State Sporting Venues Authority	Water NSW	UNE Foundation Limited
Port of Newcastle Lessor Pty Limited	State Transit Authority of NSW	WaterNSW Infrastructure Pty Ltd	University of New South Wales
Ports Assets Ministerial Holding Corporation	Sydney Cricket and Sports Ground Trust	Wentworth Park Sporting Complex Trust	Australian Education Consultancy Limited
Property NSW	Sydney Ferries	Western City & Aerotropolis Authority	Cystemix Pty Limited
Public Service Commission	Sydney Local Health District	Western NSW Local Health District	NewSouth Innovations Pty Limited
Rail Corporation New South Wales	Special Purpose Service Entity, Sydney Local Health District	Western Sydney Local Health District	Qucor Pty Ltd
Rental Bond Board	Sydney Metro	Western Sydney Parklands Trust	The New South Wales Minerals Industry/University of NSW Education Trust
Responsible Gambling Fund	Sydney Olympic Park Authority	Wine Grapes Marketing Board	UK Friends of UNSW Australia
Rice Marketing Board for the State of New South Wales	Sydney Opera House Trust	Worimi Board of Management	University of New South Wales Foundation
Roads and Maritime Services	Sydney Trains	Workers Compensation (Dust Diseases) Authority	University of New South Wales Press Limited
Federal Interstate Registration Scheme	Sydney Water Corporation	Workers Compensation Nominal Insurer	UNSW & Study Abroad - Friends and U.S. Alumni, Inc.
Roads Retained Interest Pty Ltd	Taronga Conservation Society Australia	Universities	UNSW Centre of Transformational Environmental Technologies (Yixing)
Rookwood General Cemeteries Reserve Land Manager	Teacher Housing Authority of NSW	Charles Sturt University	UNSW Global (Singapore) Pte Limited
Rookwood Necropolis Land Manager	The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	Charles Sturt Campus Foundation	UNSW Global India Private Limited
Royal Botanic Gardens and Domain Trust	The Brett Whiteley Foundation	Charles Sturt Campus Services Limited	UNSW Global Pty Limited
SAS Trustee Corporation	The Sydney Children's Hospitals Network	Macquarie University	UNSW Hong Kong Foundation Limited
Limited Assurance Report - SAS Trustee Corporation Pooled Fund		Access Macquarie Limited	UNSW Hong Kong Limited
Reasonable Assurance Report - SAS Trustee Corporation Pooled Fund		Bequest from the Estate of FJ Walsh	UNSW Sino-Australia Innovative Technology & Education (Shanghai) Co. Ltd.
SAS Trustee Corporation - Pooled Fund		Macquarie University Hong Kong	Scientia Clinical Research Ltd

Appendix two

Financial audit entities, reviews and other related services

University of Technology, Sydney	Bega Valley Shire Council	Coolamon Shire Council	Ku-ring-gai Council
accessUTS Pty Limited	Bellingen Shire Council	Coonamble Shire Council	Kyogle Council
AustLII Foundation Limited	Berrigan Shire Council	Cootamundra-Gundagai Regional Council	Lachlan Shire Council
Insearch (Shanghai) Limited	Blacktown City Council	Council of the City of Sydney	Lake Macquarie City Council
Insearch Education International Pty Limited	Bland Shire Council	Cowra Shire Council	Lane Cove Council
Insearch Global	Blayney Shire Council	Cumberland Council	Leeton Shire Council
Insearch India LLP	Blue Mountains City Council	Dubbo Regional Council	Lismore City Council
Insearch Limited	Bogan Shire Council	Dungog Shire Council	Lithgow City Council
Insearch Sri Lanka	Bourke Shire Council	Edward River Council	Liverpool City Council
Rural Pharmacy Student Placement Allowance	Brewarrina Shire Council	Eurobodalla Shire Council	Liverpool Plains Shire Council
Sydney Educational Broadcasting Limited	Broken Hill City Council	Fairfield City Council	Lockhart Shire Council
UTS Beijing Limited	Burwood Council	Federation Council	Maitland City Council
UTS Global Pty Limited	Byron Shire Council	Forbes Shire Council	Mid North Coast Joint Organisation
UTS Shenzhen Limited	Cabonne Council	Georges River Council	MidCoast Council
University of Wollongong	Camden Council	Gilgandra Shire Council	Mid-Western Regional Council
CCCU Trust	Campbelltown City Council	Glen Innes Severn Council	Moree Plains Shire Council
KDU C (PJ) Sdn Bhd (Malaysia)	Canberra Region Joint Organisation	Goldenfields Water County Council	Mosman Municipal Council
KDU UC (PG) Sdn Bhd (Malaysia)	Canterbury-Bankstown Council	Goulburn Mulwaree Council	Murray River Council
KDU UC Sdn Bhd (Malaysia)	Carrathool Shire Council	Greater Hume Shire Council	Murrumbidgee Council
The University of Wollongong USA Foundation	Castlereagh Macquarie County Council	Griffith City Council	Muswellbrook Shire Council
UOW College Hong Kong (UOWCHK)	Central Coast Council	Gunnedah Shire Council	Nambucca Shire Council
UOW FZ-LLC (Dubai)	Central Coast Water Supply Authority	Gwydir Shire Council	Namoi Joint Organisation
UOW Pulse Ltd	Central Darling Shire Council	Hawkesbury City Council	Narrabri Shire Council
UOWC Ltd	Central Murray County Council	Hawkesbury River County Council	Narrandera Shire Council
UOWD Ltd	Central NSW Joint Organisation	Hay Shire Council	Narromine Shire Council
UOWM Sdn Bhd (Malaysia)	Central Tablelands County Council	Hilltops Council	New England Joint Organisation
Western Sydney University	Cessnock City Council	Hunter Joint Organisation	New England Weeds Authority
Whitlam Institute Trust (within the University of Western Sydney)	City of Canada Bay Council	Illawarra Shoalhaven Joint Organisation	Newcastle City Council
Western Growth Developments (Innovation Hub Parramatta) Pty Ltd	City of Parramatta Council	Inner West Council	North Sydney Council
Western Growth Developments (Westmead) Pty Ltd	Council of the City of Ryde	Inverell Shire Council	Northern Beaches Council
Western Sydney University Early Learning Ltd	Clarence Valley Council	Junee Shire Council	Northern Rivers Joint Organisation
Western Sydney University Enterprises Pty Limited	Cobar Shire Council	Kempsey Shire Council	Oberon Council
Western Unlimited Limited	Coffs Harbour City Council		Orana Joint Organisation
Local councils			
Albury City Council			
Armidale Regional Council			
Ballina Shire Council			
Balranald Shire Council			
Bathurst Regional Council			
Bayside Council			

