



*Leadership*



*Honesty*



*Connection*



*Pride*



*Curiosity*



*Morale*



*Integrity*

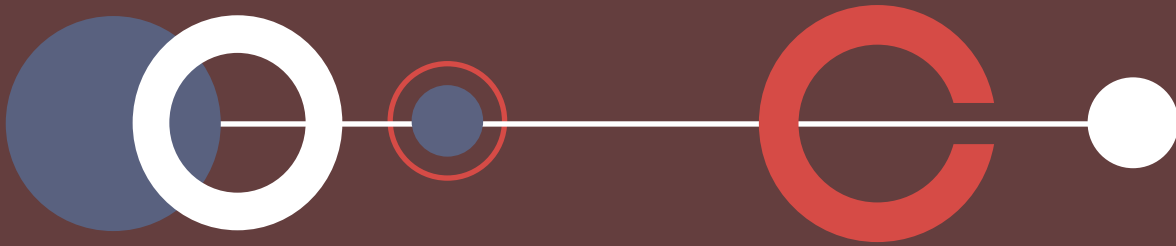


*Quality*



# ANNUAL REPORT 2020-21

Fun Accountability Impact Commitment Service Wellbeing Persistence Integrity Resilience  
 Enthusiasm Passion Care Professionalism Truth Responsibility High standards Quality  
 Pride Morale Respect *Living Our Values* Hard work Balance Courage Leadership Fun Accountability Impact Commitment Service Wellbeing Persistence Integrity Resilience Curious Enthusiasm  
 Care Professionalism Truth Responsibility *Audies Winners* High standards Compassion Quality  
 Morale Respect Hard work Balance Courage Leadership Fun Accountability Impact Commitment Service Wellbeing Persistence Integrity Resilience Curious Enthusiasm  
 Truth Recognition Program Responsibility High standards Compassion Quality  
 Flexibility Hard work Balance Courage Leadership Fun Accountability Impact Commitment Service Wellbeing Persistence Integrity Resilience Curious Enthusiasm Passion Care Professionalism Truth Responsibility



## *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 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 2020–21 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](http://audit.nsw.gov.au)

Cover: In 2020–21, the Audit Office of New South Wales continued to respond to the COVID-19 pandemic. Our people demonstrated great resilience, our connection to our purpose, vision and values remained strong, and our sense of pride in the quality of work we produce was unwavering. Some of our Audies recognition program winners are featured on this year's cover. For more information see page 107.

## 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.

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**Audit Office  
of New South  
Wales\***

Report

**Parliament of  
New South Wales**

Audit and Review

Accountability

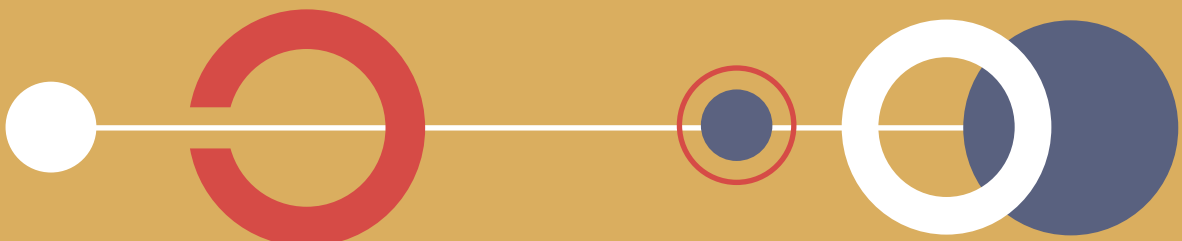
### Auditees

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 *Government Sector Audit Act 1983*, that conducts audits for the Auditor-General.

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

## What we do

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

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

Financial audits provide an independent opinion on 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 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

284 full-time equivalent employees at 30 June 2021.

\$54.2 million revenue from government entities, councils and universities for audits of their financial statements and other assurance activities.

\$11.7 million from the government for our performance and compliance audits and Auditor-General's Reports to Parliament.

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

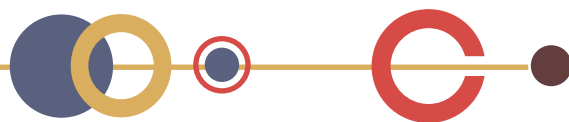


# History of the Auditor-General



- 1824** William Lithgow appointed Colonial Auditor-General to compile and examine the colony's accounts and report on government departments to the Governor.
- 1855** The *UK Constitution Act 1855* formalised government in New South Wales, and the Auditor-General was made a member of the government.
- 1870** Powers and duties of the Auditor-General first set 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** *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.
- 2021** *Public Finance and Audit Act 1983* renamed to the *Government Sector Audit Act 1983*. Amendments included the formal recognition that the Auditor-General is an independent and accountable statutory officer responsible for providing independent audit and audit-related services in New South Wales.

# Auditor-General's message



By any measure, 2020–21 has been a year like no other. A year of significant disruption and challenge for each of the sectors we audit, and for all the staff of the Audit Office of New South Wales. In this context, I could not be more proud of the work and activities set out in this annual report.

Our 2020–21 Annual Report documents the substantial and sustained impact our work has had, and the resilience and agility of our people. It is framed around the strategic objectives in our [Corporate Plan 2020–24](#), all of which lead us to an important milestone in 2024 when we celebrate 200 years since the first Auditor-General was appointed for New South Wales. Enhancing the impact and relevance of our work underpins how we honour the legacy of audit excellence at the Audit Office.

## The impact of our work

Many important reports were tabled in the Parliament of New South Wales (Parliament) through 2020–24. One key area of focus relates to how the sectors we audit were impacted by, and responded to, emergency events. Bushfires, floods and the COVID-19 pandemic, all presented major challenges to state and local government entities, as well as to universities.

Following this theme, we completed audits that reviewed the government's response to homelessness during the first COVID-19 outbreak, as well as its planning for the management of front-line staff health and wellbeing in hospitals. Our consolidated reports on universities and local councils highlighted the financial impact of emergencies on operations, as did our state government cluster financial reports. We tabled the first in a series of grants administration audits, this initial report focused on the effectiveness of the management of Small Business Support Grants administered by Treasury and Service NSW.

Our Office carefully balanced the pressures faced by agencies we audit with the need to provide assurance to Parliament, and the community more broadly, on the effectiveness of public sector responses to the unprecedented events. This will continue to be an area of focus for both financial and performance audits in coming years.

## Request audits

In 2020–21 we completed three audits on specific matters requested by ministers of the government. Request audits are provided for by section 27B(3)(c) of the then named *Public Finance and Audit Act 1983* (now replicated in the *Government Sector Audit Act 1983*). My Office is required to undertake this work. It differs from all other aspects of the audit work program, where the Auditor-General is unfettered in the choice of performance audit topics. Each of these reports received significant scrutiny and will have lasting impact, albeit in different ways.

On 20 October 2020, we tabled a report titled [The effectiveness of the financial arrangements and management practices in four integrity agencies](#). This audit was requested by the Special Minister of State. While recognising that the government of the day is responsible for the prudent management of the state's finances, the report highlighted threats to the independence of integrity agencies that may arise from the involvement of the executive government in decision making about funding. While the government has not yet formally responded to this report, it is likely to have lasting impact as a source of reference regarding the independence of integrity bodies and how they scrutinise the actions of government.

On 18 December 2020, we tabled a report titled [Service NSW's handling of personal information](#). This audit examined the effectiveness of Service NSW's handling of customers' personal information to ensure privacy. It was requested by the Minister for Customer Service following public reports in May 2020 of a cyber security attack which led to a breach of privacy in relation to customer information. The audit found that Service NSW's processes were not effectively handling the privacy of personal and business information, and that there were weaknesses in general IT and security controls in systems used to store customer information. This report adds to a body of work the Audit Office has undertaken to raise awareness of the risk of cyber attack faced by all sectors we audit. Focused attention by public sector leaders is needed to tackle this growing threat.

The third request audit was tabled on 18 May 2021, and titled [Acquisition of 4-6 Grand Avenue, Camellia](#). Requested by the Minister for Transport, this audit concluded that Transport for New South Wales conducted an ineffective process when it purchased the Camellia land and that internal policies and procedures to guide land purchases were insufficient. The findings of this audit were concerning and point to insufficient regard for concepts of probity and value for money in the use of public funds. Given the scale of government involvement in land acquisition, management and disposal, this will continue to be a focus area for our audit program.

## Stronger stakeholder engagement

Survey results, extensively covered in this annual report, generally show support for the quality and relevance of our work. But, particularly during the uncertain times we have experienced over the last year, it is important for us to work hard to remain connected to people impacted by our work. To that end, during 2020–21 we evaluated how well we engage with Parliament and the agencies we audit, intent on identifying ways to improve those interactions.

The External Stakeholder Engagement Strategy that resulted from this work is profiled in this report. We also reference the new Report Highlights section included in our reports to Parliament, replacing the traditional media release used for many years. Report Highlights are a more accessible summary of an audit's focus, clearly outlining what we found and what we recommended. It is designed for quick and easy reference for busy parliamentarians and other readers, who can delve more deeply into subjects of interest to them in the main report.

## Staff adaptation and resilience

The people who work at the Audit Office have long been known for their professionalism and expertise. Our Office has also had a very strong commitment to building capability, respecting diversity and supporting our people. What was less known, but proven over this past year, is how flexible, agile and open our staff are in responding to change. And how resilient they are in the face of extended disruption to the 'normal' ways of working.

Throughout 2020–21 we delivered on our commitments, adjusted to working in new ways, and evaluated opportunities this presented. Our number one priority was the health and wellbeing of our staff. We worked hard to provide opportunities to stay connected, and as always, our recreation club (ReClub) took up this challenge with gusto. We supported staff to work safely at home and invested in wellbeing and mental health programs. These measures are outlined in this report. And the results of our annual People Matter Employee Survey, supplemented by pulse surveys, are also set out in this report. Many positive improvement strategies were suggested but overall, our employee satisfaction and engagement scores remain pleasingly high.





Like many organisations, we have taken this opportunity to talk with our staff about how they want to work in the future to better support their personal circumstances and perform at their best. We have articulated four key principles upon which our future work arrangements will be based. These are:

- our people can choose where and when we work
- we focus on the quality of interactions
- our people work together to create and maintain a safe and effective working environment
- we listen and adapt to changing work requirements. This includes client and staff needs, as well as stakeholder perspectives.

The way we work will continue to evolve in response to the challenges we have faced over the last 18 months. But our pride in purpose and determination to promote transparency and good governance will continue to ensure the work of the Audit Office has impact and is valued, and that our staff are empowered and thrive.

### One last vote of thanks

As always, this annual report fairly and comprehensively documents our 2020–21 activities and results. What it cannot do justice to is the unwavering professionalism and dedication of the exceptional people that work for Audit Office of New South Wales.

I thank you for all you have done in this really hard year. And I want to acknowledge the leadership of my executive team, and in particular the Deputy Auditor-General, Ian Goodwin, for navigating a path through uncharted territory to keep us safe and well positioned to produce work that makes a real difference to the people of New South Wales.

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 2021.

Margaret Crawford

Auditor-General  
29 October 2021

# 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

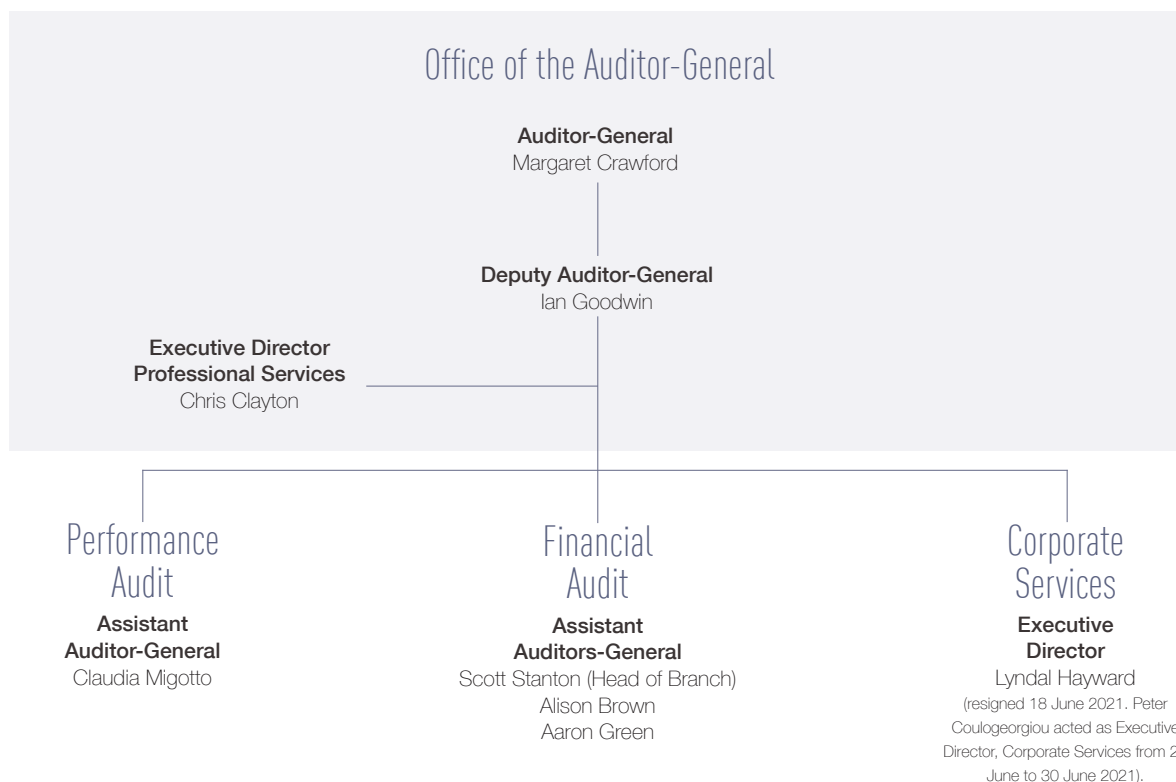
Bachelor of Business, Chartered Accountant Fellow



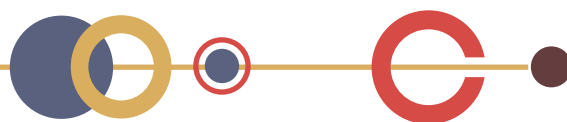
Ian's early career was in banking and capital markets, working at the Reserve Bank of Australia, a 'Big Four' accounting firm and the International Monetary Fund in Washington DC. Returning to Australia, Ian joined the Australian National Audit Office (ANAO) and as a Group Executive Director was responsible 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.

Organisational structure at 30 June 2021







### 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.



### 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 NSW Treasury and those in the education and university sectors.



Aaron now leads our financial audits in the local government sector.

### 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.



Scott has previously served on CPA Australia's NSW Divisional Council and is a past Chair of CPA Australia's NSW Public Sector Committee.

### Lyndal Hayward

#### Executive Director, Corporate Services (Resigned June 2021\*)

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.



### Alison Brown

#### 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.



### Chris Clayton

#### Executive Director, Professional Services

Bachelor of Commerce, Chartered Accountant, Graduate Certificate in Internal Auditing

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 contributed to the delivery of financial audits across the state, university, and local government sectors 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.

\* Lyndal Hayward resigned from the Audit Office on 18 June 2021. Peter Coulogheorgiou has been acting as Executive Director, Corporate Services with a permanent recruitment to the role to take place in 2021–22.

# Strategic progress

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



Enhancing Our Impact,  
Demonstrating  
Our Value

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

## Key achievements

Attended seven parliamentary committee hearings and provided evidence at inquiries into cyber security, grants and integrity agency budgets page 16

Finalised our External Stakeholder Engagement Strategy and roadmap page 24

Launched short, accessible summaries in our Auditor-General's Reports to Parliament page 24

Produced a video overview to enhance engagement with our Annual Work Program page 24

## Measures of success

**Parliamentarians are satisfied with our reports and services**

Actual: 86% | Target: 90% page 14

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

Actual: 90% | Target: 80% page 18

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

Actual: 89% | Target 70% page 18

**Our audit recommendations were accepted**

Actual: 94% | Target 80% page 17



Quality In  
Everything  
We Do

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

## Key achievements

The Quality Audit Review Committee found audit quality to be satisfactory across 11 reviews page 38

The Technical Issues Committee provided advice on 52 complex matters page 39

Developed a Data Loss Protection Control Framework page 48

Developed Information Classification and Labelling Policy and supporting system controls page 48

Defined new cyber outcomes to underpin our strategic risk and measure effectiveness page 48

## Measures of success

**Parliamentarians agree we operate independently from government**

Actual: 96% | Target: 90% page 14

**Parliamentarians believe we perform audits with integrity**

Actual: 100% | Target 90% page 14

**External reviews confirm we have a robust system of quality control**

Actual: 100% | Target: 100% page 38



Securing  
Our  
Future

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

## Key achievements

Employed a data collection tool to assist with the collection and analysis of financial audit data page 51

Revised our Innovation Roadmap and identified Innovation Champions page 51

Piloted a data analytics tool to support analysis and categorisation of qualitative performance audit data page 51

