

Financial performance

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Finances

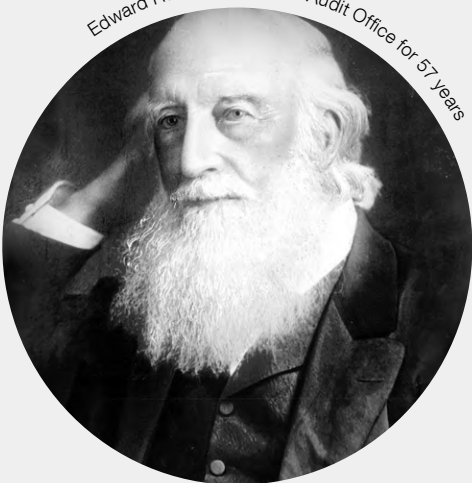
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Financial position

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Key statistics

Edward Rennie served the Audit Office for 57 years



Did you know?

Our seventh Auditor-General Edward Rennie served a record 57 years of continuous service in various roles at the Audit Office!

Finances



We remain on target to break even over the medium term

Ahead of our break-even target due to deferred expenditure

The work of the Audit Office is largely self-funded from audit fees, paid by auditees, set to cover expenses while maximising value. Unlike private sector auditors, we aim to break even over the medium term rather than profit. Over the four years to 2023–24, we achieved a cumulative surplus of \$2.7 million (excluding superannuation adjustments), exceeding our medium-term break-even target. We are budgeting for a loss of \$1 million in 2024–25 and forecasting small losses in subsequent years, which will result in the Audit Office returning to its medium-term target of breaking even.

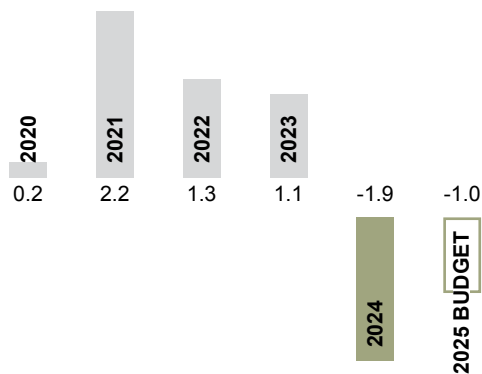
Revenue and expenditure

In 2023–24, we brought more local government audits in-house following the changes to our commissioning model. This combined with bringing more financial audit work forward to smooth audit workload peaks has resulted in revenue growth of ten per cent, excluding audit scope adjustments resulting from events such as agency restructures and complex accounting issues. We earned revenue of \$68.2 million (\$62.2 million in 2022–23) from auditing the financial statements of state and local government entities and universities and providing other assurance activities like acquittals.

The NSW Government contributed \$12.7 million towards our performance audits and Auditor-General's Reports to Parliament. The NSW Government also provided \$1.3 million to partially fund our data analytics capability initiative. Our 2023–24 total expenditure was \$84.9 million, a 13% increase from 2022–23. In addition to the annual escalation in costs, the increase was due to a conscious effort to employ more financial audit staff to bring audit work forward, our investment in strategic projects such as the CoLab and audit software projects (pages 16 and 18), an increased investment in our learning and development program (page 40) and an increase in our investment in data analytics.

Operating result \$m

Excluding superannuation



Financial position

Our financial position is sound

At 30 June 2024, the Audit Office had a net asset position of \$17.1 million. We are a going concern as we have a sustainable level of working capital and we continue to generate net cash inflows from our operating activities.

Most of our assets and liabilities are of a financial rather than physical nature. Cash remains one of our largest assets, with \$12.7 million at 30 June 2024. As a largely self-funded entity, it is important we have cash reserves to fund our future capital program and investment in new ways of working. Our assets also include \$9.5 million for the Crown agreeing to fund our employee's long service leave entitlements. This offsets the liability in our financial statements. We also have \$7.8 million in receivables from government entities and local councils for our auditing services, and we have recognised a right-of-use asset of \$8.1 million. The right-of-use asset relates to our leased premises, with the lease expiring in July 2029.

Our liabilities at 30 June 2024 were \$28 million, a reduction of \$0.4 million from 30 June 2023.

Solvency and debtor performance remains steady

Our current ratio at 30 June 2024 shows we had \$1.74 in current assets to meet every \$1 of current liabilities. This is slightly lower than last year's ratio but above our target of \$1.50. Being a largely self-funded entity that also funds its capital program, it is important the Audit Office has a healthy current ratio.