Appendix two

Financial audit entities, reviews and other related services

Orange City Council	Wagga Wagga City Council
Parkes Shire Council	Walcha Council
Penrith City Council	Walgett Shire Council
Port Macquarie-Hastings Council	Warren Shire Council
Port Stephens Council	Warrumbungle Shire Council
Queanbeyan-Palerang Regional Council	Waverley Council
Randwick City Council	Weddin Shire Council
Richmond Valley Council	Wentworth Shire Council
Riverina and Murray Joint Organisation	Willoughby City Council
Riverina Joint Organisation	Wingecarribee Shire Council
Riverina Water County Council	Wollondilly Shire Council
Rous County Council	Wollondilly Council Mayor's Relief Fund
Shellharbour City Council	Wollongong City Council
Shoalhaven City Council	Woollahra Municipal Council
Singleton Council	Yass Valley Council
Snowy Monaro Regional Council	
Snowy Valleys Council	
Strathfield Council	
Sutherland Shire Council	
Tamworth Regional Council	
Temora Shire Council	
Tenterfield Shire Council	
The Council of the Municipality of Hunters Hill	
The Council of the Municipality of Kiama	
The Council of the Shire of Hornsby	
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	

Appendix two

Financial audit entities, reviews and other related services

Audit-related services of an ongoing nature requested by the Treasurer under section 27B(3)(c) of the *Public Finance and Audit Act 1983*

Any audit or audit related services for which:

- a Commonwealth or State Government Body requires, for regulatory purposes, a NSW public sector agency to have information, reports or returns audited, reviewed, examined or certified by an auditor, and
- a NSW public sector agency asks the Audit Office to undertake the audit, review, examination or certification.

Audit or audit related services to enable NSW public sector agencies to meet requirements under the *Corporations Act 2001* or the *Superannuation Industry (Supervision) Act 1993*

Audit reports required by section 24 of the *Charitable Fundraising Act 1991* for NSW Government agencies that conduct fundraising appeals

Audit of financial reports for funds within the Special Deposits Account

Audit or audit related services requested by a NSW Government agency in relation to information, reports of returns required to be provided by NSW Government agencies under the terms of a contract, lease or agreements between the NSW Government agency and third parties

Audit of data returns or reports required under the Australian Government/State Agreements

Audit of data returns or reports to acquit Disaster Relief Payments from the Commonwealth

Audit of data returns or reports to acquit grants provided by the Commonwealth and other donors to NSW Government agencies

Audit of universities' Higher Education Research Data Collection (HERDC) Return – Return 1 as required by Commonwealth funding arrangements and/or agreements

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

Letters of comfort to interested parties of NSW Treasury Corporation regarding its domestic and offshore funding activities

Audit of any Fisheries Trust Funds special purpose financial reports submitted by the Department of Planning, Industry and Environment