## Measures of success

**Our finances break even over the medium-term**

Result: Achieved page 52

**Audit staff available hours charged to audits**

Actual: 79% | Target: 75% page 36

**Annual operating expenditure spent on innovation**

Actual: 1.2% | Target: 2% page 51



Building  
Capability For  
The Future

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

## Key achievements

Supported our staff through extended COVID-19 lockdowns page 12

Consulted with staff on new ways of working page 12

Finalised our Digital Workplace Strategy page 27

Developed a data literacy program page 29

Launched a new leadership development program page 33

Strengthened our focus on Indigenous reconciliation page 34 and 106

## Measures of success

**Employee engagement**

Actual: 76% | Target: 80% page 26

**Staff believe we are a diverse organisation that supports individual differences**

Actual: 94% | Target: 90% page 26

**Staff have core data literacy skills**

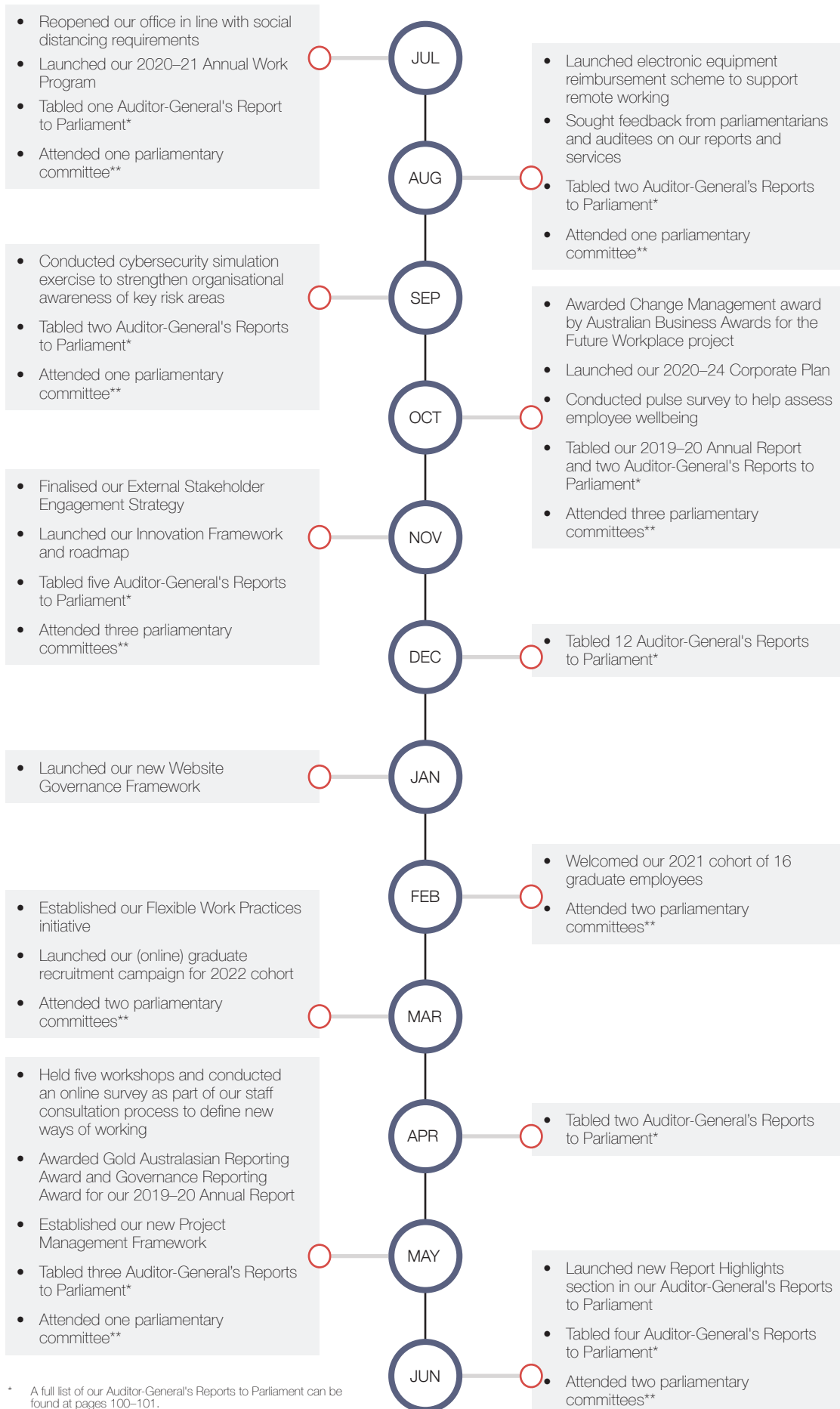
Actual: too new to rate | Target: 90%



# Year at a glance



## Operational measures of success



### Performance audits and special reports completed

Actual: 19  
Target: 20  
page 20

### Average training days per employee

Actual: 7  
Target: 7  
page 33

### Women in middle management roles

Actual: 51%  
Target: 50%  
page 34

### Women in executive and senior leadership roles

Actual: 56%  
Target: 50%  
page 34

### Financial audits reported to Parliament on time

Actual: 91%  
Target: 100%  
page 36

### Financial audits completed within ten weeks of receiving financial reports

Actual: 81%  
Target: 100%  
page 36

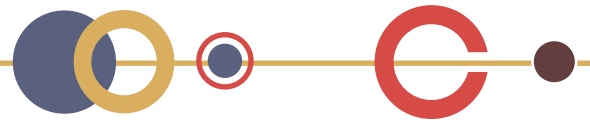
### Audit conclusions reviewed through our Quality Assurance Program that were supportable

Actual: 100%  
Target: 100%  
page 38

\* A full list of our Auditor-General's Reports to Parliament can be found at pages 100–101.

\*\* More information on our appearances at parliamentary committees can be found at pages 16 and 96.

# A year of transition



Like all NSW public sector agencies, the Audit Office continued to respond to the challenges posed by the COVID-19 pandemic during 2020–21. Our efforts are discussed throughout this report, and summarised here to tell the story of how we supported our people during difficult times, transitioned to a new working environment and accounted for the disruption in our work with auditees. We have learned much, and these insights will be drawn upon as we move into a future that remains uncertain, but in which we are confident of our ability to adapt and succeed.

## Prioritising staff wellbeing in challenging times

Throughout 2020–21, we were able to respond rapidly to changing public health measures so that our people were safe, supported and able to continue working productively. We benefited from our existing agile workforce practices, and strengthened these by providing our people with access to ergonomic chairs and financial support to set up their home working environments in a healthy and productive way.

A COVID-19 Management Team was established to ensure our people were informed, connected and supported, that our physical working environments were COVID-safe, and that the health and wellbeing of our people was prioritised – see page 41 for more details.

Our people demonstrated resilience and consistently balanced remote working with COVID-safe in-person collaboration when appropriate. The connection to our purpose, vision and values remained strong throughout, and our sense of pride in the quality of work we produce was unwavering.

On 1 July 2020, we reopened our office after an extended public health lockdown and our facilities were reconfigured to comply with physical distancing requirements. Anticipating continued uncertainty and potential further lockdowns, a flexible approach was taken to work arrangements, and employees were empowered to choose where they wanted to work.

We worked with auditees to ensure our staff were in COVID-safe environments when at auditee sites. For employees who elected to work in our office, workstation bookings and entry protocols were required to monitor demand, minimise risk and meet contract tracing requirements.

Despite the many disruptions, our 2020 People Matter Employee Survey engagement and wellbeing scores were high. Our people reported they were

generally coping well with flexible arrangements – details of the survey can be found on page 26. Despite the challenges, staff reported a number of positive outcomes from changes to working arrangements, including a better balance of work and personal life, finding more time for exercise and other activities, and less travel across New South Wales. In response, we began considering how to permanently embed the positive changes to improve employee wellbeing and deliver greater value to our stakeholders.

## Transitioning to new ways of working for the future

In March 2021, we began an extensive consultation process with employees to inform what our working arrangements might look like in the longer-term. This included five interactive workshops and a staff survey, both with high levels of engagement (139 staff attended a workshop and 161 staff participated in the survey).

This process helped to inform our new Flexible Work Practices Model, which defines key principles to support how we will work in the future, and incorporates the needs of our employees, auditees and other key stakeholders.

The Flexible Work Practices Model will be implemented in 2021–22. We will evaluate the model to ensure it is working for our employees and our stakeholders.

## Responding to challenges through our audits

It is appropriate that our audits take into account the challenges auditees face in managing and responding to the COVID-19 pandemic and other recent emergency events.

Recognising the evolving environment and acute pressures that auditees were required to operate in, we focused our efforts on providing assurance that responses are timely, evidence based, well targeted, and effective. Particular attention was paid to financial and governance risks arising from the scale and complexity of government responses.

The COVID-19 pandemic has had a significant impact in New South Wales. Our methodical and phased approach to assessing the use of public funds in response, recovery and impact activities, will continue to help Parliament hold government accountable, ultimately improving outcomes for citizens.



### STORIES THAT MATTER

## Getting through a tough year together

'I've really missed seeing colleagues this year, and adjusting to remote working was a challenge. But the practical help we've received is a testament to the strong culture and caring leadership at the Audit Office. When lockdown became a public health necessity, the Audit Office quickly addressed ergonomic issues, and upgraded the digital environment to help us stay connected. A care package from the Office Executive was a heartening surprise in the midst of our second lockdown, and the consistent and genuinely caring messages from our senior leaders about prioritising wellbeing and mental health are just some of the reasons I'm proud to work at the Audit Office.'

Renee O'Kane, Corporate Services





# Enhancing Our Impact, Demonstrating Our Value

## Strategic objective

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

- serving as a trusted provider of analysis and insight regarding public sector administration
- fostering positive change across NSW state government, local government and university sectors.

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# Our value to Parliament

96% of parliamentarians agree we operate independently from government  
86% of parliamentarians are satisfied with our reports and services

## 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. The Public Accounts Committee (PAC) holds the entities we audit to account for implementing the recommendations in our reports. The PAC also reviews the performance and operation of the Audit Office every four years. 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 Enhancing Our Impact, Demonstrating Our Value strategic objective (see page 24).

Each year we survey parliamentarians to get feedback on our reports and services. In the 2021 survey, of the 131 parliamentarians invited to complete the survey, 23 per cent responded, consistent with the 24 per cent response rate in 2020.

### Overall satisfaction

Satisfaction with the Audit Office's reports and services is high. Eighty-six per cent of parliamentarians were satisfied overall in 2021, consistent with 84 per cent in 2020.

Our performance has improved or remained consistent with our last survey period for several areas. Parliamentarians responded:

- in general, the Audit Office provides high quality reports and services, 96 per cent agreeing, consistent with 97 per cent in 2020

- the Audit Office's reports and services provide valuable information on public sector performance, with 96 per cent in agreement, consistent with 97 per cent in 2020
- the Audit Office's reports and services help improve public sector administration, with 96 per cent agreeing, consistent with 94 per cent in 2020
- the Audit Office performs audits with integrity, with 100 per cent agreeing, up from 87 per cent in 2020
- the Audit Office operates independently from government, with 96 per cent agreeing, broadly consistent with 92 per cent in 2020.

One area where we will focus future efforts is how clearly our reports communicate issues, with 86 per cent agreeing we do this well in 2021, down from 92 per cent in 2020.

### Satisfaction with financial audit reports increased

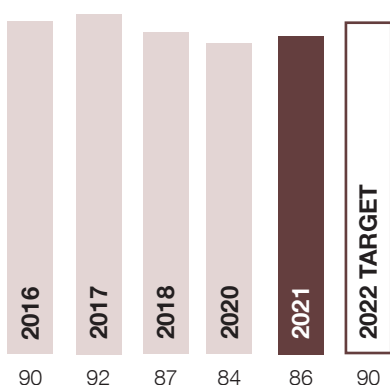
Satisfaction with financial audit reports was up in most areas on 2020. The percentage of parliamentarians who agreed our financial audit reports clearly communicated the significant issues and their implications was 89 per cent in 2021, broadly consistent with 86 per cent in 2020. There was an increase in the number who agreed that the reports were easy to understand, from 80 per cent in 2020 to 85 per cent in 2021. The number of parliamentarians who agreed our reports were presented effectively in terms of layout and design also increased from 83 per cent to 92 per cent. In terms of our financial audit reports helping them monitor the accountability and financial performance of the NSW public sector, 84 per cent of parliamentarians agreed, consistent with 86 per cent in 2020.

### Performance audit satisfaction generally increased

Parliamentarian satisfaction with performance audits generally increased on 2020. Ninety-five per cent agreed the reports were easy to understand, up from 87 per cent in 2020. Similarly, 95 per cent of parliamentarians agreed the reports clearly communicated significant issues and their implications, up from 87 per cent in the previous survey. Agreement that the reports were effectively presented in terms of layout and design also increased, with 87 per cent agreeing compared with 84 per cent in 2020.

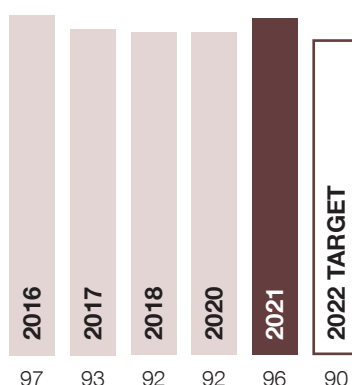
### Satisfaction with our reports and services %

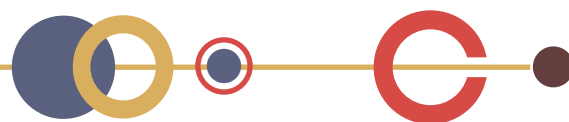
Survey not conducted in 2019 due to election year



### Agreement we operate independently from government %

Survey not conducted in 2019 due to election year





However, only 61 per cent of parliamentarians feel our performance audits addressed their key areas of interest to a high or very high extent, down from 67 per cent in 2020. Eighty-seven per cent of parliamentarians also agreed performance audit reports helped them monitor the performance of the NSW public sector, the same result as 2020.

### 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, 86 per cent of parliamentarians were satisfied in 2021. This is consistent with 84 per cent in 2020 and below the 93 per cent average of other participating audit offices.

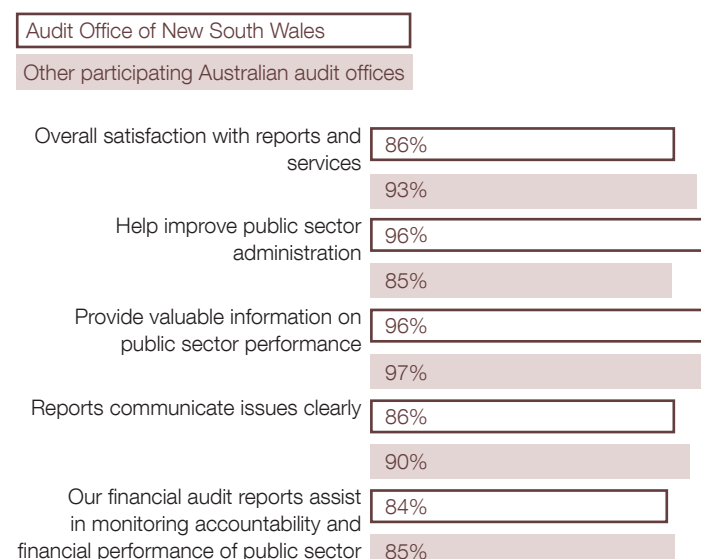
We rated above or as well as the average of other audit offices on several key measures:

- 96 per cent agreed that our reports help improve public sector administration, above the average of 85 per cent
- 96 per cent agreed our reports provide valuable information on public sector performance, consistent with the 97 per cent average of other audit offices
- 84 per cent agreed our financial audit reports assisted them to monitor the accountability and financial performance of the public sector, consistent with the 85 per cent average
- 95 per cent agreed our performance audit reports are easy to understand, consistent with the 93 per cent average
- 100 per cent were satisfied with the responsiveness of the Auditor-General or their office, consistent with the 98 per cent average
- 100 per cent agreed the advice and information provided by the Auditor-General or their office met their needs, above the 89 per cent average.

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

- 86 per cent agreed our reports communicate issues clearly, below the 90 per cent average of other offices
- 85 per cent agreed our financial audit reports are easy to understand, below the 93 per cent average
- 89 per cent agreed our financial audit reports clearly communicated the significant findings and implications, below the 93 per cent average
- 95 per cent agreed our performance audit reports clearly communicated the significant findings and implications, below the 100 per cent average.

### Satisfaction compared with other participating Australian audit offices



### STORIES THAT MATTER

## Enhancing Our Impact, Demonstrating our Value

'I've been fortunate to see firsthand the impact our reports have, both on our auditees and members of the public. For example, I spoke to someone from the governance team in one of our local councils who was using our internal controls and governance reports to improve practices within her own organisation. She was so enthusiastic and appreciative of our work it was great! The time and effort that goes into making sure our Reports to Parliament have impact and add value is incredible.'

'It's really important to me to work for an organisation that makes a difference and has a positive impact through the work that it does.'

Liz Basey, Professional Services



# Our work with parliamentary committees



The Public Accounts Committee followed up on 20 performance audits

We appeared at 7 parliamentary committee hearings and supported 9 committee briefings

## Public Accounts Committee

The Public Accounts Committee (PAC) is a statutory committee of the NSW Parliament's Legislative Assembly that examines the government's use of resources and agencies' financial operations. It also looks at financial probity and regularity, and focuses on whether agency programs 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 2020–21, the PAC followed up on agencies' progress in implementing recommendations from 20 of our completed performance audit reports. The PAC held two public inquiries examining nine of these audit reports.

The PAC's reports on the examination of these audits made ten 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 the NSW Parliament's Legislative Council. The committee was established to inquire into and examine the public accountability, financial management, regulatory impact and service delivery of government departments, statutory bodies or corporations.

In 2020–21, we attended two public inquiry hearings conducted by the Public Accountability Committee, for its inquiries into the 'Integrity, Efficacy and Value for Money of NSW Government Grant Programs', and the 'Budget Process for Independent Oversight Bodies and the Parliament of NSW'.

A listing of all our appearances before parliamentary committees, including seven parliamentary committee hearings and nine briefings provided to parliamentary committees, can be found at Appendix Four.

## Examination of performance audit reports

In October 2020 and March 2021, the Public Accounts Committee released its reports [Examination of Auditor-General's Performance Audit Reports August 2018–January 2019](#) and [Examination of Auditor-General's Performance Audit Reports February 2019–July 2019](#).

The reports reviewed 20 performance audits covering the period from August 2018 to July 2019:

- [Managing antisocial behaviour in public housing](#)
- [Progress and measurement of the Premier's Priorities](#)
- [Mobile speed cameras](#)
- [Unsolicited proposal process for the lease of Ausgrid](#)
- [Newcastle Urban Transformation and Transport program](#)
- [Government advertising 2017–2018](#)
- [Property Asset Utilisation](#)
- [Supply of secondary teachers in STEM-related disciplines](#)
- [Transport Access Program](#)
- [Firearms regulation](#)
- [Workforce reform in three amalgamated councils](#)
- [Governance of Local Health Districts](#)
- [Managing growth in the NSW prison population](#)
- [Wellbeing of secondary school students](#)
- [Domestic waste management in Campbelltown City Council and Fairfield City Council](#)
- [Biosecurity risk management](#)
- [Development assessment: pre-lodgement and lodgement in Camden Council and Randwick City Council](#)

- [Contracting non-government organisations](#)
- [Managing native vegetation](#)
- [Ensuring contract management capability in government – Department of Education](#)

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 August 2018–January 2019' report, the Chair also said:

'The Committee has made a total of six recommendations to NSW Government agencies to improve the transparency and auditing of unsolicited proposals, provide a further update on property asset utilisation and the Government Property Register, and enhance the security and integrity of the Firearms Registry.'

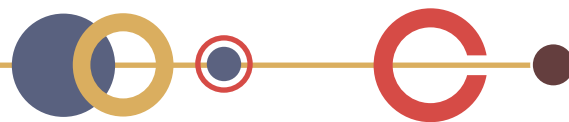
While in the 'Examination of Auditor-General's Performance Audit Reports February 2019–July 2019' report, the Chair said:

'All agencies are to be commended, given the disruption and additional challenges resulting from last year's bushfire emergency and the COVID pandemic.'

'The Committee has made a total of four recommendations to NSW Government agencies to address the pressures of long-term growth in the NSW prison population in the context of criminal justice reform, the public release of native vegetation maps to assist landholders in the management of our ecosystem, and general improvements to reporting systems.'

# The impact of our work

99% of our financial audit recommendations accepted  
79% of our performance 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 financial audit 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 459 recommendations made to these entities from our 2019–20 audits, 99 per cent were accepted, exceeding our target of 95 per cent.

In 2020–21, the same 40 entities implemented 54 per cent of recommendations made during the 2018–19 audits. The effect of recent emergencies on agency time and resources has contributed to the limited progress in implementing financial audit recommendations.

### Performance audit recommendations accepted

During the conduct of performance audits, audit teams work collaboratively with audited agencies to develop audit recommendations that are relevant, timely, impactful and implementable. Of the 149 total performance audit recommendations made, 79 per cent were accepted either in full, or in principle, a decline on last year's result but close to our target of 80 per cent. Agencies did not indicate a clear response to twenty instances of the recommendations made, nine were noted and two were rejected.

In 2020–21, the Public Accounts Committee (PAC) followed up on performance audits conducted in the prior year. The reports of the PAC highlight agencies progress on the implementation of our recommendations, as well as the importance of transparency to the public on government commitment to improving performance in the areas we have identified.

## The impact of our recommendations

Our performance audit report on [The effectiveness of the financial arrangements and management practices in four integrity agencies](#) highlighted important threats to the independence of the audited integrity agencies, and made recommendations for the NSW Government to address these. The recommendations in this report aim to improve the independence and accountability of the audited integrity agencies – and ultimately, to help ensure effective and transparent government.

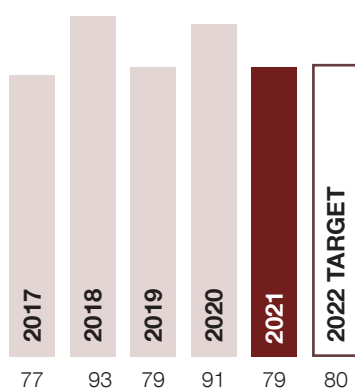
In response to our performance audit on [Procurement management in Local Government](#), the Office of Local Government (OLG) issued a discussion paper outlining possible legislative changes to improve tendering practices in the local government sector, and has released new guidance on credit cards. This has the potential to improve governance and transparency to the public on how councils are managing and spending public money.