The average time to collect unpaid invoices was 17 days, consistent with 2022–23. Our target is 14 days, with timely payment by auditees important to ensure we have sufficient cash on hand to meet our liabilities. We continue to work with auditees to improve our processes and ensure they pay us within our 14-day terms.

Our core business continues to generate net cash inflows

We generated a small cash deficit of \$0.2 million from our operating activities in 2023–24. This was largely due to a higher receivables balance at year-end. We expect to generate \$3.5 million from our operating activities in 2024–25.

On average we paid suppliers within six days

The average time taken to pay all suppliers during the year was six calendar days from the receipt of a correctly rendered invoice, and four days for small business suppliers. This is in line with the average days taken to pay all suppliers in 2022–23. The Audit Office makes a concerted effort to pay all suppliers in a timely manner.

During the year, we paid \$45.3 million to our suppliers and 99% of payments were on time. Of this, \$2.8 million relates to small businesses where 100% of payments were also on time. We are expected to pay all suppliers within 30 days unless the agreed contract terms state otherwise.

Interest on late payments

There were no interest payments during the year for overdue payments (2022–23: nil).

Purchasing card certification

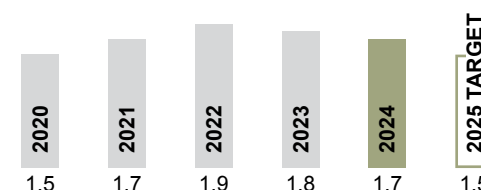
The Audit Office's Purchasing Card Policy was reviewed and updated in July 2023. The policy and controls we have in place are consistent with the requirements in Treasury Policy Paper TPP 21-02 Use and Management of NSW Government Purchasing Cards.

The year ahead

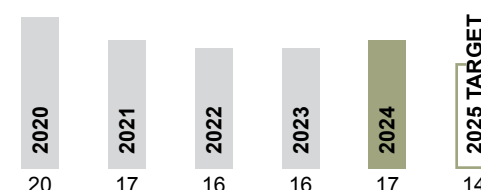
In 2024–25, we will continue to:

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

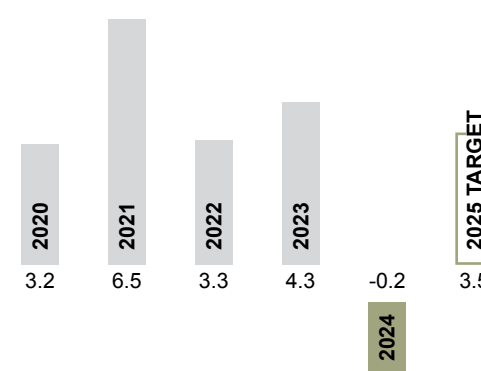
Solvency – current ratio



Debtor management – average days to collect



Cash flows from operating activities \$million



Key statistics

Five-year trend	2019–20 \$'000	2020–21 \$'000	2021–22 \$'000	2022–23 \$'000	2023–24 \$'000
Financial performance¹					
Total revenue	62,770	66,465	68,553	76,467	83,002
Total expenses	62,567	64,277	67,236	75,369	84,856
Operating profit/(loss)	203	2,188	1,317	1,098	(1,854)
Financial position					
Total assets	44,560	45,690	44,258	47,361	45,179
Total liabilities	93,730	70,063	26,359	28,364	28,036
Accumulated funds	(49,170)	(24,373)	17,899	18,997	17,143
Solvency and debtor management					
Current ratio	1.5	1.7	1.9	1.8	1.7
Average days to collect debts	20	17	16	16	17

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

	2023–24 Budget \$'000	2023–24 Actual \$'000	2024–25 Budget \$'000 ²
Performance against budget			
Revenue			
Audit fees	66,046	68,214	73,364
NSW government contributions	13,974	13,974	14,445
Interest	203	614	300
Other revenue	448	200	443
Total revenue	80,671	83,002	88,552
Expenditure			
Salaries and related expenses	50,288	51,079	58,061
Other expenses including operating expenses, maintenance and finance costs	9,939	10,790	9,677
Audit Service Provider costs	19,541	20,027	19,112
Depreciation and amortisation	2,692	2,960	2,727
Total expenditure	82,460	84,856	89,577
Operating surplus/(loss)	(1,789)	(1,854)	(1,025)

2 Per the 2024–25 State Budget.