Appendix three

Overseas visits

Staff member	Date of travel	Return date	Destination	Reason
Margaret Crawford	11 August 2019	16 August 2019	Fiji	To attend Pacific Association of Supreme Audit Institutions Congress (PASAI) in Nadi, Fiji
Alison Gatt	22 February 2020	25 February 2020	Singapore	To complete the audits of Australian Education Consultancy Limited, UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited and UNSW (Singapore) Pte Limited
Patrick Or	22 February 2020	27 February 2020	Singapore	To complete the audits of Australian Education Consultancy Limited, UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited and UNSW (Singapore) Pte Limited
Chris Phillips	22 February 2020	27 February 2020	Singapore	To complete the audits of Australian Education Consultancy Limited, UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited and UNSW (Singapore) Pte Limited

Appendix four

Appearances before parliamentary committees

Date	Committee	Event	Who
1 August 2019	Public Accounts Committee	Introductory briefing	Margaret Crawford Ian Goodwin Claudia Migotto
5 August 2019	Public Accountability Committee	Introductory briefing	Margaret Crawford Ian Goodwin Claudia Migotto
6 August 2019	Parliament of New South Wales	Briefing to new members of Parliament	Margaret Crawford Ian Goodwin
22 August 2019	Public Accounts Committee	Briefing to new Public Accounts Committee on Auditor-General's Reports to Parliament	Ian Goodwin Claudia Migotto
23 September 2019	Public Accounts Committee	Examination of the Auditor-General's Performance Audit Reports: May 2017–December 2017	Margaret Crawford Ian Goodwin Claudia Migotto
26 September 2019	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament tabled in 2019	Margaret Crawford Scott Stanton Claudia Migotto
24 October 2019	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 27 September–24 October 2019	Margaret Crawford Ian Goodwin Renee Meimaroglou
21 November 2019	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 25 October 2019–21 November 2019	Margaret Crawford Ian Goodwin Claudia Migotto Alison Gatt
24 February 2020	Public Accounts Committee	Examination of the Auditor-General's Performance Audit Reports: February 2018–July 2018	Margaret Crawford Scott Stanton Claudia Migotto
27 February 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 22 November–27 February 2020	Margaret Crawford Scott Stanton Claudia Migotto
7 May 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 28 February–7 May 2020	Margaret Crawford Ian Goodwin Claudia Migotto Aaron Green
4 June 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 8 May–4 June 2020	Margaret Crawford Ian Goodwin Claudia Migotto Alison Gatt

Appendix five

Submissions to professional bodies

Title	Date
AASB – Australian Accounting Standards Board	
Fatal Flaw Review – AASB 2019–X: Amendments to Australian Accounting Standards Implementation of AASB 1059	14 August 2019
Exposure Draft 291 – Not-for-Profit Entity Definition and Guidance	9 September 2019
Exposure Draft 296 – Disclosure of Accounting Policies – Proposed amendments to AASB 101 and AASB Practice Statement 2	28 October 2019
Fatal Flaw Review – AASB 2019–X: Amendments to Australian Illustrative Examples for Not-for-profit Entities accompanying AASB 15	5 November 2019
Exposure Draft 295 – General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	28 November 2019
Fatal Flaw Review Version – AASB 2019–X: Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases	5 December 2019
IASB – International Accounting Standards Board	
Exposure Draft ED/2019/6 Disclosure of Accounting Policies – Proposed amendments to IAS 1 and IFRS Practice Statement 2	28 October 2019
Other	
Submission to the inquiry of the Parliamentary Joint Committee on Corporations and Financial Services into Regulation of Auditing in Australia	28 October 2019

Appendix six

Modified auditor's opinions and conclusions

We issued seven modified auditor's opinions and conclusions on assurance engagements in 2019–20 (eight modified audit opinions in 2018–19). See page 22 for further details.

Modified opinions on financial statements

Agency	Type of modification	Reason for modification
Bayside Council Audit of general purpose financial statements for the year ended 30 June 2019	Disclaimer of opinion	<p>A disclaimed audit opinion was issued for the 30 June 2019 financial statements of Bayside Council as management was unable to warrant the completeness and reliability of the financial statements for the year ended 30 June 2018.</p> <p>Consequently, there was insufficient audit evidence to support the opening balances at 1 July 2018. This impacted items in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes accompanying the financial statements for the year ended 30 June 2019.</p> <p>Additionally, we were unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of stormwater drainage assets recorded in the 30 June 2019 financial statements.</p>
Western Sydney University Early Learning Limited Audit of general purpose financial statements for the year ended 31 December 2019	Qualified opinion	<p>The Company did not recognise a liability and expense for payroll tax incurred in the period 1 July 2015 to 31 December 2018 when there was sufficient probability that an outflow of resources would be required to settle this obligation. This constituted a departure from Australian Accounting Standards.</p>