The Public Accounts Committee report on the [Examination of Auditor-General's Performance Audit Reports August 2018–January 2019](#) – tabled on 30 October 2020 highlights some ongoing positive impacts of our performance audit reports from previous years including:

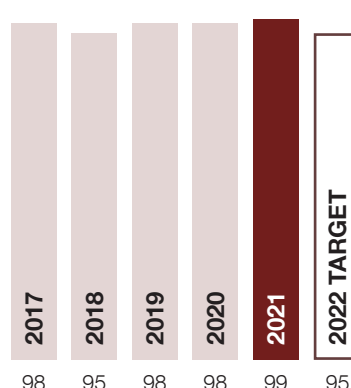
- reported improvements to data quality and functionality of information management systems in response to our [Managing Antisocial Behaviour in Public Housing](#) report
- enhanced workforce planning to chart the demand and supply of teachers across the state in response to our [Supply of Secondary Teachers in STEM-related disciplines](#) report
- development of a new property framework to assess alternative uses for underutilised government properties and land in response to our [Property Asset Utilisation](#) report
- updated delegation instruments and implementation of decision making guidelines and checklists to support greater consistency in administrative decisions relating to firearms regulation in response to our [Firearms Regulation](#) report.

### Recommendations accepted %

Performance audits



Financial audits



# Our value to auditees

90% value the assurance obtained from our financial audits

89% believe performance audits help them improve the performance of the audited activity

## 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 2020–21, for our financial audit clients, we invited 369 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 185 Audit and Risk Committee Chairs (ARC Chairs) from our state government and university auditees to participate. The response rates were up on last year, with responses received from 68 per cent of CFOs/GMs compared to 55 last year, and 61 per cent of ARC Chairs consistent with 60 last year.

For our performance audit auditees, we invited 40 agency contacts to respond to the survey and received a response rate of 70 per cent, consistent with last year's response rate of 71 per cent.

## How our auditees rate us overall

The overall CFO performance index for financial audits remained similar to last year, at 73 compared to 74 in 2019–20. ARC Chairs' satisfaction also remained steady, at 83 compared to 84 in 2019–20. The overall performance index for performance audits decreased from 82 last year to 73.

## Satisfaction with our audit process

The overall CFO performance index for our financial audit process was 75, consistent with last year's 76. CFOs were positive about our:

- financial auditors conducting themselves professionally during the audit, the 96 per cent result the same as last year
- Annual Engagement Plan adequately informing them about the audit strategy, key milestones and audit costs, 91 per cent agreeing down from 96 per cent last year
- financial auditors having the professional skills and knowledge required to conduct the audit, the 89 per cent result similar to last year's 91 per cent.

CFOs were less positive about:

- their organisation's staff members' time being used efficiently, the 71 per cent result consistent with last year's 73 per cent
- the Audit Office having a good understanding of the local government sector, at 63 per cent and consistent with last year's 65 per cent.

ARC Chairs' ratings of our financial audit process decreased from 86 per cent last year to 83 per cent. Ninety-seven per cent of ARC Chairs agreed the Engagement Closing Reports kept them informed of the audit strategy, milestones and costs. Ninety 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 95 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 93 per cent.

The overall audit process performance index for performance audits was 77, down from 85 last year. Ninety-three per cent agreed that our performance auditors conducted themselves professionally during the audit, down from 100. Ninety-six per cent agreed our performance auditors promptly informed them of the significant issues as they arose during the audit, down slightly from 100. Ninety-three per cent agreed our performance auditors communicated effectively, also down from 100. Eighty-nine per cent agreed our performance auditors demonstrate they have the professional skills and knowledge to conduct the audit, a decline from 100 per cent last year. Auditees were less positive about our auditors using their time efficiently, the 82 per cent result consistent with last year's 80 per cent. Other areas of significant decline were auditees agreeing our performance auditors meet agreed deadlines, down from 100 per cent last year to 72 per cent, and 64 per cent agreeing our performance auditors adequately understood their organisation and operating environment, down from 80 per cent.

## Satisfaction with our audit reporting

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

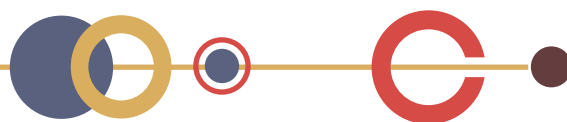
- engagement closing reports communicating audit findings clearly, the 94 per cent result similar to last year's 95
- management letters communicating audit findings and issues clearly, the 93 per cent result up from 89 last year
- Engagement Closing Report issued in a timely manner, the 90 per cent result consistent with last year's 88
- having adequate opportunity to comment on financial audit findings and issues, the 89 per cent result consistent with 90 per cent last year.

CFOs were less positive about management letters being issued in a timely manner, at 78 per cent and consistent with 79 per cent last year.

ARC Chairs were positive about our engagement closing reports and management letters communicating findings and issues clearly, at 96 per cent agreement each. ARC Chairs were also positive about management letters being issued in a timely manner, the 92 per cent result down from 97 last year.

The overall performance index for performance audit reporting decreased from 80 last year to 73 this year. We received 90 per cent agreement that auditees were provided with adequate opportunities to comment on the audit findings and issues before the report was tabled, down from 100 per cent last year. Eighty-five per cent of auditees agreed the tabled report communicated the audit findings and issues clearly, down from last year's 100 per cent. Seventy-seven per cent of auditees agreed media releases are balanced and fair, consistent with 76 per cent last year.





Auditees were less positive about three measures relating to our tabled audit reports including that they:

- contain 'no surprises', the 82 per cent result down from last year's 100 per cent
- are factually accurate, the 71 per cent result down from 80 per cent last year
- are balanced and fair, the 64 per cent result down from 90 per cent last year.

### Satisfaction with audit value

Our overall CFO performance index for financial audit value is 68, consistent with 69 last year. Ninety per cent of CFOs agreed they value the assurance obtained from our financial statement audits, consistent with 89 per cent last year and above our target of 80, and 40 per cent of CFOs agreed our financial audit services provide value for money, down from 49.

Our financial audit services providing value for money was higher with ARC Chairs, with 74 per cent agreeing, the same as last year. ARC Chairs also valued the assurance they obtain from our statutory financial statement audits, the result of 98 per cent consistent with 97 last year.

The overall audit value performance index for performance audits decreased from 79 to 69.

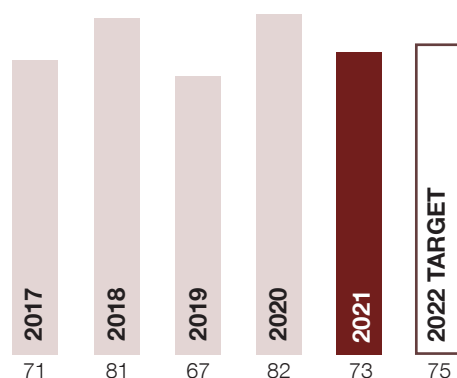
Eighty-nine per cent of auditees agreed the audit will help them improve the performance of the audited activity, down from 100 per cent last year, and 70 per cent agreed the audit provided a balanced assessment of the management of the activity, down from 90.

### Comparing to other audit offices

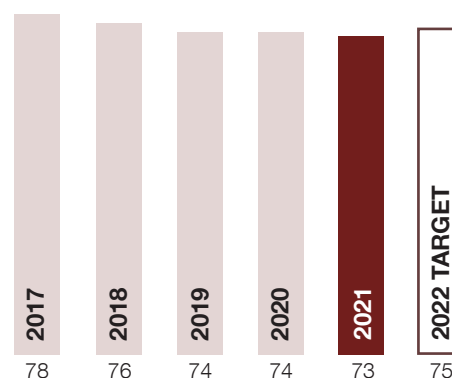
We have been comparing our auditee satisfaction with other Australian audit offices since 2005. In 2020–21, for our performance audits, our auditee survey results are above the other audit offices. The overall benchmarked performance index for Audit Office performance audits is 75 compared to 73 across all offices. On audit process, the Audit Office index is 79 compared to the average of 75, and on audit reporting the Audit Office index is 73 the same as the average. We are slightly above the other audit offices on audit value, with the Audit Office index at 74 and the average 71.

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 76, below the average of 80 for all offices.

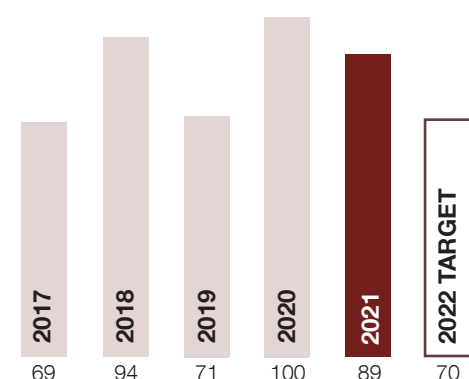
Performance audit overall performance index



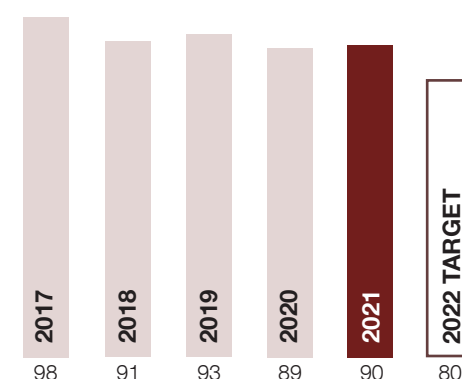
Financial audit overall performance index



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



18 performance audits completed

1 other assurance engagement completed

## What is a performance audit?

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

We report the results of state government performance audits to the head of each audited entity, the responsible Minister, and the Treasurer. We report the results of local government performance audits to each of the councils subject to audit, the Department of Planning, 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

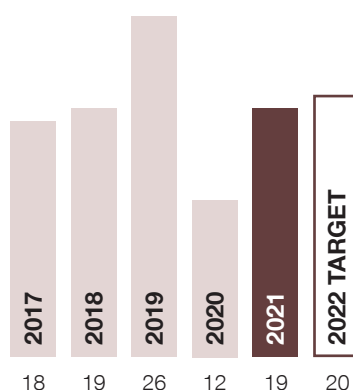
Performance audits provide information to the NSW Parliament and public about how well government programs and services are delivered. Ultimately, they aim to improve public administration.

In 2020–21, the Auditor-General tabled 18 performance audit reports, on the effectiveness, efficiency and economy of the NSW public sector. These

reports made a total of 149 recommendations to improve public administration and involved fifty audited agencies and local councils.

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

Number of performance audits and special reports completed



## Assessing the impact of our work

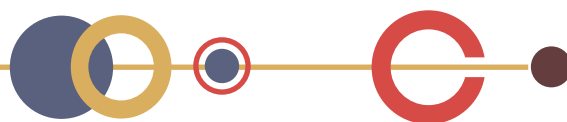
An example of the impact our reports can have relates to our performance audit of 'Their Futures Matter' (TFM). TFM was a whole-of-government reform established in response to the 2015 Tune Review of out of home care. It aimed to put in place a whole-of-government investment approach to ensure vulnerable children, young people and families receive a streamlined, multi-disciplinary response appropriate to their needs, and a more effective and efficient allocation of resources.

Led by the Department of Communities and Justice, TFM involved a cross-agency board of Deputy Secretaries from Premier and Cabinet, Treasury, Education, Health, and Police supported by a dedicated implementation unit of around 90 staff, with \$190 million in operational funding and \$380 million for potential investment through redirecting program funding to evidenced-based earlier interventions.

This audit found that, while important foundations were laid, the four-year TFM reform concluded in June 2020 without realising its policy intent and the governance structures were insufficient to successfully deliver on the whole-of-government objectives. We identified that the reform objectives remain urgent and recommended that the Department of Communities and Justice continue to deliver on the intent of the TFM reform.

The department's response to this report indicates it will revise the governance and funding arrangements for TFM to improve cross-agency early intervention for vulnerable children and families in NSW.





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

We continue to work with Parliament's Public Accounts Committee, the Public Accountability 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. We invite citizens to suggest performance audit topics, and to contribute to open performance audits, on our website. 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 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 2020–21, we tabled one special report in Parliament – [Members' additional entitlements 2020](#). We also tabled three reports requested by ministers under section 27B 3 (c) of the then named *Public Finance and Audit Act 1983*:

- [The effectiveness of the financial arrangements and management practices in four integrity agencies](#) – requested by the Special Minister of State on 4 November 2019
- [Service NSW's handling of personal information](#) – requested by the Minister for Customer Service on 19 May 2020
- [Acquisition of 4–6 Grand Avenue, Camellia](#) – requested by the Minister for Transport on 17 November 2020.

### Auditee responses to our work

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

'I believe the findings and recommendations outlined in the report will improve transparency and performance within NSW National Parks and Wildlife Service and across my department more generally. I am pleased to note that the audit process has enhanced collaboration between key emergency response agencies.'  
*Department of Planning, Industry and Environment, 'Addressing public inquiry recommendations'*

'I would like to acknowledge the hard work and professionalism of your team, who worked collaboratively and transparently with DCH staff throughout the audit process.'  
*Department of Communities and Justice, 'Responses to homelessness'*

'I would like to thank the Audit Office of NSW for undertaking this performance Audit at Cumberland City Council, and I look forward to any future performance audits to which Cumberland City Council is Requested to Participate'  
*Cumberland City Council, 'Procurement management in Local Government'*

'In reading the audit report, it is important to note that its content reflects a moment in time in the early phase of the COVID-19 pandemic. As the pandemic setting has evolved, significant work has been undertaken to strengthen staff knowledge and confidence in policies and practices associated with operating in a COVID-safe fashion.'  
*Ministry of Health, 'Managing the health, safety and wellbeing of nurses and junior doctors in high demand hospital environments'*



# Our financial audits

490 financial audits and 585 other assurance reviews completed, 1,075 in total



## What is a financial audit?

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

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

This year, we completed 490 financial audits of NSW state, local government and university entities, compared to 525 last year. The reduction in the number of audits was largely due to financial reporting exemptions granted to qualifying entities in accordance with the Government Sector Finance Regulation 2018. The *Government Sector Finance Act 2018* allows the Treasurer to make regulations to exempt certain kinds of GSF agencies from preparing annual financial statements. 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 585 other assurance audits and reviews (573 last year), most of which were audits of acquittals or attestations of 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.

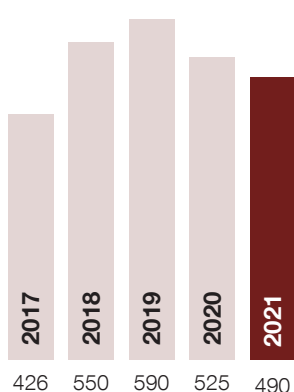
## Modified auditor's opinions and conclusions

During 2020–21, we issued four modified auditor's opinions and conclusions in our Independent Auditor's Reports (for details see Appendix Six). These were:

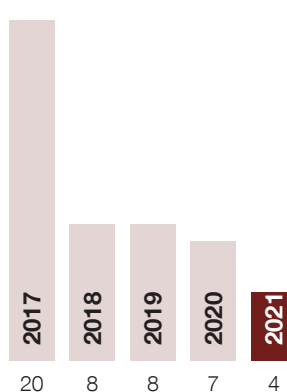
- 1 qualified opinion on an entity's financial statements – this related to Central Coast Council's financial statements which was qualified on two matters. For the first matter, the Council did not conduct the required revaluation to support the valuation of roads, bridges and footpath assets at 30 June 2020. As a result, sufficient appropriate audit evidence was not available to demonstrate that roads, bridges and footpath assets were measured at fair value at 30 June 2020 in accordance with AASB 116 'Property, Plant and Equipment'. The second matter related to the Council's disclosure of a prior period error relating to restrictions of monies collected for their water, sewer, and drainage operations, which, based on the NSW Crown Solicitor's advice, should be considered a change in accounting policy
- 2 qualified opinions on audits of compliance with requirements – the first opinion relates to audit of payments for the Social and Affordable Housing NSW Fund in accordance with the *Social and Affordable Housing Act 2016* (the Act) for the year ended 30 June 2020. Except for one matter, payments from the Fund materially complied with 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. The second opinion relates to the Ministry of Health's (the Ministry) compliance with the prudential requirements of the Fees and Payments Principles 2014 (No.2) (the Principles) within the Annual Prudential Compliance Statement for the year ended 30 June 2020. Except for a number of matters, the Ministry materially complied with 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
- 1 qualified conclusion on a review of compliance with requirements – related to The Legislature not complying with the Annual Determination of the Parliamentary Remuneration Tribunal.

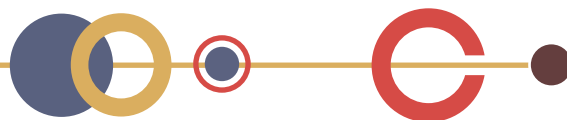
Modified audit opinions or review conclusions can be qualified, adverse or disclaimed.

Number of financial audits



Modified auditor's opinions and conclusions





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 requirements is material and pervasive.

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

## Our financial audit reports

The results of our 2020 financial statement audits were reported to Parliament in eleven Auditor-General's Reports to Parliament in 2020–21. We tabled one more report than the previous year as a result of the machinery of government changes that saw eight clusters expanded to nine.

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

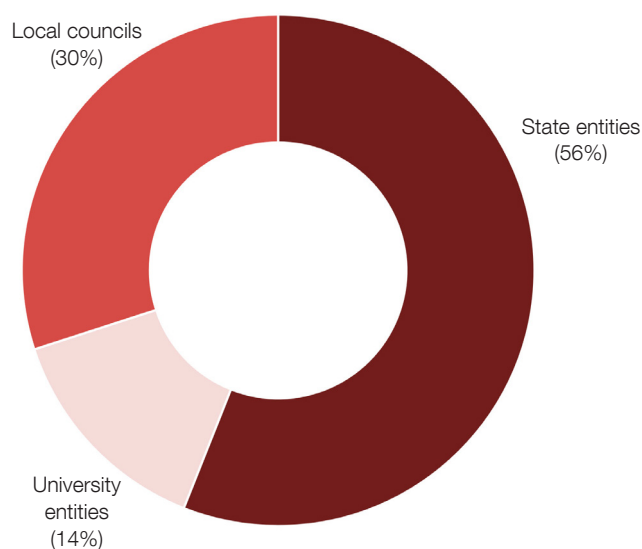
Our [Internal Controls and Governance](#) report brings together the findings and recommendations from financial audits that relate to the internal controls and governance of the 40 largest NSW state government agencies that account for at least 85 per cent of government expenditure.

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

- [Central Agencies](#)
- [Education](#)
- [Health](#)
- [Planning, Industry and Environment](#)
- [Regional NSW](#)
- [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\*



\* Based on the number of financial audits.

We need to engage effectively with our external stakeholders to ensure we deliver audits that are of a high quality and lead to improved public sector reporting and performance. The Enhancing Our Impact, Demonstrating Our Value strategic objective 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

Innovations in our reporting process help us engage more effectively with our external stakeholders. In 2020–21, we improved how we communicate our work by introducing a new report highlights section in our Auditor-General's Reports to Parliament. These provide a high-level overview of each report, and replace our traditional media release. We also produced our third short, accessible video presentation to highlight key findings and recommendations for our financial audit [Report on Local Government 2020](#).

## Improving our engagement with stakeholders

During 2020–21, we finalised and launched our External Stakeholder Engagement Strategy. The strategy helps us to consistently communicate our role and our work, provides new opportunities to interact with our stakeholders and drives how we undertake external engagement. Our strategy is supported by a roadmap of engagement activities that will take place over the next three years.