Appendix six

Modified auditor's opinions and conclusions

Modified opinions and conclusions on other assurance engagements

Agency	Type of modification	Reason for modification
Bayside Council	Disclaimer of opinion	Significant breakdowns in administrative, financial and governance internal controls affected the reliability of financial reporting of the council.
Audit of Special Schedule 2 - Permissible income for general rates for the year ended 30 June 2018		Consequently, the council was unable to provide written representations that the Schedule is complete and reliable. As a result, Australian Auditing Standards require a disclaimer of opinion to be issued.
Bayside Council	Disclaimer of opinion	Significant breakdowns in administrative, financial and governance internal controls affected the reliability of financial reporting of the council.
Audit of Special Schedule 2 - Permissible income for general rates for the year ended 30 June 2019		Consequently, the council was unable to provide written representations that the Schedule is complete and reliable. As a result, Australian Auditing Standards require a disclaimer of opinion to be issued.
Social and Affordable Housing NSW Fund	Qualified opinion	Except for one matter, payments from the Fund materially complied with the requirements of the <i>Social and Affordable Housing Act 2016</i> (the Act). We identified one payment that was made from the Fund without the Treasurer's delegation under section 13 of the Act, which resulted in a qualified opinion.
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 2019		
Ministry of Health	Qualified opinion	Except for a number of matters, the Ministry materially complied with the Fees and Payments Principles (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.
Report on compliance with the prudential requirements of the Fees and Payments Principles (No.2) within the Annual Prudential Compliance Statement for the year ended 30 June 2019		
The Legislature	Qualified conclusion	Except for one matter, nothing came to our attention to indicate the Members of Parliament did not materially comply with the requirements of the Annual Determination of the Parliamentary Remuneration Tribunal (the PRT Determination). We identified one Member that claimed the General Travel Allowance but did not provide evidence that the travel related to their parliamentary duties, which resulted in a qualified conclusion.
Review of compliance with the Annual Determination of the Parliamentary Remuneration Tribunal by Members of the New South Wales Parliament for year ended 30 June 2019		For further information on our findings refer to the Auditor-General's Report on Members additional entitlements 2019.

Appendix seven

Publications

Performance audit reports

See page 21 for a full listing of performance audit reports published in 2019–20.

Financial audit reports

Report	Date released
Report on State Finances 2019	10 October 2019
Internal Controls and Governance 2019	5 November 2019
Health 2019	21 November 2019
Transport 2019	28 November 2019
Stronger Communities 2019	5 December 2019
Education 2019	10 December 2019
Planning, Industry and Environment 2019	11 December 2019
Central Agencies 2019	12 December 2019
Report on Local Government 2019	5 March 2020
Universities 2019 audits	4 June 2020

Special reports

Report	Date released
Members' additional entitlements 2019	12 December 2019

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 2019–20:

- July to September 2019
- October to December 2019
- January to March 2020
- April to June 2020.

Annual Report

Annual Report 2018–19 published 4 October 2019.

Total external production costs for the Annual Report 2019–20: \$0.

Appendix eight

Internal Audit and Risk Management Attestation

Internal Audit and Risk Management Attestation Statement for the 2019–20 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, am of the opinion that the Audit Office of New South Wales has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core requirements		Compliant or non-compliant
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency.	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2018.	Compliant
Internal Audit Function		
2.1	An internal audit function has been established and maintained.	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing.	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established.	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

Membership

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

- Independent Chair, Dianne Hill, appointed 29 August 2013, (appointed as Chair from 12 December 2016) with term ending on 28 August 2021
- Independent Member, Bruce Turner AM, appointed 17 February 2017 for a four-year term, ending on 16 February 2021
- Independent Member, John Gordon, appointed 1 November 2017 for a three-year term, ending on 31 October 2020.



Margaret Crawford
Auditor-General
8 September 2020

Appendix nine

Cyber Security Annual Attestation Statement

Cyber Security Annual Attestation Statement for the 2019–20 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 internal audit of the ISMS and effectiveness of controls was undertaken by RSM Australia Pty Ltd and found to be adequate or being properly addressed in a timely manner.

An independent ISO/IEC 27001:2013 surveillance audit of the Audit Office of New South Wales' ISMS was undertaken by Lloyd's Register Quality Assurance Limited and found to be adequate or being properly addressed in a timely manner.

The Audit Office of New South Wales is doing the following to continuously improve the management of cyber security governance and resilience:

- Weekly Cyber Security operational reporting
- Monthly review of cyber security posture with our Deputy-Auditor General, Assistant Auditor-General (Strategic risk owner for Cyber), Executive Director for Corporate Services, 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 resilience at our Audit and Risk Committee.



Margaret Crawford
Auditor-General
1 July 2020

Appendix ten

Transparency reporting

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the Audit Office is not subject to these requirements, we have embraced the principles of transparency reporting. The 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 pages 4–5.
Description of the auditor's governance structure	The 'Governance framework and structures' section details our governance structure. Refer to page 40.
Description of the auditor's internal quality control system in the reporting year	The 'Quality processes' and 'Independent assurance and reporting' sections detail our internal quality assurance program and internal audit and quality assurance arrangements. Refer to pages 38–39 and 43.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Quality processes' section includes the Auditor-General's statement on the effectiveness of our internal quality assurance program in 2019–20. Refer to pages 38–39.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	The 'Quality processes' and 'Independent assurance and reporting' sections detail the bodies that are authorised to review our work and external reviews conducted. Refer to pages 38–39 and 43.
The names of the bodies for which the auditor conducted an audit in the reporting year	Appendix Two details all entities audited during 2019–20. Refer to page 89–93.
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Quality processes' section details our independence practices. Refer to pages 38–39.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Quality processes' and 'Leadership and professional development' sections detail our technical development for audit professionals. Refer to pages 32 and 38–39.
Financial information for the auditor for the reporting year	The 'Financial Report' section details our financial results, including our audited financial statements. Refer to page 53–86.
Information on the basis for remuneration of the auditor's senior managers	Appendix One details our senior executive and leadership remuneration. Refer to page 88.

Appendix eleven

Workforce diversity and disability inclusion

Trends in the representation of Workforce Diversity groups

	Benchmark/ Target*	2015–16	2016–17	2017–18	2018–19	2019–20
Workforce Diversity Group	%	% of total staff				
Women	50	49.3	52.5	52.6	53.1	53.6
Aboriginal people and Torres Strait Islanders	3.3	0	1.4	0.3	1.0	0.4
People whose first language spoken as a child was not English	23.2	38	50	47.4	44.3	46.5
People with a disability	5.6	2.5	2.5	1.7	1.4	1.4
People with a disability requiring work-related adjustment	n/a	1.8	1.4	1.4	1.1	1.1

Trends in the distribution of Workforce Diversity groups

	Benchmark/ Target*	2015–16	2016–17	2017–18	2018–19	2019–20
Workforce Diversity Group	%	% of total staff				
Women	100	97	96	100	101	98
Aboriginal people and Torres Strait Islanders	100	0	n/a	n/a	n/a	n/a
People whose first language spoken as a child was not English	100	98	86	93	97	95
People with a disability	100	n/a	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a	n/a

* Provided by the Public Service Commission.

1. A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

2. The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Diversity Inclusion and Accessibility Framework

In 2019–20, we continued to implement our Diversity Inclusion and Accessibility Framework. This framework provides an overarching platform for the Audit Office to ensure meaningful employment opportunities to all employees regardless of culture, disability, gender or background. We are working towards breaking down any barriers that may exist and putting strong targets in place to allow us to build a stronger, more innovative workforce. The framework also incorporates our Disability Inclusion Action Plan.

Key achievements and planned activity under this framework can be found in the table on the next page.

Multicultural Policies and Services Program (MPSP)

The Audit Office's activities are centred on providing services to Parliament and government agencies, not directly to members of the public. Therefore, we have limited capacity to address multicultural services issues.

We respect the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Audit Office. Our employment record is evidence of our support for cultural diversity. Our commitment is reflected in the number of racial, ethnic and ethno-religious groups that comprise our staff. Our Diversity Inclusion and Accessibility Framework provides a structure to assist us in ensuring

our people are representative of our community – for multicultural activity delivered under this framework in 2019–20, and activity planned for 2020–21, please see 'Cultural Diversity' in the table on the next page.

Multicultural NSW provides two MPSP themes all NSW government agencies are to report against in 2019–20. These themes, along with our responses, are detailed below.

Theme 1: Response to COVID-19

Response to the needs of people from culturally and linguistically diverse (CALD) backgrounds during COVID-19, and the challenges that may remain: The Audit Office of New South Wales is not a public facing agency and does not provide any services directly to the public. We therefore do not have any specific actions or outcomes to address the needs of people from culturally and linguistically diverse (CALD) backgrounds in our response to the COVID-19 pandemic.

Theme 2: Increase the proportion of women from CALD backgrounds in leadership positions

Number of female leaders from culturally and linguistically diverse (CALD) backgrounds: In 2019–20, six women are from CALD backgrounds out of 37 Band 1 equivalent and above leaders in total – this equates to 16 per cent.

Leadership training spend on CALD women by leadership position and role: Our total learning and development training spend can be found on page 33.