In the last twelve months, we have participated in four parliamentary inquiries. Through this process we have strengthened our engagement with stakeholders and worked to help Parliament hold government accountable for its use of public resources – see page 16 for more information.

Our [Annual Work Program](#) (AWP) communicates the areas of focus for both financial and performance audits for the next financial year. In 2020–21, we sought to increase engagement with our AWP by releasing a short video summarising the broad range of topics we intend to cover. We also presented the program at a virtual forum, where chairs of audit and risk committees from the state sector were invited to a discussion on emerging risks and themes from our audits.

## Measuring our impact and the value of our work

Evaluating the way our work informs and challenges government helps us ensure we continue to advance our purpose and demonstrate our value. Measures are in place to help us evaluate the value of our work, including whether parliamentarians feel our reports and services improve public sector administration (see page 14), how many recommendations are accepted by our auditees (see page 17), and if auditees believe that our performance audits help them improve the performance of the audited activity (see page 18).

We recognise that a range of indicators must be used to accurately measure the impact of our work. During the year we have looked at how impact is measured in other audit institutions to identify the indicators that could help us measure and report on our impact.



This year we continued to develop and support flexible working practices, including providing our employees with the choice of attending workshops online or in person when it was safe to do so.

## The year ahead

In 2021–22 we will continue to deliver External Stakeholder Engagement Strategy roadmap activities, including:

- developing a digital content plan to support greater social and digital media engagement with our stakeholders
- holding briefings on our Annual Work Program with parliamentary committees.

We will continue to refine our Auditor-General's Reports to Parliament, and ensure they are as engaging, accessible and insightful as they can be, and we will develop video presentations for some reports to drive engagement. This will be supported by the development of a set of guidelines to define how and when we create video presentations to maximise our impact.

Greater collaboration with our auditees will be facilitated with the development of a secure online portal, which aims to eliminate manual processes and improve the user experience for our auditees and auditors – more information on our external collaboration portal can be found at page 51.

Finally, we will deliver a framework and measures to help us assess, document and communicate the impact of our work on public administration, and the value our work provides to external stakeholders.





# Building Capability For The Future

## Strategic objective

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

- upskilling and encouraging our people to work flexibly across teams and portfolios to provide more integrated, insightful audits
- promoting a culture that ensures staff are confident in their technical, analytical and communication skills for the auditor of the future
- creating greater diversity of thinking and leveraging our diverse capabilities and backgrounds.

Employee engagement 26

Workforce management 28

Workplace health, safety and wellbeing 30

Leadership and professional development 32

Culture and diversity 34

# Employee engagement

76% employee engagement

99% employees agreed the organisation quickly adapts and responds during major events

## Adapting our staff survey tools

The NSW public sector People Matter Employee Survey 2020, planned for June 2020, was postponed to October 2020 due to the COVID-19 pandemic. In response to the pandemic and the delayed public sector survey, the Audit Office conducted Pulse Surveys in June 2020 and September 2020 to check-in with our employees.

In 2020–21, 82 per cent of our employees participated in the NSW public sector People Matter Employee Survey. Although down on the 91 per cent who participated in 2018–19, because we had also completed a Pulse Survey in June 2020 (81 per cent participation) and another Pulse Survey in September 2020 (75 per cent participation), we were pleased with our survey participation rate this year.

## Employee engagement and job satisfaction increases

Employee engagement was 76 per cent, up from 69 per cent in 2018–19 and consistent with both of our pulse surveys in 2020, also 76 per cent. While this result is below our target of 80 per cent, it is above the NSW public sector engagement result of 67 per cent.

Seventy-two per cent of respondents agreed they were satisfied with their job, up from 62 per cent in 2018–19.

## Several areas of strength

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

- 99 per cent of employees agreed that our organisation quickly adapts and responds during major events that impact our work
- 97 per cent of employees feel confident in our organisation's ability to support our customers during major events that impact our work
- 96 per cent of employees feel their manager supports flexible working in their team

- 95 per cent of employees are comfortable notifying their manager if they become aware of any risks at work
- 94 per cent of employees agreed our organisation respects individual differences.

## Areas employees feel we need to improve

Our employees believe our areas for improvement include:

- 53 per cent of employees feel they can keep work stress at an acceptable level
- 55 per cent of employees feel they have the time to do their job well
- 60 per cent of employees agreed they find life at work fulfilling
- 61 per cent of employees feel confident in the way recruitment decisions are made.

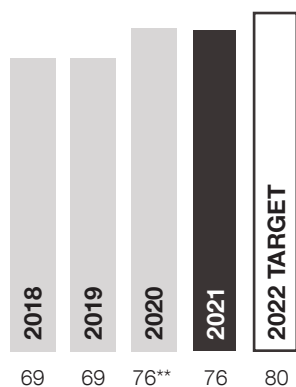
## We perform well against NSW public sector benchmarks

The People Matter Employee Survey allows us to benchmark our results against other NSW public sector organisations. In 2020–21 we had a better result compared to the rest of the NSW public sector on most measures. The areas we compared most favourably to the rest of the sector are:

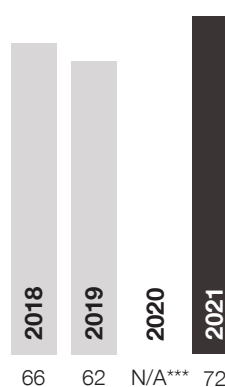
- 86 per cent of our employees feel change is managed well in our organisation compared to 41 per cent of the rest of the sector
- 87 per cent of our employees agreed that senior managers provide clear direction for the future of the organisation, compared to 53 per cent of the rest of the sector
- 82 per cent of our employees feel we are committed to developing our employees, compared to 54 per cent of the rest of the sector.

One area we did not compare as favourably was employees feeling they can keep work stress at an acceptable level, with 53 per cent agreeing compared with 63 per cent of the rest of the sector.

Employee engagement %\*,\*\*



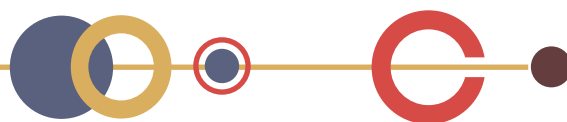
Employee job satisfaction %\*



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

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



### Operating more effectively

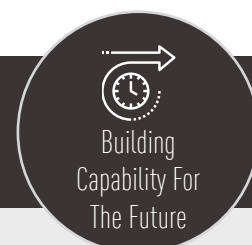
Based on the People Matter Employee Survey results, key areas of focus for us have been resourcing, work allocation and workload management, and particularly considering how we might operate more effectively and implement ideas provided by employees on process improvement and innovation.

We also consulted with our employees to understand which work practices they would like to continue after the pandemic. More information on the consultation process can be found at page 12.

### Encouraging positive mental health and wellbeing

Our employees have indicated to us through the People Matter Employee Survey that keeping work stress at an acceptable level is an issue, and that some mental health and wellbeing strain has been experienced because of changed living and working conditions during the pandemic. To address these concerns, we provide resources and programs to support employees, including providing training to managers early this year on managing wellbeing in the workplace. This will continue to be a key focus for us throughout the year (see page 31).

## Strategic focus



Our Building Capability For The Future strategic objective aims to prepare employees for our rapidly changing professional environment with the capabilities, skills, resources, and supportive culture they need to deliver insightful audits. In this section, you will find an overview of each of the key areas of focus in this strategic objective in 2020–21, including our Digital Workplace Strategy and Digital Employee Experience Program, our Workforce Strategy (page 29), and our Leadership Development Framework (page 33).

### Finalising our Digital Workplace Strategy

In 2020–21 we finalised a Digital Workplace Strategy that sets out the strategic aspirations, strategic intent and guiding principles for our digital environment. Through employee interviews and workshops, observation studies, and desktop research, we identified key challenges and opportunities in our digital environment from an employee perspective. As the strategy was largely developed prior to the COVID-19 pandemic, it was reviewed and adjusted to consider the new remote working context prior to being finalised this year.

The strategy provides a roadmap of projects that we aim to deliver in stages over the next two years. This includes the development of a new staff intranet, new document collaboration tools, and the procurement and implementation of a system to enable in-place records management.

### Implementing our Digital Employee Experience Program

In late 2019, The Digital Employee Experience (DEX) Program was established to try and make our complex digital environment simpler to work in and to enhance employee experience with our digital platforms, so that no matter where our people work, they feel the same sense of connection to our culture, our organisation and each other. The Digital Workplace Strategy outlines some of the key projects to be delivered under the DEX Program, and will be used to guide their delivery.

The delivery of the DEX Program was delayed in 2020–21 due to the COVID-19 pandemic. However, some of our key achievements include:

- establishing a project to refresh and modernise our intranet, making it easier for employees to find information and engaging content from any device
- developing the design and navigation principles for our new intranet, and preparing project documentation to support its delivery
- investigating options for an internal collaboration platform
- conducting thorough market research into options for an external collaboration portal and an in-place records management system
- developing detailed requirements for key projects under the DEX Program.

### The year ahead

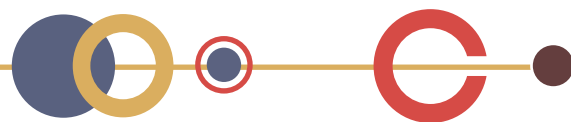
In 2021–22, we will establish and commence the delivery of CoLab, a foundation project within the DEX Program. Its objective is to deliver a solution that enables seamless document collaboration for our people and our auditees, with in-place records management to support compliance with record keeping requirements. CoLab brings together research conducted to date on the external collaboration portal (page 51), document production solution (page 51) and in-place records management projects, with the aim of creating one cohesive solution for employees and auditees. The project will be managed in line with our new Project Management Framework (see page 41).

Our new staff intranet will be launched in late 2021, and we aim to establish a pilot of the external collaboration portal by June 2022.



# Workforce management

284 full-time equivalent employees  
16% employee turnover



## Employee turnover slightly above our target

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

We experienced a 16 per cent employee turnover in 2020–21, an increase from 2019–20 and slightly above our target range of 12–15 per cent.

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

- believed the Audit Office is a friendly place to work
- appreciated the people at the Audit Office
- received adequate information about plans and policies that affected their work
- received feedback concerning their performance from their manager
- were made to feel part of their teams with support from colleagues
- felt branches cooperated with each other
- were free to express their opinions and that their managers would listen to them
- were given sufficient training to develop in their role
- had enough freedom to exercise judgement in their work
- were not given adequate time and resources to complete their work
- felt there were limited opportunities for promotion.

Of the employees who exited the Audit Office in 2020–21, 36 per cent moved elsewhere within the public sector, 36 per cent moved to the private sector, nine per cent retired and 19 per cent exited for other reasons. Seventy-eight per cent expressed they would return to the Audit Office if an opportunity arose.

## Number of employees slightly increased

The number of full-time equivalent employees at 30 June 2021 was 284, slightly higher than 281 last year.

## Our graduate recruitment program

In March 2021, we began our graduate recruitment process for 2022. We promoted our program through targeted emails to university students and by engaging in other recruitment activities. This year, we attended a virtual career fair that provided an innovative way to reach university students given social distancing restrictions.

Due to the COVID-19 pandemic, the graduate assessment centre will be held virtually in July 2021. Of the 173 graduates who progressed to online tests, 64 candidates have been invited to attend the assessment centre and we aim to issue 16 offers to candidates.

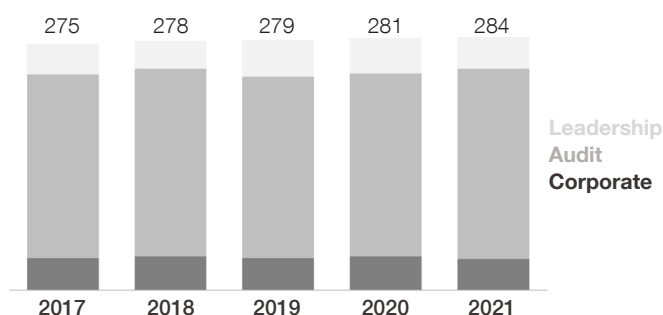
## Focus on performance management

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.

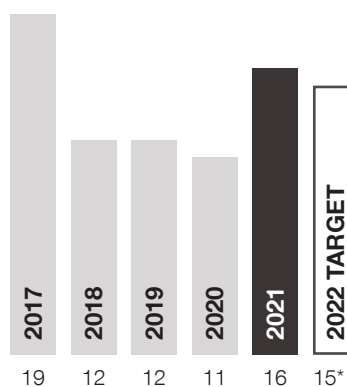
In 2020–21, we remained focused on managing performance by:

- cascading the Audit Office Corporate Plan down into branch activities 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 employees at 30 June



Employee turnover %



\* Target range is 12–15 per cent.

## 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 2020–21 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.

Last year we reported that the usual process of merit increases and revising salary bands was put on hold until the Crown Employee (Audit Office) Award 2020 was finalised at the Industrial Relations Commission. In addition, pay increases for staff on executive contracts were also put on hold pending a determination by the Statutory and Other Offices Remuneration Tribunal (SOORT).

Consistent with the SOORT 2020 determination, no band or merit increases were paid for staff on executive contracts in band one equivalent and above roles. All other roles received a 0.3 per cent increase to salary bands and applicable merit increases in line with the Crown Employees (Audit Office) Award.

## Workforce Strategy

Our Workforce Strategy is part of the Building Capability For The Future strategic objective. The strategy aims to ensure we build a workforce that is diverse, flexible, resourced and has the right capability to support our current and future needs in a rapidly changing professional environment. Continuing to implement our Workforce Strategy was a key focus of this strategic objective in 2020–21.

Key focus areas of our Workforce Strategy are:

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

This year, we used our remote working experience as a catalyst to explore how we prefer to work, what flexibility looks like for our employees and how we can harness technology and dynamic ways of working into the future. Our consultation process included workshops held in face to face, virtual and hybrid formats and an online survey to gauge feedback from across the business – more information on our consultation process can be found at page 12.

Other key achievements under the Workforce Strategy this year include:

- furthering our use of multi-skilled audit teams, integrating our audit approaches and harnessing internal capabilities to create better insights
- streamlining work reviews for some smaller audits and removing some administration through process improvements
- permanently appointing a full-time Innovation Lead
- refining a five-module data literacy program developed by the Australian Public Service, for release to all staff to improve overall data literacy
- delivering key areas of the Diversity Inclusion and Accessibility Roadmap (page 105) including launching a Reconciliation Roadmap and conducting cultural competency training for all employees
- refining our Data Capability Framework foundational modules
- continuing to implement our study support program to promote continuous learning and increase the diversity of employee skills
- embedding our values through several initiatives including our revamped Recognition Framework, and by utilising our values as foundational to the way we work in the future.

## The year ahead

In 2021–22, we will continue to implement our Workforce Strategy to equip our people with the capabilities they need to become the 'auditor of the future'. We will also finalise and implement our new way of working following the employee consultation process (page 12).

# Workplace health, safety and wellbeing



2 reportable incidents

1 new workers' compensation claim

## WHS injuries and incidents

In 2020–21, we reported two Work Health and Safety (WHS) related injuries to our workers compensation insurers, down from three in 2019–20. Neither injury was classified as a notifiable incident to Safe Work Australia.

There was one active workers' compensation claim at 30 June 2021.

## Our WHS committee is engaged and active

Under the *Work Health and Safety Act 2011*, the Audit Office is required to consult employees on matters pertaining to work health and safety. The Audit Office continues to do this through the WHS Committee. The 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 January 2021, the WHS Committee Charter was reviewed and updated as part of the two-year review period. In 2020–21, one committee member resigned from the Audit Office and a new committee member was elected. All committee members have completed WHS Committee training.

Along with our WHS Committee members, we have four first aid officers, nine fire wardens and 13 mental health first aiders, all fully trained.

## A different survey approach this year

In 2020–21, we did not conduct our annual WHS Survey as it was felt employees had contributed enough feedback through our pulse surveys and People Matter Employee Survey. The overall wellbeing, health and safety score of the NSW public sector People Matter Employee Survey 2020 was 73 per cent, up from 70 per cent in 2018–19, but below the NSW public sector result of 76 per cent, with relevant results including:

- 53 per cent felt they can keep their work stress at an acceptable level
- 88 per cent said they know how to address health and safety issues
- 57 per cent of employees rated their general sense of wellbeing as seven out of ten or higher
- 79 per cent felt confident they are contributing their best at work
- 87 per cent agreed there are people at work who care about them.

In September 2020, the Audit Office conducted a pulse survey where we asked employees to share their thoughts on the Audit Office's leadership, on their wellbeing and level of engagement throughout the pandemic. The survey results indicated that generally, our employees have successfully adapted to the new COVID-19 environment and reported some positive outcomes including better work life balance, more time for exercise and leisure activities, and less travel across New South Wales. Appreciation was

expressed for the leadership shown by the Office Executive, and the support provided to establish safe and effective remote working environments.

The pulse survey highlighted some areas that we need to focus on including:

- enhancing connection with colleagues and teams while working remotely
- promoting positive health and wellbeing, which had decreased from the June 2020 results
- managing resourcing and workloads.

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

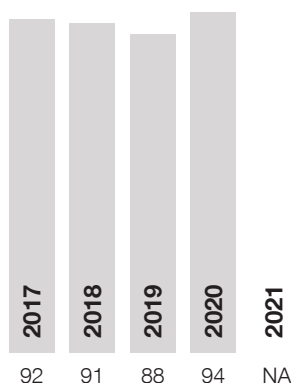
- rolling out a working from home checklist to all employees
- promoting an electronic equipment reimbursement scheme to support working from home
- providing more wellbeing resources to employees
- providing mental health training for people managers
- raising awareness of mental health first aiders
- improving and increasing the regularity of WHS communications.

## Working safely during the COVID-19 pandemic

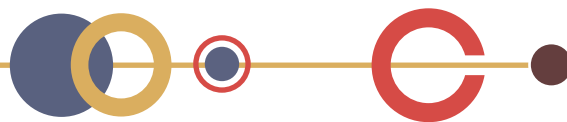
Throughout 2020–21, much of our WHS emphasis was on ensuring our employees were working in a safe and sustainable way during the global pandemic. From 1 July 2020, our physical office reopened and employees could voluntarily return to working in the office. Prior to reopening, steps were taken to ensure we had adequate hygiene measures and procedures in place, aligned to the NSW Government COVID-19 Safety Checklist and in November 2020 we were registered as a COVID Safe business.

With many people choosing to work from home (WFH), our focus was on ensuring everyone had a safe working environment by allowing employees to borrow an office chair, and through our electronic equipment reimbursement scheme where employees could spend up to \$500 to set themselves up for remote working. In January 2021, we released a WFH checklist designed to help employees ensure they are working in a safe and healthy environment, and to guide discussions on practical ways to minimise potential risks. At 30 June 2021, 97 per cent of employees had completed the checklist and where necessary, we completed ergonomic assessments to ensure employees were working safely.

## WHS employee satisfaction index







### Supporting the wellbeing of our employees

The health and wellbeing of all employees remains a top priority, particularly throughout the COVID-19 pandemic. In 2020–21, nine per cent of our employees utilised the Employee Assistance Program (EAP) – up from five per cent in 2019–20. These employees 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-six per cent of employees who used the program sought assistance in relation to personal matters. We regularly promote our Employee Assistance Program in internal communications including our weekly employee newsletter.

In addition to our EAP, we have 13 accredited mental health first aiders who provide another avenue of support to employees who may be developing a mental health problem, experiencing a worsening of an existing mental health problem or are in a mental health crisis. These employees meet every two months as part of a peer connect group.