Appendix eleven

Workforce diversity and disability inclusion

Diversity Inclusion and Accessibility Roadmap

Focus Area	2019–20 Achievements	2020–21 Goals and Planned Activity
Indigenous (Reconciliation) Aims to address barriers that exist for Aboriginal and Torres Strait Islanders for employment with the Audit Office.	<ul style="list-style-type: none"> Year 4 of our Indigenous Internship Program implemented using lessons from previous years, with two Indigenous interns employed. Attended CareerTrackers Gala. Uncle Allen Madden provided a Welcome to Country for the new workplace. Celebrated NAIDOC week with a live digeridoo performance. Drafted a reconciliation roadmap. 	<ul style="list-style-type: none"> Continue to partner with CareerTrackers for our Indigenous Internship Program and implement Year 5 of the program. Investigate CareerTrackers Mentors program. Ensure targeted development plans are in place for current Indigenous employees. Finalise reconciliation roadmap and implement planned activities including developing a reconciliation statement. Roll out Indigenous cultural competency training for all staff.
Gender Equity Aims to eliminate discrimination on the basis of gender and remove barriers to equal participation.	<ul style="list-style-type: none"> Continued to conduct twice-yearly gender pay gap analysis. Continued our approach to championing flexible working arrangements. Continued to advertise roles as supporting flexible working arrangements. Supported various International Women's Day events. Supported six women to attend 'Masterclass: Building visibility and influence for women in the Public Sector'. Held 'Women in Super' session facilitated by State Super. 	<ul style="list-style-type: none"> Continue to encourage women to attend leadership events. Continue to review and support flexible working options. Target women for development opportunities.
Disability and Inclusion Aims to meet the needs of people with a disability and increase accessibility to information, services and the workplace.	<ul style="list-style-type: none"> Implemented training, development and job design solutions for staff with a disability. Implemented training solutions for managers of staff with a disability. Rolled out the NSW Public Service Commission's Disability Training Module to all staff and one specifically for managers. Celebrated International Day of People with a Disability, with Ian Hyman presenting from the Disability Council of NSW. Continued to ensure that all service information was available in accessible electronic formats. 	<ul style="list-style-type: none"> Continue to provide training and development to staff with a disability and their managers. Leverage off the NSW Public Service Commission's disability initiatives.
Cultural Diversity Aims for different cultures to respect each other's differences and to remove cultural barriers such as language and communication.	<ul style="list-style-type: none"> Ensured all new and existing employees completed the 'Respect and Diversity' and 'Cultural Competence' compulsory online training modules. Continued with diversity statements being included in all job advertisements. Continued to build our diversity calendar with days of cultural significance. Conducted and provided staff communications for several diversity events. Released several short videos from staff celebrating their culture and background. 	<ul style="list-style-type: none"> Continue with diversity statements being included in all job advertisements. Continue to build our diversity calendar days of cultural significance. Diversity of thought to be delivered under the Workforce Strategy. Investigate joining Department of Premier and Cabinet's Diversity and Inclusion Network (DAIN).

Appendix twelve

Recognition program winners

Following are the 2019 winners in the Audit Office's 'Audies' recognition program. For further details on this program see page 31.

A July 2020 Audies recognition presentation was not held. Partly a result of disruption caused by the COVID-19 pandemic, a refreshed recognition program that is more closely aligned to our new corporate values will be launched in the second half of 2020. Staff achievements will be recognised at this time.

Name	Type of award	Audies nomination period
David Nolan	Karyn Neal Leadership Award 2019	2019
Karen Dahiroc	Individual	July 2019 – November 2019
Quentin Wong	Individual	
Aniko Fekete	Individual	
Tyler Gutsche	Individual	
Judy Pham	Individual	
Gian Surjadinata	Individual	
Datt Nguyen	Individual	
Jane Malcolm	Individual	

Appendix thirteen

Accounts payable performance

Aged analysis at the end of each quarter

Quarter	Current (i.e. within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 60 and 90 days overdue \$'000	More than 90 days overdue \$'000
All suppliers					
September	109	—	—	—	—
December	884	—	—	—	—
March	978	—	—	—	—
June	—	—	—	—	—
Small business suppliers					
September	—	—	—	—	—
December	—	—	—	—	—
March	—	—	—	—	—
June	—	—	—	—	—

Accounts due or paid within each quarter

Measure	September	December	March	June
All suppliers				
Number of accounts due for payment	920	603	576	712
Number of accounts paid on time	912	590	566	710
Actual percentage of accounts paid on time (based on number of accounts)	99.1%	97.8%	98.3%	99.7%
Dollar amount of accounts due for payment	\$7,758,819	\$6,090,641	\$5,413,732	\$8,082,782
Dollar amount of accounts paid on time	\$7,518,251	\$5,873,249	\$5,282,150	\$7,950,687
Actual percentage of accounts paid on time (based on \$)	96.9%	96.4%	97.6%	98.4%
Number of payments for interest on overdue accounts	—	—	—	—
Interest paid on overdue accounts	—	\$82	—	—
Small business suppliers				
Number of accounts due for payment to small businesses	6	14	10	8
Number of accounts due to small businesses paid on time	3	13	9	8
Actual percentage of small business accounts paid on time (based on number of accounts)	50.0%	92.9%	90.0%	100.0%
Dollar amount of accounts due for payment to small businesses	\$30,728	\$67,835	\$24,160	\$59,851
Dollar amount of accounts due to small businesses paid on time	\$22,283	\$65,915	\$23,252	\$59,851
Actual percentage of small business accounts paid on time (based on \$)	74.0%	97.0%	96.0%	100.0%
Number of payments to small business for interest on overdue accounts	—	—	—	—
Interest paid to small businesses on overdue accounts	—	—	—	—

Commentary

During the year we paid 97 per cent of all accounts on time.