In 2020–21, seven ergonomic assessments were conducted for employees who have an injury or were experiencing discomfort while working. We also promoted tips in our weekly employee newsletter and on our digital noticeboards to improve workplace ergonomics.

The Audit Office is committed to the ongoing development of our employee wellbeing through programs that make a difference. In 2020–21 we:

- continued to support employees who participate in the Corporate Cup running challenge, and provide fresh fruit to promote healthier eating
- reimbursed 17 per cent of employees for flu vaccinations, down from 25 per cent last year. This was likely due to our onsite flu vaccination program not being scheduled during COVID-19 restrictions
- promoted more online resources to encourage good health and wellbeing
- participated in RUOK? Day and invited a guest speaker to share their experience of living with a mental health condition
- delivered a resilience webinar attended by 47 per cent of employees and provided access to a digital wellbeing series to support positive mental health

- delivered interactive workshops for leaders on managing for team wellbeing, designed to help build a culture that promotes workforce wellbeing where conversations around mental health are the norm.

### Recreation Club

The Recreation Club (the ReClub) is a social organisation run by the ReClub Committee and governed by the ReClub constitution. At 30 June 2021, 50 per cent of staff were members, consistent with 52 per cent last year. The club is fully funded by staff and run by a representative committee.

Each year, the ReClub organises several events including an Annual Dinner, 'Happy Hour' celebrations and a futsal indoor soccer competition. During the COVID-19 pandemic, most of these events were cancelled and the ReClub faced the challenge of finding new ways to keep our people connected and supported in a remote environment. In response, the ReClub hosted a variety of online events, to elevate morale and offer ReClub members the chance to win prizes. These challenges included:

- step challenge – a health event challenging staff to walk 10,000 steps daily
- online games including Pictionary, Murder Mystery, Fishbowl and Telestration – a virtual twist on some classic games
- City2Surf Virtual Run – partially subsidising entry fees for its members
- Fantasy Premier League – employees were cast in the role of fantasy manager for a squad of English Premier League players.

The committee also provided a COVID-safe environment to host several face-to-face events, including two 'Happy Hour' celebrations, a trivia night, and our Australia's Biggest Morning Tea annual bake-off – our fourteenth participation which raised over \$1,800 in 2021.

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



### STORIES THAT MATTER

## Building Capability For The Future

'The Audit Office has shown a genuine belief in the value of building capability. The organisation has supported our team members to undertake postgraduate study in emerging areas like data science, as well as making substantial investment in training for the team in core skills. The benefit of these investments pays off in the value and relevance of our insights, and I have seen this training directly leading us to discovering important and complex issues, which we then worked with the auditee to fix. This better protects our government assets and information.'

'Building capability is the foundation of success. With the right group of people, skills and mindsets, and with clear objectives, we can achieve great things.'

Gerry Coy, Information Systems Audit

# Leadership and professional development

7 training days per employee

Investment in learning and development increased

## Well-developed skills

We design our learning and development program in a creative and flexible way, ensuring our employees have the skills and capability required to excel in their roles. Our program is designed to build employee capability for the future, enabling employees to meet their career goals within the Audit Office and the broader NSW public sector.

General training in 2020–21 included a combination of online self-paced training, instructor-led training, external courses, and virtual seminars and conferences. Employees also learn and develop while on the job. Internal coaching, face-to-face and virtual training delivered by Audit Office subject matter experts continues to form an integral part of our learning program. To allow for sporadic office closures during the COVID-19 pandemic, the delivery mode of our training continued to be flexible, with many programs delivered in a hybrid format to allow for both face-face and virtual attendance.

In 2020–21, our training program included:

- virtual soft skills, including presenting virtually, running effective virtual meetings and coaching virtually
- Aboriginal cultural competency awareness eLearning for all employees
- advanced Aboriginal competency training (pilot)
- qualitative data mining and analytics training for performance auditors
- client documentation training
- discovering resilience webinar and digital wellbeing series
- managing for team wellbeing
- mandatory training for all employees on bullying and harassment, workplace health and safety, code of conduct, cyber security and disability awareness
- job application and interview skills to support employees participating in internal recruitment campaigns

- a graduate induction program – redesigned to be delivered in hybrid format
- a variety of online learning through LinkedIn Learning.

## Technical development

In 2020–21, financial audit employees were trained across a range of technical subject areas including audit methodology, accounting standards, Higher Education Research Data Collection (HERDC), audit methodology data analytics, cybersecurity risks and evidence gathering activity update training, and financial system training.

Performance audit employees attended industry conferences and developed advanced report writing skills through training. New team members 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 employees gain professional accounting qualifications by reimbursing 100 per cent of fees and providing study leave. In 2020–21 we supported 64 employees towards their professional qualifications, with 15 employees becoming fully qualified as Chartered Accountants and two as Certified Practising Accountants during this period.

## Supporting tertiary education

We continued to support our employees 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 employees were also granted study leave to maximise their potential for success. In 2020–21, we supported 16 employees to study across a broad range of disciplines, and six of these employees completed their degrees.

## STORIES THAT MATTER

### Building Capability For The Future

'I was fortunate to be virtually seconded to a community organisation through the Jawun program. This Darkinjung (Central Coast) based organisation was established and is run by Aboriginal people, who provide a range of community services. As the organisation largely depends on government funding, my secondment focused on enhancing their internal controls and compliance to help secure future funding. I'm glad I could positively contribute, so they can focus on delivering essential care to the Darkinjung Aboriginal communities.'

'I have always felt proud of the cultural diversity at the Audit Office, and it is a pleasure working with our Aboriginal and Torres Strait Islander colleagues. I loved participating in the Jawun program and being immersed in a 'virtual' Aboriginal working environment. I learned and experienced a lot and brought some great insights back to the Audit Office, which I've enjoyed sharing with colleagues.'

Barry Li, Financial Audit





## Employee development

Throughout 2020–21, we continued to offer our employees 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 employees development experiences with external organisations, and in 2020–21 we seconded five employees to a 'Big Four' accounting firm. Another five of our employees were also offered development opportunities in the broader NSW public sector including the Independent Pricing and Regulatory Tribunal, NSW Ombudsman, and the Department of Legislative Assembly Office.

## Leadership development

In 2020–21 we delivered part two of the Leadership Essentials training program in alignment with our Leadership Development Framework. This year our managers completed eLearning on disability awareness. New managers also completed respectful workplace training, specifically targeted to leaders.

We continued to partner with the Committee for Economic Development in Australia (CEDA) this year, enabling our Office Executive and Leadership Team to attend virtual webinars and face-to-face events with government and private sector leaders.

## Investment in development increased

In 2020–21, we delivered an average of seven training days per employee, a decrease from last year's nine days but in line with our target. We increased our learning and development expenditure in 2020–21, with \$850,586 invested in the development of our employees, up from \$814,601 last year.

## Leadership development

In 2020–21, we continued implementing our Leadership Development Framework to support the Building Capability For The Future strategic objective. The framework is designed to provide targeted support, development and mentoring opportunities to our existing and emerging leaders.

A key focus area this year was to launch the next stage of our Leadership Development Framework which aims to advance the development of our directors and executive managers who are accountable for the results of multiple teams. This cohort commenced a program to assess managerial strengths and areas for development to help improve their long-term effectiveness and influence, due to be completed in 2021–22.

We also made significant progress towards implementing the framework this year by:

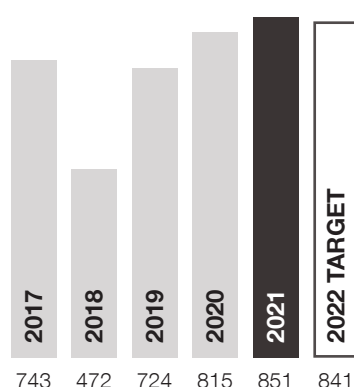
- delivering Respectful Workplace training to new leaders
- continuing our partnership with the Committee for Economic Development in Australia (CEDA), enabling our Office Executive and Leadership Team to attend virtual webinars and face-to-face events with government and private sector leaders
- offering Australian and New Zealand School of Government (ANZSOG) and Copland leadership programs
- delivering the Building Visibility and Influence for Women masterclass
- delivering team development for the Office Executive
- supporting staff on their leadership journey via our comprehensive study support policy.

Following the implementation of our Leadership Essentials program in 2019–20, we undertook an evaluation to assess the effectiveness of the training program on individuals, teams, and the organisation. The program was well received by participants, and we will continue to roll it out to new middle managers. Feedback from the evaluation process will be used to further develop the program.

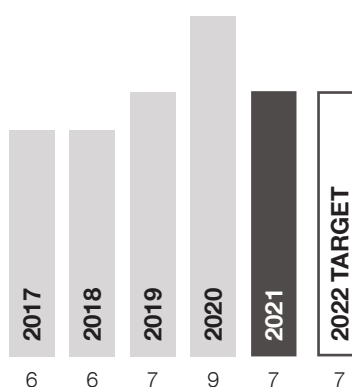
## The year ahead

In 2021–22, we will continue to deliver leadership programs to new middle managers and our directors. We will also start to focus on development for employees at the senior auditor and corporate professional level.

Learning and development spending \$'000

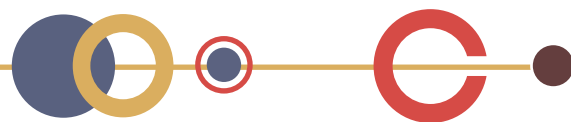


Average training days per employee



# Culture and diversity

56% of executive and senior leadership are women  
51% 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 increased from 53 to 55 per cent. The representation of women in middle management and executive positions continued to exceed targets with 51 per cent representation of women in middle management (54 per cent in 2019–20) and 56 per cent in executive and senior leadership positions (57 per cent last year). 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 Aboriginal and Torres Strait Islander peoples at the Audit Office and developing strategies to support and celebrate Indigenous culture within our working environment. As part of this, we celebrate NAIDOC week each year, and in 2020–21 we launched a Reconciliation Roadmap, published the Audit Office Reconciliation Commitment Statement and conducted cultural competency training for all employees.

We continued to develop and implement our Indigenous Internship Program. One Indigenous Intern worked at the Audit Office over the winter period and three worked over the 12-week summer period. We also had one Indigenous employee join our 2021 Graduate Program, and supported one employee's virtual secondment to the Jawun program – see page 32 for further details on their experience.

## Cultural diversity

Employees at the Audit Office come from over 39 countries and speak some 30 languages. In 2020–21, we recognised 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 employees to learn more about other cultures and diversity groups.

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

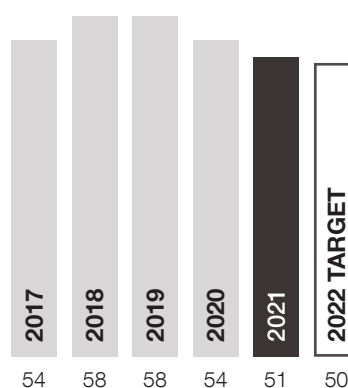
## Promoting a flexible workplace and working flexibly during COVID-19

We continue to develop and support flexible working practices. In response to the relaxing of COVID-19 restrictions, from 1 July 2020 our physical office was reopened on a staged basis and employees were able to voluntarily return to working in the office. Recognising the effects the pandemic has had on flexible working arrangements, we undertook a consultation process with employees to explore what a return to the office and future ways of working might look like, and we continue to work through this process – see page 12 for further details.

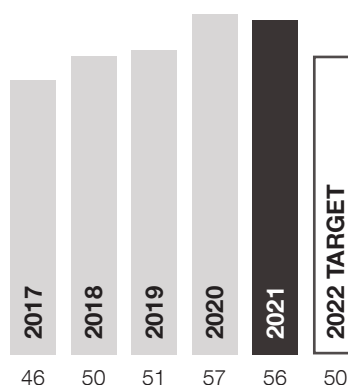
## Recognising our staff

Our Audies Recognition Program continued this year with 93 nominations received for the July 2020 to June 2021 period. There were 17 individual winners, including one recipient of the Karyn Neal Leadership Award, and six team award winners. For further details on our 2020–21 winners please see Appendix Twelve.

Women in middle management %



Women in executive and senior leadership %







# Quality In Everything We Do

## Strategic objective

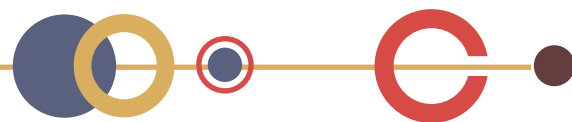
Currently, there is increased national and international scrutiny of audit quality. Our credibility, and the trust and confidence people have in us, is contingent on the quality of the work we do and our independence and objectivity. This will be sustained and enhanced by:

- performing according to the highest standards
- safeguarding our independence and ethics
- driving effective monitoring and learning
- upholding data security.



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# Audit and reporting processes



79% of audit staff available hours charged to audit  
91% of financial audits reported to Parliament on time

## Timeliness of our performance audits

Our average time to complete performance audits was 13 months, which is higher than our previous years' average of ten months. The higher average reflects several audits that took additional time to complete due to their complexity and the number of entities/local councils involved.

## 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, our internal benchmark is to report to Parliament by 31 March the following year. Our other financial audits (mainly universities) have a 31 December balance date and our internal benchmark is to report to Parliament by the end of June the following year.

In 2020–21, we reported 91 per cent of our financial audits to Parliament on time. The results of our local government audits were reported to Parliament in May 2021, after our internal benchmark of 31 March.

## Timeliness of issuing financial audit opinions

Eighty-one per cent of our opinions for state and universities auditees were issued within ten weeks in 2020–21, down from 87 per cent. Delays in the reporting timetable due to the COVID-19 pandemic contributed to the reduction in timeliness.

In our third year auditing the financial statements of local government entities, we provided 99 per cent of audit opinions by 30 November 2020, or within the extended timeframe approved by the Office of Local Government. This is an increase from 87 per cent last year.

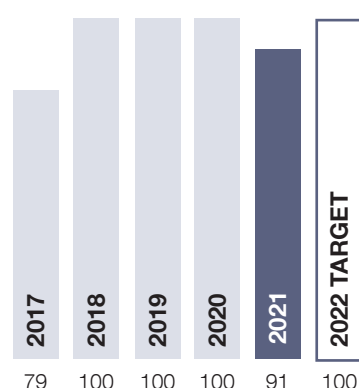
## Timeliness of issuing management letters

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 2020–21, 68 per cent of management letters were issued within six weeks, a decrease from last year's 73 per cent. We continue to develop and implement strategies to improve the timeliness of our management letters.

## Efficient resource utilisation

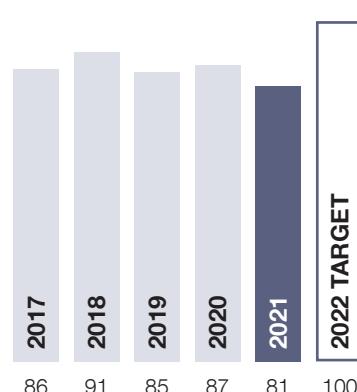
Key to delivering cost efficient audits is effectively managing our audit staff resources. Our target is that 75 per cent of total available audit time is charged to audit activities. In 2020–21, we exceeded our target by charging 79 per cent of our available audit time to audit activities. Audit time 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.

Financial audits reported to Parliament on time



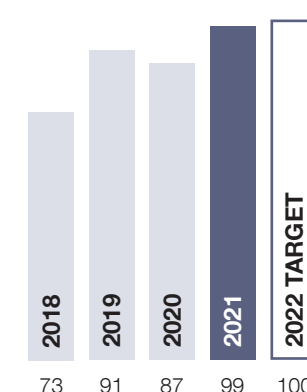
State and university entities

Financial audit opinions issued within ten weeks %

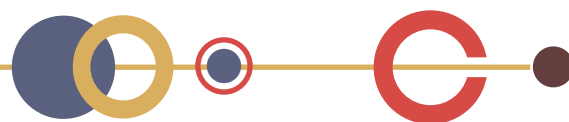


Local government entities

Financial audit opinions issued on time %\*



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



## Cost of our audits

### Our performance audit costs

The average cost of performance audits published in 2020–21 was \$447,689. This was above the target of \$340,000 and 41 per cent higher than the 2019–20 average cost of \$318,642. The higher average cost in 2020–21 reflected the complexity of several key performance audits.

### Our financial audit costs

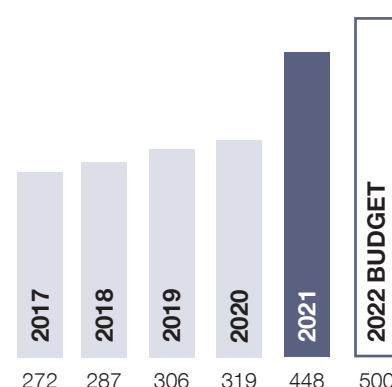
Our average cost per financial audit opinion in 2020–21 was \$95,405. This is an increase in cost from the \$90,376 per audit opinion last year, and is due to additional work in response to audit risks arising from the COVID-19 pandemic, COVID stimulus measures, the implementation of new accounting standards, and exemptions granted to a number of small and dormant entities under the *Government Sector Finance Act 2018*. 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 2020–21, our cost per financial audit was above the average of \$67,595 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 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 \$\*



\* The 2020–21 measure is based on 2019–20 public sector transactions escalated by consumer price index and therefore does not reflect actual government expenditure over the last 12 months.

# Quality processes

100% of audit conclusions reviewed through quality assurance program were supportable  
5 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 employees 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.

## Audit file 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.

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

During 2020–21, our quality review program included monitoring reviews of nine financial audits as well as two monitoring reviews of Auditor-General's Reports to Parliament. 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 Audit Office's learning and development program (see page 32) 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 2020–21.

## External quality reviews

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

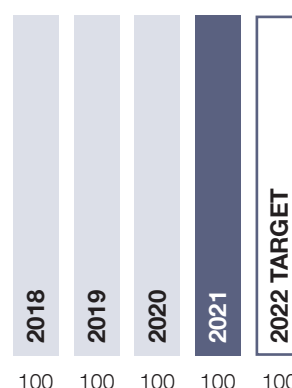
The Audit Office is subject to, or has participated in, the following reviews of our audit quality system:

- A quadrennial review by a person appointed by Parliament's Public Accounts Committee to examine the auditing practices and standards of the Auditor-General. The 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 will occur later in 2021.
- Periodic peer reviews of aspects of the Audit Office arranged under a quality assurance framework, sponsored by the Australasian Council of Auditors-General. During 2020–21, peer reviews were conducted over the Audit Office's corporate governance framework as well as over two performance audits. The reviews concluded we have a robust corporate governance framework, and are conducting quality performance audits.
- External review of the Audit Office's system of quality control, including a selection of financial audits, was conducted by the Australian Securities and Investments Commission in 2020–21. The reviews provided valuable insights to help the Audit Office continue to enhance the quality of financial audits conducted.

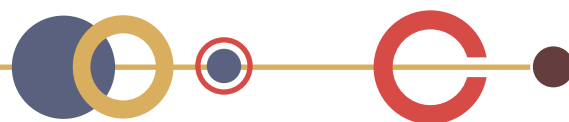
## Ensuring the quality of our Audit Service Providers

Our ability to deliver quality audits is influenced by those we partner with – our external Audit Service Providers (ASPs). Our ASPs are required to comply with Audit Office policies, including 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.

Audit conclusions reviewed through our quality assurance program are supportable %







### Technical Issues Committee

To maintain audit quality, we have a robust process to deal with complex accounting, audit and legal compliance technical matters that our auditors encounter through their audits. The Technical Issues Committee (TIC) is responsible for considering complex technical matters, and making recommendations to the Auditor-General on areas of significant accounting judgements and estimates, complex transactions, the appropriateness of modifications to our auditor's reports including key audit matters included in our auditor's report, 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, including independent representatives from the business, the director responsible for the Total State Sector Accounts audit, representatives from relevant audit teams and the Executive Director, Professional Services, 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 TIC is chaired by the Deputy Auditor-General and includes senior financial audit executives. Technical support is provided by the Professional Services Branch.

In 2020–21, the TIC met 34 times and advised on 52 complex matters. Thirty-one of these were Key Audit Matters included in the Independent Auditor's Reports.

### 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.

Legislation 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 *Government Sector 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 2020–21 Annual Report, Appendix Ten summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this report.

### Building capability

To deliver quality audits we must support the capability of our people. We have a comprehensive learning and development program 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 2020–21, 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 2020–21, we prepared or contributed to four ACAG responses to standard setters (see Appendix Five for further details).

In addition to contributing to ACAG responses, in 2020–21 the Audit Office provided a response in its own right to support the amending standard AASB 2021-X 'Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors'. The amending standard specifically impacts NSW government entities.

From 1 July 2021, the Auditor-General of New South Wales will take on the role as Chair of the ACAG Financial Reporting and Accounting Committee, with the Audit Office for New South Wales providing secretariat support.

# 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 to develop, manage and report on our governance arrangements as detailed below.

### ASX Principle 1: Management and oversight

## Our Corporate Plan

Our [Corporate Plan](#) was developed by the Office Executive and the Leadership Team to achieve our vision and meet the strategic priorities of the Audit Office. A summary 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, Strategic Technology Committee, Finance and Performance Committee, externally chaired Remuneration Committee, Diversity Committee, Technical Issues Committee, COVID-19 Management 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 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 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 2020–21 included:

- developing our 2020–24 Corporate Plan which sets out our strategic objectives for the next four years
- managing and responding to COVID-19 risks to ensure business continuity, and support the health and wellbeing of staff (page 12)
- uplifting our cyber security framework, systems and processes (page 48)
- reviewing the Audit Office's strategic risks and monitoring actions to mitigate each strategic risk to an acceptable level (page 38)
- monitoring the delivery of quality products and effectiveness of the Audit Office's internal controls and governance (page 45).

## 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 2020–21 to confirm compliance with Treasury's revised Internal Audit and Risk Management Policy for the General Government Sector (TPP 20-08). For a copy of the Internal Audit and Risk Management Attestation see Appendix Eight. The [committee's charter](#) has been revised to align with the requirements of TPP 20-08 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. At the conclusion of Dianne's final term on 28 August 2021, Bruce has been appointed Chair of the Audit and Risk Committee for the remainder of his four-year term.

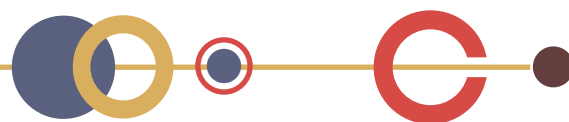
The independence, integrity, and experience of the Audit and Risk Committee members are key strengths; providing insight and enhancing our operations.

Dianne Hill was appointed on 12 December 2016 as Chair for a final term until 28 August 2021. Dianne has brought 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 reappointed on 17 February 2021 for a further 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 reappointed on 1 November 2020 for a further 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.

### Strategic Technology Committee

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

### Finance and Performance Committee

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

### Remuneration Committee

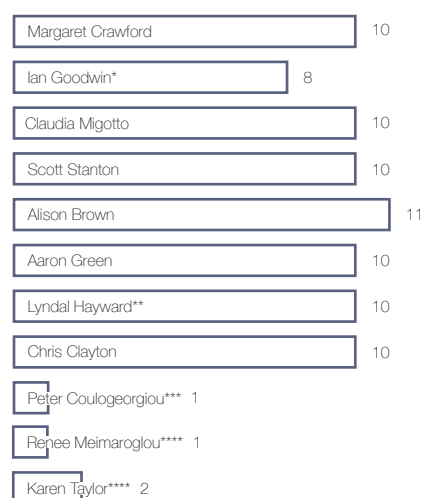
The Remuneration Committee provides advice on the appropriateness and application of the Audit Office's remuneration policies and procedures. More information on the Remuneration Committee can be found on page 44.

### Diversity Committee

We continue to embrace and celebrate our diversity by delivering on key areas identified in the Diversity Inclusion and Accessibility Roadmap (see page 106), a focus area under our Building Capability for the Future Strategy

#### Formal Office Executive meetings attended

A total of 11 monthly meetings held.



\* Ian Goodwin was absent from three Office Executive meetings due to military leave, deployed with the Australian Defence Force on Operation COVID-19 Assist.

\*\* Lyndal Hayward left the Audit Office in June 2021.

\*\*\* Peter Coulogeorgiou was appointed acting Executive Director, Corporate Services, and joined the Office Executive in June 2021.

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

Objective. The Diversity Committee lead, advocate for, coordinate, inform and monitor the Audit Office's Diversity Inclusion and Accessibility Framework and roadmap of activities.

### COVID-19 management team

The COVID-19 management team kept employees informed, connected and supported throughout the pandemic. They consider government and other relevant information and provide advice to the Office Executive regarding the Audit Office's:

- COVID-19 risk assessment
- COVID-19 safety plan
- key safety measures and staff wellbeing responses
- COVID-19 related operational decisions.

The team also provide regular updates to the organisation on the pandemic, working from home requirements, leave requirements, and health and wellbeing tips and resources.

### 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.

Denis Thorn was appointed by the Auditor-General to Chair the Quality Audit Review Committee, with his initial two year term commencing 1 December 2019. Denis has extensive experience providing assurance and advisory assistance to clients in the private and public sectors as a former partner with EY. He now provides advice on audit quality and expert witness reports to public and private sector clients.

### Enhancing our project governance

Strong project governance supports us to deliver our strategic objectives and achieve our purpose. In May 2021, the Audit Office established a new Project Management Framework to ensure we have a clear and consistent approach to the projects we undertake. The framework outlines core project management principles, and highlights systems, tools and processes important to the successful delivery of Audit Office projects.

#### 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 2020–21:

- we conducted annual staff training on the Code of Conduct, with staff completing annual Conflict of Interest and Professional independence declarations
- there were no internal reports about corrupt behaviour by Audit Office staff, no reportable breaches to the code of conduct and no external referral of reports of corrupt conduct
- there were no breaches of the disciplinary policy that required external notifications of reportable allegations or substantiated misconduct in accordance with the relevant statutory provisions.

### 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.

The Audit Office's Data Breach Management Policy outlines our approach to managing data breaches in line with the [NSW Information and Privacy Commission's Data Breach Policy](#) on which it is based. This includes four key steps: contain the breach, evaluate the associated risks, consider notifying affected individuals (where the data breach creates a risk of serious harm) and prevent a repeat. Notifiable breaches are those that involve:

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

The office may also decide to notify the NSW Privacy Commissioner for serious breaches.

During 2020–21, the Audit Office had seven incidents dealt with under the Data Breach Management Policy. All incidents were satisfactorily resolved in line with established procedures, and none were notifiable breaches.

During 2020–21 we:

- completed the Information and Privacy Commission's Privacy and Data Breach prevention self-assessments
- reviewed and updated our Data Breach Management Policy as part of a scheduled review.

### Prevent, detect and respond to fraud and corruption

The Audit Office has 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 2020–21.

### 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 October 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 2020–21, our approach to compliance management continued to be supported by the structure and responsibilities within the Professional Services Branch who:

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

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

This certification is supported by the Management Control Questionnaire (see page 45 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 *Government Sector Audit Act 1983*, the Governor of New South Wales appoints an independent audit practitioner to audit the Audit Office's financial statements. The external auditor provides an independent opinion on whether the Audit Office's financial statements are true and fair, and comply with applicable Australian Accounting Standards. The external auditor also attends all Audit and Risk Committee meetings.

## Internal audit

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 2020–21 internal audit program to the Auditor-General, which included a review of:

- payroll
- compliance against the NSW Cyber Security Policy
- ISO 27001 Information Security Management System (ISMS)
- procurement and contract management
- follow-up of previous internal audit recommendations.

All 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. This was with the exception of the Procurement and Contract Management review which had an 'improvement opportunity' conclusion, having found an adequate control environment in most areas with one moderate risk improvement opportunity identified.

Recommendations from internal audits and independent reviews are tracked, and progress reported quarterly to the Office Executive and Audit and Risk Committee. The dashboard on the status of recommendations, has continued to provide greater visibility and oversight of progress and emerging trends, which has contributed to reducing the number and amount of time recommendations remain open. 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.

The contract with RSM ended with completion of the 2020–21 internal audit program. RSM was appointed to provide internal audit services for the 2021–22 to 2023–24 internal audit programs through an open tender process.

## Performance reporting

In 2020–21, 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 2020–21, we completed the annual review of our compliance with the GIPA Act.

### Proactive release

In 2020–21, we conducted the annual proactive release review of information to consider what information the Audit Office holds that is of public interest and should be made publicly available, and we proactively released the:

- Data Breach Management Policy
- ASP Guide – how to use Audit Office templates
- ASP Fee Variation Approval Request Form
- Summary of Engagement Types: Assurance Levels and Subject Matter.

### 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 2020–21, we received two formal GIPA access applications which were refused as the information requested was excluded information of the Audit Office. 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 May 2021, for the 12th consecutive year we were awarded a Gold Australasian Reporting Award for reporting excellence for our 2019–20 Annual Report, as well as the Governance Reporting Award for the public and not-for-profit sectors.

## 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 2020–21, 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 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 align 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 General Government Sector (TPP 20–08), the Risk Management Toolkit (TPP 12–03), the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2018), and the Accounting Professional and Ethical Standards Board's Professional Risk Management Standard (APES 325 Risk Management for Firms).

During 2020–21, we:

- reassessed our strategic risks in line with our refreshed Corporate Plan 2020–24 and any key developments and emerging risks
- regularly updated the 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
- completed a risk maturity assessment using Treasury's newly released Risk Maturity Assessment Tool with actionable outcomes to continue to improve the Audit Office's risk maturity
- developed a project risk assessment methodology and tool to assess the overall risk profile for projects; to ensure governance arrangements and the level of formal project management is appropriate
- continued to improve our risk culture and embed risk management practices across multiple activities and business areas including project management, budgeting, and third-party selection processes
- worked closely with our operational areas to increase risk awareness and help them better understand, manage and report risks
- continued to monitor the effectiveness of controls to mitigate risks
- embedded the practice of continually scanning our operating environment and understanding the impact changes have on our strategic and operational risks.

### Insurance

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

- workers' compensation according to NSW statute
- property (full replacement, new for old, consequential loss, and business continuity costs or losses of revenue)
- liability, including but not limited to public liability, professional indemnity and directors and officers liability

- motor vehicles
- miscellaneous losses including those due to employee dishonesty, personal accident, cancellation of events and protection for local and overseas travel.

Exposures not included are:

- illegal activities
- wear and tear
- inherent vice.

### Strategic risks

In 2020–21, our six key strategic risks were:

- 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 do not 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.
- We lack consistent, adequate, reasonable and effective cyber security controls resulting in indefensible legal or regulatory breaches, inability 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 TPP 20–08 Internal Audit and Risk Management Policy for the General Government Sector (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).



## ASX Principle 6: Key stakeholder rights

### Building effective relationships

In 2020–21, we maintained our focus on building effective relationships with our key stakeholders: NSW Parliament, citizens, state government entities, councils and universities.

Our strategic initiative Enhancing Our Impact, Demonstrating Our Value provided strategic direction on effective stakeholder relations and is described in more detail on page 24.

### Stronger auditee engagement

In 2020–21, 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 check on the status of our relationships with our auditees.

As part of our commitment to engaging effectively with parliamentarians, we provided briefings to members of Parliament and the Public Accounts Committee on the relevant work of the Audit Office, and our current and future planned audit topics and focus areas. Each year we also survey parliamentarians to get feedback on our reports and services, this year's results are detailed on page 14.

We meet with the Public Accounts Committee during each sitting of Parliament (see page 16). In 2020–21, we also continued to meet regularly with NSW Treasury, the Department of Premier and Cabinet, the Public Service Commission, and the Office of Local Government.

More information on how we sought to improve our engagement with stakeholders can be found on page 24, and feedback from auditees on our performance is available on 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. We refer allegations of corruption, maladministration or privacy to the Independent Commission Against Corruption (ICAC), the NSW Ombudsman, the Information and Privacy Commission, the Office of Local Government, or to other independent agencies.

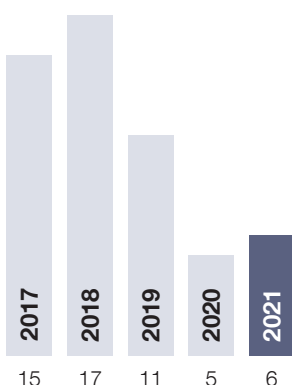
### Public interest disclosures and reports of wrongdoing under the *Corporations Act 2001*

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.

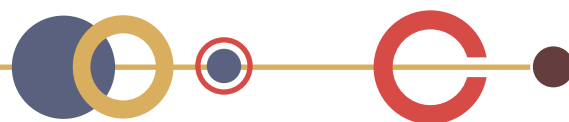
In 2020–21, we examined six public interest disclosures and reports of wrongdoing about state government entities, all of which were referred to our Financial Audit Branch for consideration as part of their audits. No public interest disclosures were referred to us from other oversight agencies. See Appendix Sixteen for further statistical information about public interest disclosures. In 2020–21 we:

- delivered training on the PID Act to members of our Financial Audit Branch
- updated our templates and procedures for managing reports of wrongdoing.

### Public interest disclosures







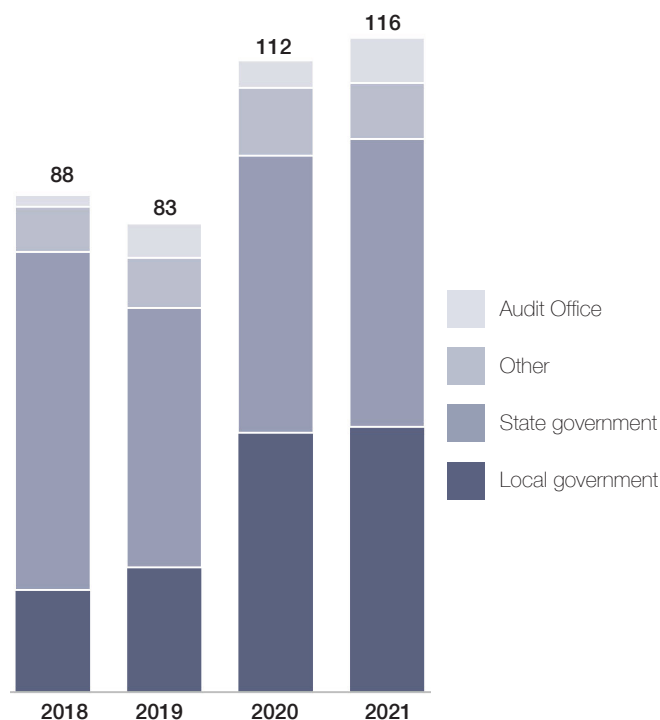
## Responding to feedback and complaints

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 2020–21, we received 116 new items of feedback/complaints from members of the public. Of these:

- 47 related to local councils
- 51 related to state government agencies
- 10 were classified as 'other' – covering feedback outside of our mandate and about the government in general
- 8 related to the Audit Office.

Most feedback received was referred to our financial or performance audit branches for action and/or information. Of the eight complaints received about the Audit Office in 2020–21, three were about our audit work, four related to dissatisfaction with the action taken by the Audit Office in response to complaints about another agency. The eighth complaint related to the conduct of one of our local government audits.

Subject of complaint



### STORIES THAT MATTER

## Quality In Everything We Do

'The comprehensive work that goes into preparing our audit reports is reflected in how often our findings are referenced. We are trusted by parliamentarians, the media, the general public and other stakeholders because of our independence and our rigorous and methodical analyses.'

'My colleagues and I are all very connected to the Audit Office's vision of informing and challenging government to improve outcomes for citizens. I'm proud to regularly see that our focus on quality is appreciated and recognised in the broader NSW community.'

Steven Sizgoric, Performance Audit

Our Quality In Everything We Do strategic objective ensures we continue our focus on the delivery of objective and trustworthy audits for our stakeholders. We will maintain this focus on quality by performing according to the highest standards, safeguarding our independence and ethics, upholding data security and driving effective monitoring and learning. More information on our quality processes, including our Quality Assurance Framework and the reviews we conduct each year, can be found at pages 38 and 39.

## Improving our Quality Assurance Framework

Our Quality Assurance Framework ensures we have the necessary controls, processes, internal capability, monitoring and review in place, and is critically important to our ongoing commitment to delivering audits to the highest standard.

As part of our commitment to continuous improvement, we recognise the need to regularly review our Quality Assurance Framework. This year, we initiated a review of the framework in light of the new suite of quality management standards released by the Auditing and Assurance Standards Board in March 2021. Additionally, we started working towards refining the suite of audit quality indicators that we will measure ourselves against.

This year, the Australian Securities and Investments Commission conducted external reviews on our system of quality control of financial audits – see page 38 for further details.

## Uplifting our cyber security maturity

This year we repositioned our stance on cyber security as an evolving but integral part of our Quality Assurance Framework. Our strategic risk on cyber security was updated to ensure we continuously evaluate our threat and control landscape, and that our defences are consistent, appropriate, reasonable, and effective. This approach supports us to keep pace with the constantly evolving risk environment, and ensures our initiatives and controls remain effective in mitigating cyber security risks.

Some of our cyber achievements this year include:

- mapping our sensitive information flows to pinpoint areas of risk and identify new tools and guidance on the secure handling of data
- developing a new Information Classification and Labelling Policy and implementing supporting system controls
- refreshing our Third-Party Security policy to make it more accessible and relevant to our Audit Service Providers
- participating in NSW Cyber Security 'Capture the Flag' exercises
- implementing an advanced threat protection platform to monitor and protect staff devices
- undertaking a cyber simulation exercise with key members of the leadership and crisis management teams
- defining ten new cyber outcomes to underpin our strategic risk and measure the effectiveness of our efforts
- uplifting staff awareness through a refreshed annual eLearning program and information campaigns on current threats and how to prevent them
- conducting a phishing simulation and training exercise
- compliance with NSW Cyber Security Policy and Essential Eight requirements.

To help protect the information we collect and generate, we developed a Data Loss Protection Control Framework and implemented new controls to

strengthen it including:

- automated information labelling recommendations
- requiring justification for sensitive emails outside NSW Government
- blocking the use of USB file storage devices
- monitoring uploads to external websites
- monitoring of sensitive files.

## Transitioning our infrastructure to the cloud

In 2020–21, we evaluated the benefits of moving our core infrastructure to a more scalable, secure, and business enabling cloud platform via our Cloud Adoption Strategy. The evaluation found a move to the cloud would support:

- our ongoing commitment to upholding data security
- the continued delivery and innovation of our services
- strong alignment to the NSW Government Cloud Policy.

In line with the evaluation outcome, the Audit Office commenced its journey to the cloud by issuing a request for information to identify potential partners to assist with the migration. Following the development and approval of a detailed business case in late 2020, a full tender process was undertaken in early 2021, and we engaged a partner and commenced work in May 2021.

The transition to a government approved public cloud platform will see the Audit Office access more effective infrastructure and technology services on-demand, with higher availability, stability, and scalability. We are also taking this time to redesign our network on a zero-trust basis, to ensure security is integrated into our new infrastructure.

## Improving our transparency reporting

*The Corporations Act 2001* includes requirements for annual transparency. Although the Audit Office, is not subject to these requirements, we have embraced the principles of transparency reporting and have adopted the practice of reporting against key indicators of audit quality each year in our Annual Report. These measures provide our stakeholders with important insights into our governance, quality, legal and independence practices.