Interest on late payments

There was one interest payment of \$82 during the year on an overdue account (2019: nil).

Purchasing Card Certification

The Audit Office's Purchasing Card Policy was reviewed and updated in April 2020. The policy and controls we have in place are consistent with the requirements in Treasury Policy Paper TPP 17–09 Use and Management of NSW Government Purchasing Cards.

Appendix fourteen

Consultants

A consultant in the Audit Office is referred to as a person or organisation that provides expert advice professionally to assist decision making. Audit Office consultancy expenses for 2019–20 were \$306,668 compared to \$435,978 in 2018–19.

Consultant	Nature of consultancy	Amount \$
Contracts \$50,000 or more		
Elton Consulting	Develop stakeholder engagement strategy and plan	81,408
Bendelta	Develop 2020–2024 Corporate Plan	76,539
Step Two Designs Pty Ltd	Develop digital workplace strategy and roadmap	69,425
Servian Pty Ltd	Develop cloud strategy	65,000
Total	(4 contracts)	292,372
Contracts less than \$50,000 (total)		
	(1 contract)	14,296
Total expenditure for 2019–20*		306,668

*This table excludes the engagement of Audit Service Providers and firms/individuals whom the Audit Office engaged to provide assistance on financial and performance audits.

Appendix fifteen

GIPA application information

Commentary on applications for information under the *Government Information (Public Access) Act 2009* (the GIPA Act) can be found on page 44.

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 n full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

*A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

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

Appendix fifteen

GIPA application information

	Number of times consideration used*
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
Total	0

* The application was determined to be invalid within the statutory timeframe (5 days)

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

Appendix sixteen

Public interest disclosures information

Commentary on public interest disclosures and the *Public Interest Disclosures Act 1994* can be found on page 45.

Statistical information on Public Interest Disclosures (PIDs) for the period 1 July 2019 to 30 June 2020

Categories of wrongdoing																		
	Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL		
	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other
Number of public officials who made PIDs direct to the Audit Office	–	–	–	–	–	–	–	–	4	–	–	–	–	–	–	–	–	4
Number of PIDs made directly to your investigating authority	–	–	–	–	–	–	–	–	4	–	–	–	–	–	–	–	–	4
Number of PIDs received by your investigating authority under section 25 of the PID Act	–	–	–	–	–	–	–	–	1	–	–	–	–	–	–	–	–	1
Number of PIDs received by your investigating authority under section 26 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total number of PIDs	–	–	–	–	–	–	–	–	5	–	–	–	–	–	–	5		

	Corrupt conduct	Mal-administration	Serious and substantial waste	Government information contravention	Local government pecuniary interest contravention	TOTAL
Number of PIDs referred to a public authority under section 25 of the PID Act	–	–	–	–	–	–
Number of PIDs referred to another investigating authority under section 25 of the PID Act	–	–	–	–	–	–
Number of PIDs handled solely by your investigating authority	–	–	5	–	–	5
Number of PIDs handled with a public authority	–	–	–	–	–	–
Number of PIDs handled with another investigating authority	–	–	–	–	–	–
Total number of PIDs	–	–	5	–	–	5

Number of PIDs handled by commencing a formal investigation	–	–	–	–	–	–
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Number of PIDs finalised in 2019–20	–	–	6	–	–	6
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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

Assists the Auditor-General by providing 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 accounting body CPA Australia. Members are Certified Practising Accountants.

CA ANZ

The accounting body Chartered Accountants Australia and New Zealand. Members are Chartered Accountants.

Internal audit

Independent, objective assurance designed to add value and improve an organisation's operations.

Internal control framework

An integrated set of policies and procedures designed to help management achieve its goals and objectives.

Management letter

Letter sent to 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.