In 2020–21, we decided to make this a focus area for next year and enhance what we already do in this space. The Audit Office has established a working group and commenced an external benchmarking process, designed to identify measures that will provide informative and useful indicators of audit quality to our stakeholders.

## The year ahead

In 2021–22, our updated Quality Assurance Framework will be finalised in line with the new Auditing and Assurance Standards Board quality management standards, along with a refined suite of audit quality indicators.

The transparency reports produced by audit firms and other public sector audit offices in Australia and internationally will be analysed, to identify commonly reported measures as well as those that provide specific information about auditing in the public sector context. We will consult with stakeholders and commence drafting a standalone transparency report.

Our focus on cyber security preparedness will be maintained, and we will work to increase our maturity in this space while continuing to reduce risk. A full transition from the physical data centre to a government approved cloud platform will be completed by late 2021.



# Securing Our Future

## Strategic objective

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

- develop financial frameworks that are fiscally responsible, future-focused and ensure our sustainability
- leverage data and technology to extract efficiency gains and harness greater insights in our audits
- foster innovation to find more efficient and effective ways of conducting our audits, and to provide greater value to our stakeholders.

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Financial performance 52

Financial position 53

Key financial statistics 54

Financial report 55

# Technology and environment

ISO27001:2013 security certification maintained  
5 star greenhouse building rating maintained

## Enhancing technology infrastructure and systems

In 2020–21, our technology achievements enhanced how we work and were a vital tool in ensuring our resilience throughout the COVID-19 pandemic. These achievements include:

- developing a Strategic Technology Plan that defines our technology roadmap for the next four years, and establishes our strategic intent, goals, priorities and long-term vision to enhance audit delivery
- commencing our migration from a physical data centre to a cloud environment (see page 48)
- continuously evolving our cyber security environment in line with government policy and industry best practice (see page 48)
- utilising secure cloud-based virtualised workspaces to enable traditionally on-site business processes, such as auditee site visits and external quality reviews of our work
- ensuring the best tools for our people through major upgrades to our core audit and management systems, and the rollout of new qualitative review and governance systems
- improving our capability to deliver by achieving six industry recognised certifications across our technology team including cloud, endpoint and governance
- modernising our fleet of mobile devices
- refreshing legacy system integrations with our framework
- installing new meeting room technology to provide equity of experience for employees working on-site and remotely
- migrating our corporate help desk to a new platform, providing a better experience for our people and enabling new opportunities to automate and innovate
- refreshing our business continuity and disaster recovery plans to incorporate learnings from our response to the COVID-19 pandemic
- replacing legacy infrastructure with modern as-a-service offerings
- developing a new asset management platform that enables streamlined stocktake processes and self-service options for employees.

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
- uplifting our Australian Cyber Security Centre's 'Essential Eight' maturity
- maintaining systems availability above the target of 99 per cent
- reviewing and testing our business continuity and disaster recovery plans.

## 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 2020–21, we focused on reducing our environmental footprint by:

- encouraging staff where possible to work from home
- reducing our printing by 71 per cent from the previous year
- turning off computer monitors on 50 per cent of workstations to support physical distancing
- using 100 per cent recycled paper in our printers

- using sorting bins and communication campaigns to encourage recycling
- maximising recycling by including ink, toner cartridges and coffee pods in our program
- disposing laptop batteries in an environmentally friendly way
- using a secure online file-transfer platform to share files digitally
- using automated sensor integrated LED lights throughout the office
- turning off air conditioning, digital screens, excess fridges and lighting when the office is unattended.

As a result of the ongoing COVID-19 pandemic, we continued using virtual collaboration technology and reduced travel to auditees and other stakeholders in 2020–21.

## Maintaining our greenhouse performance

In 2020–21, the Audit Office achieved a greenhouse building rating of five stars, in line with government targets, by:

- buying 40 per cent green electricity and energy efficient equipment
- installing timers on lights and equipment
- reducing our power usage by over six per cent from the previous year.

## Protecting our heritage

### Management of heritage assets

In 2020–21, the Audit Office submitted its first [Heritage and Conservation Register](#) to Heritage NSW for acceptance, and implemented a Heritage Asset Management Strategy.

The *Heritage Act 1977* requires all state government agencies to establish and keep a heritage register, listing significant assets owned, occupied or managed by the agency, including items:

- listed as heritage items under an environmental planning instrument made under the *Environmental Planning and Assessment Act 1979*
- subject to an interim heritage order
- listed on the State Heritage Register
- identified by the government instrumentality concerned as having State heritage significance.

The Audit Office has included several items in the register that it considers to be of potential heritage significance. These are limited to moveable heritage objects stored at our office.

Our Heritage Asset Management Strategy outlines how the Audit Office will comply with the principles and guidelines established by the Heritage Council of NSW and NSW Heritage Office, contained within the State Agency Heritage Guide.



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

## Uplifting our data analytics capability

By leveraging advances in data tools and analytics capability we will be able to enhance the effectiveness of our audits, improving our audit planning, procedures and control testing, risk assessment and ultimately audit quality.

In 2020–21, we continued improving our data capability by:

- broadening the use of our audit methodology data analytics tool and developing custom testing modules and templates
- establishing a user group to support the implementation of our audit methodology data analytics tool
- enhancing our data analytics resource centre to assist audit teams
- implementing a qualitative data analytics tool to assist our performance audit team identify emerging themes from the data they are assessing
- supporting several staff to complete studies in data science or analytics
- employing a data collection tool to assist with the collection and analysis of financial audit data for our Auditor-General's Reports to Parliament
- continuing to identify and pilot data tools and programs that may advance our audit capabilities in the future.

We made a significant step forward in our data journey this year by using our audit methodology data analytics tool to undertake journal testing, analysis of payroll and accounts payable data, and unpredictability testing on many audits. The use of this tool helps us to deliver more effective audits by allowing audit teams to investigate identified trends, anomalies and exceptions in whole populations of data.

Our objective to leverage advances in data analytics capabilities is being supported by the secondment of an internal director to establish and lead a new data team. Key priorities for the new role include the delivery of a Data Analytics Strategy, which was delayed to allow for the new position to commence, and the roll-out of a data literacy program to all employees. Through the appointment of this new role, we expect to further advance our data capability and use of data to improve audit quality.

## Implementing our Innovation Roadmap

In 2020–21, we invested 1.2 per cent of our operating expenditure on innovation. This included recruiting a full-time Innovation Lead to continue our focus on innovation, and revising our Innovation Roadmap to align with our new Corporate Plan objectives. We also worked towards developing a sustainable innovation culture by identifying Innovation Champions across the office to support innovation activities.

During the year, we continued to investigate options for an external collaboration portal to communicate and exchange information with external stakeholders. The portal will be delivered as a key part of our Digital Employee Experience Program and in line with our new Digital Workplace Strategy – see page 27 for further details.

We completed our pilot of a system to streamline the production and delivery of audit client documents. It was decided not to proceed with the system, and we will instead explore ways to incorporate our document production requirements into our external collaboration portal project.

This year, we commenced the implementation of a new governance, risk and compliance system. Once implemented, this system will provide a significant uplift in the usability and reportability of information across our governance functions. The new solution will remove much of the manual processing currently undertaken and ensure all content can be accessed in one system.

Our existing audit methodology software will reach the end of its support period in 2023. In preparation, we have started looking to the market to find a contemporary audit software solution to support the delivery of quality audits.

## Ensuring our financial frameworks are sustainable

We continued to make improvements to our finance governance this year to support fiscally responsible decisions and to ensure our sustainability. Some of our key achievements included:

- developing a budget policy to govern our financial management practices
- completing a comprehensive review of our delegation's manual
- updating our Procurement and Contract Management Policy
- upgrading our practice and financial management systems
- refreshing our branch reporting to help executives make more informed resourcing decisions.

In addition to refreshing our branch reporting, we also completed an extensive review of time recording practices by our audit staff and the recoverability of costs incurred on financial audits.

## The year ahead

In 2021–22, we will finalise our Data Analytics Strategy, roll out the newly developed data literacy program and continue to invest in the use of data analytics tools as part of our financial and performance audits. Through our Innovation Roadmap, we will continue to look for opportunities to enhance the efficiency and effectiveness of the work we do.

We will develop a Finance Framework that will outline our financial operating model and how we plan to measure our fiscal responsibility and financial sustainability. We also plan to continue focusing on better time recording by our audit staff, making improvements to our staff scheduling practices, and investing in better business intelligence reporting to put real time data in the hands of decision makers.

# Financial performance

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

## Ahead of our break-even target due to project delays

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 2020–21, we have achieved a cumulative surplus of \$2.0 million (excluding superannuation adjustments), exceeding our medium-term break-even target.

The unusual surplus in 2020–21 is due to delays in delivering key projects outlined in our 2020–24 Corporate Plan. A lot of this work, including standing up our data analytics team, will take place from 2021–22. This investment in 2021–22 will result in the Audit Office returning to its medium-term target of breaking even by 30 June 2022.

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

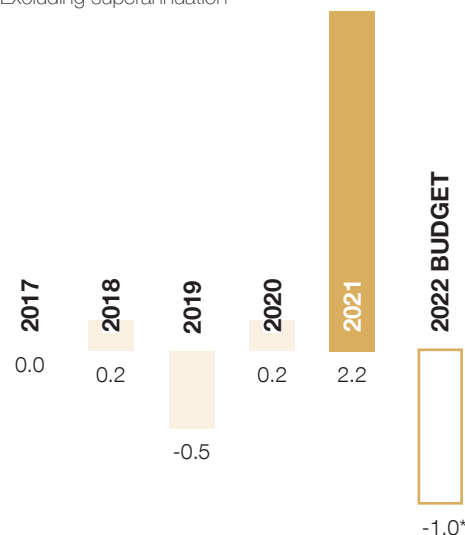
Our actual surplus for the year of \$2.2 million is better than the original budgeted surplus of \$0.8 million. This result was due to delays in the delivery of key projects as a result of giving priority to managing the impact of the COVID-19 pandemic on our business. Parts of the Digital Employee Experience Program and activities related to data analytics under our Building Capability For The Future and Securing Our Future strategic objectives were delayed – see pages 27 and 51 for further details.

## Revenue and expenditure

Excluding audit scope adjustments resulting from events such as agency restructures, complex accounting issues and the introduction of new accounting standards, our revenue growth was less than two per cent. We earned revenue of \$54.2 million (\$52.0 million in 2019–20) from auditing the financial statements of state government entities, universities and local government entities, and providing other assurance activities like acquittals.

The NSW Government contributed \$11.7 million towards our performance audits and Auditor-General's Reports to Parliament. Our 2020–21 total expenditure of \$64.3 million, excluding the defined benefit schemes' superannuation adjustments, was \$1.7 million or 2.6 per cent more than the previous year's \$62.6 million.

Operating result 2020–21/\$m  
Excluding superannuation



\* Published budget per the State Budget Papers that excludes carry forward requests.

## STORIES THAT MATTER

# Securing Our Future

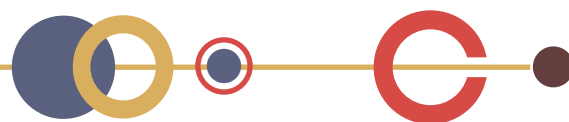
'In this fast-paced and ever-changing world, innovation is the key to securing our future. I've been part of the Audit Office's innovation journey since Innovation Week in 2012 and I was proud to win our 2017 Datathon.

'As an Innovation Champion, I've been encouraged to generate innovative ideas to resolve pain points in our audit processes. When the Office purchased software to enable financial auditors to analyse data and provide greater insights in our audits, I had the great opportunity to co-design some modules. These help to improve our audit efficiency and identify value-adding findings for our auditees.'

Angela Sun, Quality and Innovation



# 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 \$13.1 million at 30 June 2021. Our assets also include \$8.0 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 \$5.6 million in receivables from government entities and local councils for our auditing services.

Our liabilities at 30 June 2021 were \$70.1 million, a reduction of \$23.6 million from 30 June 2020. The reduction is largely due to the revised actuarial assessment for the defined superannuation liability. We have also recognised a right of use asset of \$12.3 million.

## Solvency and debtor management remains steady

Our current ratio at 30 June 2021 shows we had \$1.71 in current assets to meet every \$1.00 of current liabilities. This is higher than last year's ratio and within our target range of between \$1.50 and \$2.00.

The average time to collect unpaid invoices has increased slightly at 29 days (27 days in 2020) and is close to our target of 28 days. We will continue to look for improvements in how we monitor and follow up outstanding balances to 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 \$6.5 million from our operating activities in 2020–21, \$3.3 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. The previously outlined delay in key projects also contributed to the increase.

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 \$2.9 million from our operating activities in 2021–22.

## Timely creditor payments

During the year we paid 99.7 per cent of our creditors on time. We are expected to pay all creditors within 30 days, unless the agreed contract terms state otherwise.

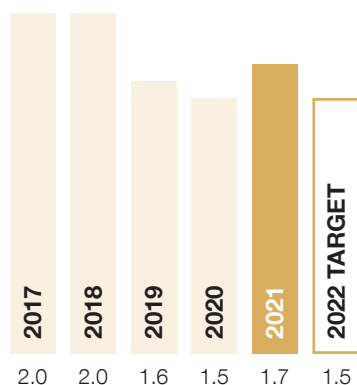
For further details on our performance with creditor payments, see Appendix Thirteen.

## The year ahead

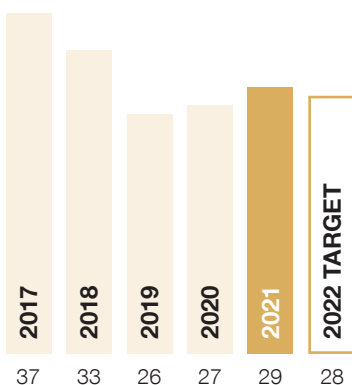
In 2020–21, we will:

- continue to work on our finance strategy to ensure we remain financially sustainable in the longer term
- continue to improve our internal reporting capability by investing in business intelligence that will put real time financial and non-financial data in the hands of key decision makers.

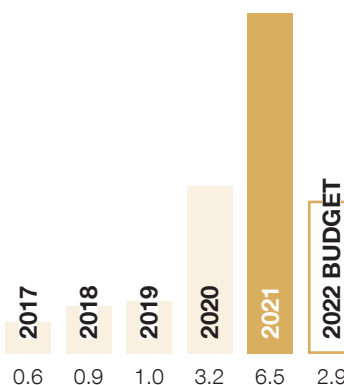
Solvency — current ratio



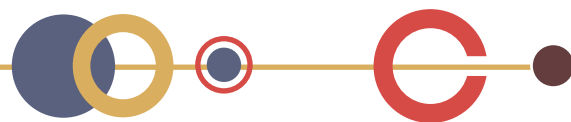
Debtor management — average days to collect



Cashflows from operating activities 2020–21/\$million



# Key financial statistics



	2016–17 \$'000	2017–18 \$'000	2018–19 \$'000	2019–20 \$'000	2020–21 \$'000
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## Five-year trend

### Financial performance<sup>1</sup>

Total revenue	47,251	59,334	60,439	62,770	66,465
Total expenses	47,246	59,147	60,979	62,567	64,277
Operating profit/(loss)	5	187	(540)	203	2,188

### Financial position

Total assets	27,228	28,721	29,609	44,560	45,690
Total liabilities	56,279	55,384	76,113	93,730	70,063
Accumulated funds	(29,051)	(26,663)	(46,505)	(49,170)	(24,373)

### Solvency and debtor management

Current ratio	2.0	2.0	1.6	1.5	1.7
Average days to collect debts	37	33	26	27	29

	2020–21 Budget \$'000	2020–21 Actual \$'000	2021–22 Budget \$'000
--	-----------------------------	-----------------------------	-----------------------------

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

### Revenue

Audit fees	51,291	54,194	52,460
NSW Government contributions	11,703	11,703	11,757
Interest	149	18	50
Other revenue	211	550	387
<b>Total revenue</b>	<b>63,354</b>	<b>66,465</b>	<b>64,654</b>

### Expenditure

Salaries and related expenses	41,015	39,177	41,505
Other expenses including operating expenses, maintenance, loss on disposal and finance costs	5,188	7,584	7,788
Audit Service Provider costs	13,189	14,625	13,387
Depreciation and amortisation	3,113	2,891	2,933
<b>Total expenditure</b>	<b>62,505</b>	<b>64,277</b>	<b>65,613</b>
<b>Operating surplus/(loss)</b>	<b>849</b>	<b>2,188</b>	<b>(959)</b>

<sup>1</sup> Excludes defined superannuation scheme adjustments of \$928,000 in 2020–21.





# FINANCIAL REPORT

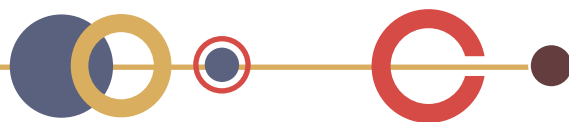
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# Independent Auditor's Report

to the Members of New South Wales Parliament



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## Independent Auditor's Report

To the Members of New South Wales Parliament

### Report on the audit of the financial report

#### Opinion

I have audited the financial report of the Audit Office of New South Wales (the Audit Office), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Auditor-General's declaration.

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

- a giving a true and fair view of the Audit Office's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the GSF Act, the *Government Sector Finance Regulation 2018* and the Treasurer's Directions.

#### Basis for opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. I am independent of the Audit Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

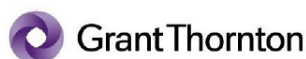
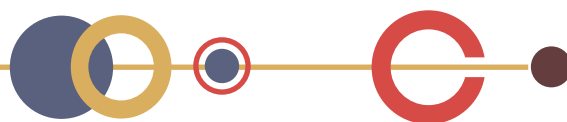
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

The Auditor-General is responsible for the other information. The other information comprises the information included in the Audit Office of New South Wales' annual report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.

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

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

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

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

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

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

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

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

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

M A Adam-Smith  
Partner – Audit & Assurance

Sydney, 13 September 2021

# Statement by the Auditor-General for New South Wales

---

## for the year ended 30 June 2021

Under section 7.6(4) of the *Government Sector Finance Act 2018* (GSF Act), I state that, in my opinion, the accompanying financial statements and notes thereto for the year ended 30 June 2021:

- have been prepared in accordance with the Australian Accounting Standards, the GSF Act, the Government Sector Finance Regulation 2018 and the Treasurer's Directions
- present fairly the financial position of the Audit Office of New South Wales as at 30 June 2021 and its financial performance and cash flows for the year then ended.



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

Sydney, 13 September 2021



# Statement of comprehensive income

for the year ended 30 June 2021

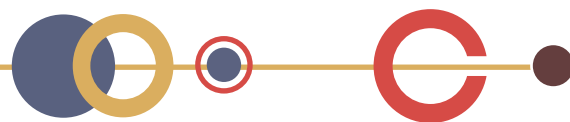


	Notes	2020–21 Actual \$'000	2020–21 Budget \$'000	2019–20 Actual \$'000
<b>Revenue</b>				
Rendering of services	C1	54,194	51,383	52,038
NSW Government contributions	C1	11,703	11,611	10,175
Other revenue	C1	568	360	557
<b>Total revenue</b>		<b>66,465</b>	<b>63,354</b>	<b>62,770</b>
<b>Expenses</b>				
Employee related expenses	C2	40,105	41,015	39,386
Operating expenses	C3	21,890	18,103	21,423
Depreciation and amortisation	C4	2,891	3,113	2,732
Loss on disposal of assets		45	–	24
Finance costs	E2.1	274	274	289
<b>Total expenses</b>		<b>65,205</b>	<b>62,505</b>	<b>63,854</b>
<b>Net result</b>		<b>1,260</b>	<b>849</b>	<b>(1,084)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to net result in subsequent periods:				
Superannuation actuarial gain/(loss) on liabilities	E3.2	15,365	–	(2,238)
Superannuation actual return on Fund assets less interest income	E3.2	8,166	–	657
<b>Total other comprehensive income</b>		<b>23,531</b>	<b>–</b>	<b>(1,581)</b>
<b>Total comprehensive income</b>		<b>24,791</b>	<b>849</b>	<b>(2,665)</b>

The accompanying notes form part of these financial statements.