Index

A

annual report
 contact details – 114
Audit and Risk Committee
 Audit Office – 38, **40–41**,
 43, 46, 101, 102, 112
 Chairs – 18
Audit Office
 governance framework – 40
Auditor-General
 about – 4, 8
 history – 5
 message – 6–7
Australasian Council of Auditors-
General – 32, 38, **39**, 112

B

benchmarking – 18, 36, 37, 38,
104
budget – 50, **52**, 54, 64, 66
 Future Workplace – 27
 review – 64

C

code of conduct – 32, 42
complaints and feedback – 45
consultants – 67, **108**
COVID-19 pandemic – 6, 12, 20,
26, 27, 28, 30, 31, 32, 33, 40, 46,
47, 48, 61, 63, 64, 66, 71, 72, 76,
84, 104, 106
creditor payments – **51**, 69, 76
cyber security – 11, 16, 32, 40,
46, 47, **48**, **102**

D

data analytics – **48**, 50
disability inclusion action plan –
104–105
diversity – 2, 29, 30, 42, 104–105

E

environmental action – 47
executive positions – 8–9, 10, 30,
40–41, 67, 88
external audit – 38, 40, 41, 43

F

financial audit
 costs – 37
 entities audited – 21, 89–93
 modified opinions – **22**,
 98–99, 112
 recommendations – 14, 16,
 17, 18, 20, 23, 24
 reports – 4, 10, 11, 14, 15,
 22, 23, 24, 36, 38, 100
 satisfaction with – 14–15,
 18–19
 timeliness – 21, **36**
financial statements – 53–86

G

governance – 40–46
 committees – 29, 31, 32,
 34, 38, 40, 41, 43, 44, 45,
 46
 disclosure – 32, **44**, 45, 61,
 62, 63, 68, 82, 84, 86, 97,
 109, 110, 111
 ethics – **42**
 reporting – 43, 44
 risk management – 40, **46**,
 86, 101, 112
 stakeholder engagement –
 24, 40, **45**
 structure – 9, **40**
Government Information (Public
Access) Act 2009 – 44, 109–110

H

highlights – 10–11

I

integrity agencies – 20, 45
internal audit – 40, 42, **43**, 44, 46,
101, 102, 103
 risk management attestation
 – 40, 46, **101**

K

key performance indicators – 10–
11

L

legislation – 4, 5, 7, 20, 32, 34, 36,
39, 42, 43, 44, 45, 56, 61, 66, 80,
94, 99, 103, 109, 110, 111
letter of transmission – 7
local government – 16, 18, 20, 22,
23, 24, 32, 36, 37, 39, 41, 45, 50,
65, 66, 100, 111

M

management
 executive remuneration –
 29, 88
 Office Executive – **8–9**, 29,
 30, 32, 38, **40–41**, 42, 43,
 45, 46, 67, 72, 102

O

occupational health and safety,
see work health and safety
office hours – 114
overseas visits – 95

P

parliamentarian satisfaction – 10,
14–15
parliamentary committees,
appearances before – 16, **96**
people, see staff
performance audit – 4, 5, 6, 7, 10,
12, 14, 15, 16, 17, 18, 19, 20, 21,
24, 29, 32, 36, 37, 38, 40, 42, 43,
45, 50, 62, 65, 86, 96, 100
 costs – 37
 follow-up – 16
 impact – 17, 18
 recommendations – 16,
 17, 20
 reports – 14, 15, 16, 17, 18,
 20, 21, 24, 96, 100
 satisfaction with – 14–15,
 18–19
 timeliness – 36
 work program – 20
performance management – **28**,
42
 agreements – 28
privacy – **42**
professional development – **32**,
33, 103
projects – 10, 27, 40, 46, 64
Public Accounts Committee – 6,
14, **16**, 20, 38, 40, 43, 45, 96
Public Accountability Committee –
16, 45, 96
publications – 100
public interest disclosures – 45,
111
purchasing card certification – 107
purpose – 2

Q

quality assurance – 11, 38, 39, 40,
42, 43, 102, 103
 Quality Audit Review
 Committee – 38, 40, 41

R

recreation club – 12, 31
Remuneration Committee – 29,
40, 41, **44**
reporting, financial – 50–52, 54–
86, 107, 108
reviews
 external – 38, 43, 103
 internal – 29, 34, 36, 38,
 40, 41, 42, 43, 44, 45, 46,
 51
risk management, see governance
 attestation – 101

S

social club, see recreation club
staff
 counselling – 30
 engagement – 10, 26
 recruitment – **28**
 satisfaction – 10, 26, **28**, 34
 turnover – 28
stakeholders
 engagement, see
 governance
 key – 2
strategic planning
 corporate plan – 10–11
structure
 governance – **40**
 organisation – 9

T

training – 10, 12, 28, 30, **32–33**,
34, 42, 48, 64, 67, 104, 105
transparency reporting – 39, 103
turnover, see staff turnover

V

values – 2
vision – 2

W

women
 executive and senior
 leadership – 10, **30**, 88,
 104, 105
 middle management – 10,
 30, 104, 105
workforce diversity, see diversity
work health and safety – 34

Y

year ahead – 24, 27, 29, 33, 48,
51



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