# Statement of financial position

for the year ended 30 June 2021

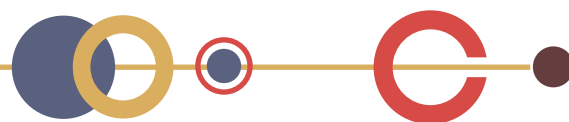


	Notes	2020-21 Actual \$'000	2020-21 Budget \$'000	2019-20 Actual \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	D1	13,079	9,214	8,225
Receivables	D2	6,595	6,306	5,962
Work in progress	D3	1,049	1,628	1,904
Other current assets	D4	7,275	9,000	7,991
<b>Total current assets</b>		<b>27,998</b>	<b>26,148</b>	<b>24,082</b>
<b>Non-current assets</b>				
Right of use assets	D5	12,275	12,276	13,794
Property, plant and equipment	D6	4,033	3,858	4,793
Intangible assets	D6	661	2,753	1,196
Other non-current assets	D4	720	695	695
<b>Total non-current assets</b>		<b>17,689</b>	<b>19,582</b>	<b>20,478</b>
<b>Total assets</b>		<b>45,687</b>	<b>45,730</b>	<b>44,560</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	E1	3,169	3,189	2,693
Borrowings	E2	1,516	1,042	1,443
Provisions	E3	11,705	13,123	12,122
<b>Total current liabilities</b>		<b>16,390</b>	<b>17,354</b>	<b>16,258</b>
<b>Non-current liabilities</b>				
Borrowings	E2	11,477	11,964	12,751
Provisions	E3	42,199	64,731	64,721
<b>Total non-current liabilities</b>		<b>53,676</b>	<b>76,695</b>	<b>77,472</b>
<b>Total liabilities</b>		<b>70,066</b>	<b>94,049</b>	<b>93,730</b>
<b>Net liabilities</b>		<b>(24,379)</b>	<b>(48,319)</b>	<b>(49,170)</b>
<b>Equity</b>				
Accumulated funds		(24,379)	(48,319)	(49,170)
<b>Total equity</b>		<b>(24,379)</b>	<b>(48,319)</b>	<b>(49,170)</b>

The accompanying notes form part of these financial statements.

# Statement of changes in equity

for the year ended 30 June 2021



	Notes	Accumulated funds Actual \$'000
<b>Balance at 1 July 2019</b>		(46,505)
<b>Net result for the year</b>		(1,084)
<b>Other comprehensive income</b>		
Superannuation actuarial gain/(loss) and return on Fund assets	E3.2	(1,581)
<b>Total comprehensive income for the year</b>		(2,665)
<b>Balance at 30 June 2020</b>		(49,170)
<b>Balance at 1 July 2020</b>		(49,170)
<b>Net result for the year</b>		1,260
<b>Other comprehensive income</b>		
Superannuation actuarial gain/(loss) and return on Fund assets	E3.2	23,531
<b>Total comprehensive income for the year</b>		24,791
<b>Balance at 30 June 2021</b>		(24,379)

The accompanying notes form part of these financial statements.

# Statement of cash flows

for the year ended 30 June 2021



	Notes	2020–21 Actual \$'000	2020–21 Budget \$'000	2019–20 Actual \$'000
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Rendering of services and government contributions		74,613	62,994	69,908
Interest received		18	149	59
Other		359	211	498
<b>Total receipts</b>		<b>74,990</b>	<b>63,354</b>	<b>70,465</b>
<b>Payments</b>				
Employee related		(40,311)	(41,015)	(38,093)
Payment to Audit Service Providers		(14,818)	(11,871)	(13,544)
Other		(13,112)	(5,817)	(15,357)
Finance costs		(274)	(255)	(289)
<b>Total payments</b>		<b>(68,515)</b>	<b>(58,958)</b>	<b>(67,283)</b>
<b>Net cash flows from operating activities</b>	D1.1	<b>6,475</b>	<b>4,396</b>	<b>3,182</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(128)	(120)	(975)
Purchases of intangible assets		(37)	(2,100)	(256)
<b>Net cash flows used in investing activities</b>		<b>(165)</b>	<b>(2,220)</b>	<b>(1,231)</b>
<b>Cash flows from financing activities</b>				
Payment of principal portion of lease liability		(1,456)	(1,188)	(1,270)
<b>Net cash flows used in financing activities</b>		<b>(1,456)</b>	<b>(1,188)</b>	<b>(1,270)</b>
<b>Net increase in cash</b>		<b>4,854</b>	<b>988</b>	<b>681</b>
Opening cash and cash equivalents		8,225	8,225	7,544
<b>Closing cash and cash equivalents</b>	D1	<b>13,079</b>	<b>9,213</b>	<b>8,225</b>

The accompanying notes form part of these financial statements.



# Section 1: Basis of preparation and significant changes

## Notes to and forming part of the financial statements for the year ended 30 June 2021

### A1. Reporting entity information

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

These financial statements for the year ended 30 June 2021 have been authorised for issue by the Auditor-General on 13 September 2021.

### A2. Basis of preparation

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

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

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

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

### A3. Going concern

As at 30 June 2021, the Audit Office has a net liability position of \$24.3 million (2019–20: \$49.2 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 1.71 at 30 June 2021 (1.50 at 30 June 2020) and the Audit Office has a healthy working capital ratio. 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 \$41.0 million (2019–20: \$63.6 million). Note E3.2 contains more detail. This liability is a long-term, non-current liability and for several years, the Audit Office has not been required to make any employer contributions to the schemes. The trustee has advised that we do not need to make any contributions in 2021–22. This is because the trustees use 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 \$10.4 million at 30 June 2021 (2019–20: \$6.4 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; poor investment returns; and a reduction in the value of fund assets.

A triennial review of the liability was undertaken at 30 June 2021, 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. This includes consideration of the COVID-19 impact on the Audit Office's financial performance and position. For more details, refer to the relevant notes.

Note	Item	Key judgement/estimate
C1	Revenue	We exercised judgement in recognising revenue over time, based on the actual costs of fulfilling our performance obligations related to providing audit services to clients (auditees).
D2	Receivables	We exercised judgement in assessing the expected credit losses (asset impairment) from amounts we have invoiced to all debtors.
D3	Other financial assets – Work in progress	We exercised judgement in assessing the expected credit losses (asset impairment) from time worked on audit assignments that may not be recoverable.
D5	Right of use assets	We exercised judgement in determining the useful life of the Audit Office's right of use asset, the lease term, the Audit Office's incremental borrowing rate, and whether the asset is impaired at reporting date.
D6	Property, plant and equipment and intangible assets	We exercised judgement in determining the useful lives of all assets currently held and in use. We have also concluded that the written down value of physical assets approximates to their fair value.
E2	Lease liabilities	We exercised judgement in determining the useful life of the Audit Office's right of use asset, the lease term and the Audit Office's incremental borrowing rate.
E3	Employee provisions	We made assumptions about the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discounts in measuring employee liabilities.
E3.2	Superannuation defined benefit plans	The calculation of the defined benefit liability involves actuarial assumptions that may differ from actual developments in the future. We have made assumptions about the discount rate, mortality rates, future salary increases, future investment returns and the level of inflation. We have also included additional disclosures around the economic uncertainty which stems from the ongoing COVID-19 pandemic.
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.

## A6. Comparative information

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

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

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

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

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

## A8. New Australian Accounting Standards

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

- AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 Service Concession Arrangements: Grantors is effective for financial periods commencing on or after 1 January 2020. The standard applies to all agencies that are grantors of service concession assets, that is, an asset which provides public services as part of a service concession arrangement for a specified period of time, and with the operator managing at least some of those services. The core principle is that entities who are grantors of such service concession assets must now recognise these assets onto their balance sheet, while also accounting for the corresponding liability that arises from these service concession arrangements. In addition, they must reclassify all existing assets to which the standard applies.

We have assessed this standard as having no impact on the Audit Office's financial statements, since we have not entered into any service concession arrangements as a grantor.

- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions comes into effect for reporting periods beginning on or after 1 June 2020. The standard amends AASB 16 to provide an additional practical expedient, which permits lessees to account for any rent concessions that occur as a direct result of the COVID-19 pandemic, as if they were not lease modifications.

This standard does not impact the Audit Office's financial statements as we have not received any rent concession as a direct result of the COVID-19 pandemic, and we do not foresee this occurring in the future.

Several other amendments and interpretations applied for the first time in 2020–21, however these also had no impact on the Audit Office's financial statements. These amendments relate to clarifying business definitions, slightly refining the definition of material and its application, as well as changes to the conceptual framework, hedge accounting (interest rate benchmark reform) and whole of government reporting.

### (ii) 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 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as current or non-current comes into effect for reporting periods beginning on or after 1 January 2023. The standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. Once the standard is effective, a liability will be classified as non-current if an entity has the right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. We have assessed all Audit Office liabilities that are classified as current to be absent of a right to defer settlement for at least 12 months after the reporting period, thus we do not foresee the standard having a material impact on future financial statements. We will continue to assess and revisit this amendment every reporting period and closer to effective date, ensuring that any requirement to reclassify our liabilities is appropriately applied.

A number of other accounting standard changes have also been issued that are not yet effective. These relate to changes in the interest rate benchmark reform and other general amendments that are narrow-scope changes to update, simplify or clarify sections and wording of the standards. None of these are likely to have a material impact on future financial statements.

## A9. Impact of COVID-19

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

- any credit risk (expected credit losses) on our receivables and other financial and contractual assets
- the existence of any onerous contracts that would require us to recognise an immediate liability
- whether the Audit Office's right of use asset is impaired
- the impact on the remaining lives of our physical and intangible assets
- the existence of any contingent assets and contingent liabilities
- the 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 2021

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

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The net result was favourable to the budgeted net result by \$0.4 million. The main reason for this is due to ministerial requests to complete two request audits which resulted in additional, unplanned revenue. We also incurred lower travel costs in delivering our audits and we deferred some project work until 2021–22. We have carried over the deferred project expenditure into our 2021–22 budget.

Total revenue was \$3.1 million higher than budget largely because our Audit Service Providers delivered more work than we had budgeted for. We also completed additional work in response to auditing the implementation of the new revenue and lease accounting standards by our auditees. In addition, the Auditor-General was requested to conduct two audits that resulted in additional, unplanned revenue.

Total expenditure was \$2.7 million higher than budget largely because of the volume of work performed by our Audit Service Providers. This was partly offset by lower travel costs, lower employee related costs and lower depreciation and amortisation.

#### Assets and liabilities

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The Audit Office's total current assets of \$28.0 million at 30 June 2021 was \$1.9 million higher than the budgeted position of \$26.1 million. This variance is due to the Audit Office achieving a better than planned operating result (excluding the impact of defined superannuation), as well as underspending on the capital program. This contributed to the Audit Office having a closing cash balance of \$13.1 million.

The Audit Office's total non-current assets were \$1.9 million lower than budget. This variance was due to an underspend on the Audit Office's capital program. Some of the underspend will carry forward into the 2021–22 capital program.

The Audit Office's total current liabilities were \$1.0 million lower than budget due to a reduction in the Audit Office's long service leave liability. This liability is actuarially assessed each year and can change depending on the actuarial assumptions and changes in the economic environment. The balance is also influenced by the amount of payments made during the year.

The Audit Office's total non-current liabilities of \$53.7 million at 30 June 2021 is significantly lower than budget because we do not budget for the movement in the defined superannuation liability. The defined superannuation liability at 30 June 2021 was \$22.6 million lower than the prior period. 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

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The Audit Office generated \$6.5 million of net cash inflows from its operating activities, some \$2.1 million higher than budget. The better than planned result was due to generating more revenue than budget, lower expenditure on travel and the deferral of project expenditure to 2021–22.

The Audit Office's net cash outflow from investing activities was significantly less than budget because of an underspend on the capital program. A portion of the planned spend has been deferred to 2021–22.

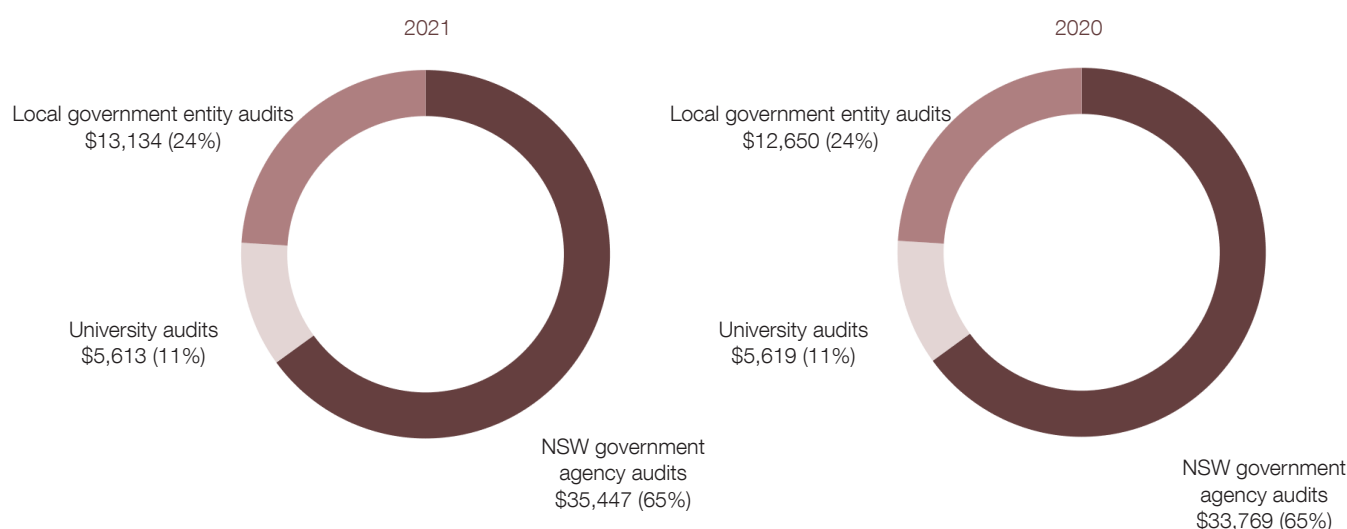
# Section 3: Our financial performance

## Notes to and forming part of the financial statements for the year ended 30 June 2021

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

C1. Revenue	2021 \$'000	2020 \$'000
<b>(a) Rendering of services</b>		
Audit fee revenue from NSW Government agency audits and other assurance activities	35,447	33,769
Audit fee revenue from university audits and other assurance activities	5,613	5,619
Audit fee revenue from local government entity audits and other assurance activities	13,134	12,650
	<b>54,194</b>	<b>52,038</b>
<b>(b) NSW Government contributions</b>		
Funding for performance audits and compliance review	8,749	7,366
Funding for the Auditor-General's Reports to Parliament	2,954	2,809
	<b>11,703</b>	<b>10,175</b>
<b>(c) Other revenue</b>		
Interest income	18	59
Recoupment of salaries and on-costs from staff secondments	359	459
Grant funding - twinning support to the Office of the Auditor General Solomon Islands	190	-
Other	1	39
	<b>568</b>	<b>557</b>

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 2021

#### Recognition and measurement

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

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

##### (i) Rendering of services – audit fee revenue

According to AASB 15 Revenue from Contracts with Customers, an entity must recognise revenue once they have satisfied a performance obligation. The Audit Office recognises audit fee revenue over time (as opposed to at a point in time).

In measuring the value of revenue (the transaction price), we apply the input methods approach under AASB 15. Revenue is recognised on the basis of actual time spent on an audit multiplied by the approved hourly charge-out rates, and all direct costs such as travel or costs incurred by audit service providers for contracted out audits. An adjustment is made for any expected credit loss. This approach is applied consistently across all audit engagements.

We invoice auditees on 14-day terms.

##### (ii) NSW government contributions

Revenue from the NSW Government is based on an agreed amount set through the annual State Budget process. The Audit Office recognises this revenue immediately upon receipt under AASB 1058 because there are no sufficiently specific performance obligations.

#### Key judgements and estimates

We have determined that the performance obligation of delivering an audit is satisfied over time and not at a point in time. This is because an auditee simultaneously receives and consumes the benefits of the audit services. The conduct of an audit and related work does not create an asset with an alternative use to the Audit Office. The Audit Office also has an enforceable right to payment for performance completed to date, as both the *Government Sector Audit Act 1983* and the *Local Government Act 1993* provide a legal basis to recover the cost of conducting audits of state, university and local government entities.

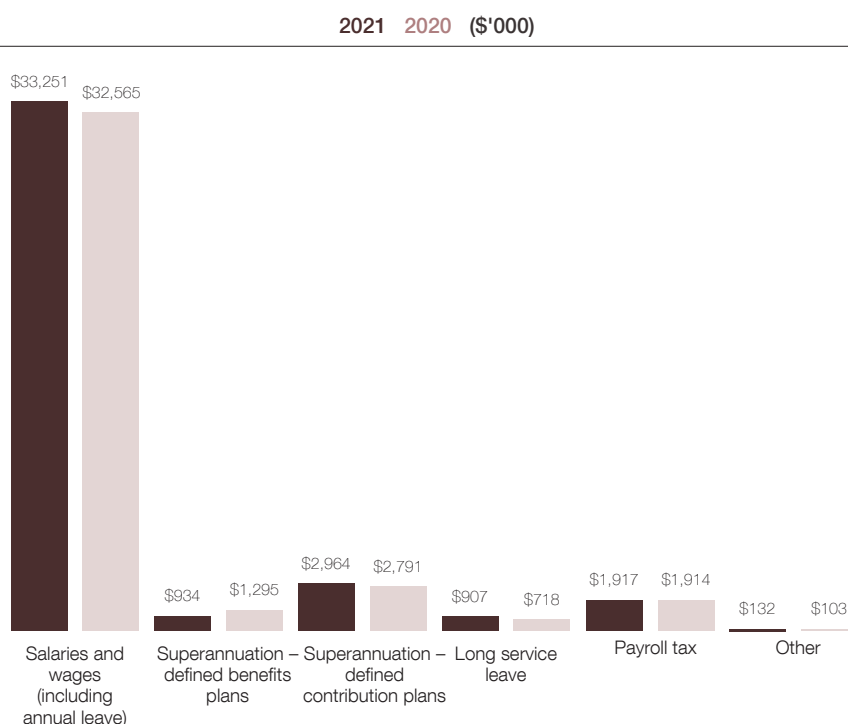
We have also determined the basis for recognising revenue over time is the same across all audit engagements. This is because all audits are priced on the same basis of full cost recovery.

##### (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 our staff, we seek to recover the salary and related oncosts from these organisations on a cost recovery basis. Revenue from seconding staff is recognised over time by reference to days worked and their agreed daily/hourly rate.

#### C2. Employee related expenses

The Audit Office's employee related expenses for the period totalled \$40,105,000 (2019–20: \$39,386,000). The chart below shows the split between the major components.



The Audit Office did not capitalise any employee related expenses as an asset during the year (2019–20: \$39,300).





## C2.1 Key management personnel remuneration

We have determined that members of the Office Executive are key management personnel (KMP) of the Audit Office. The Office Executive is made up of the Auditor-General, the Deputy Auditor-General, the four Assistant Auditors-General, the Executive Director, 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.

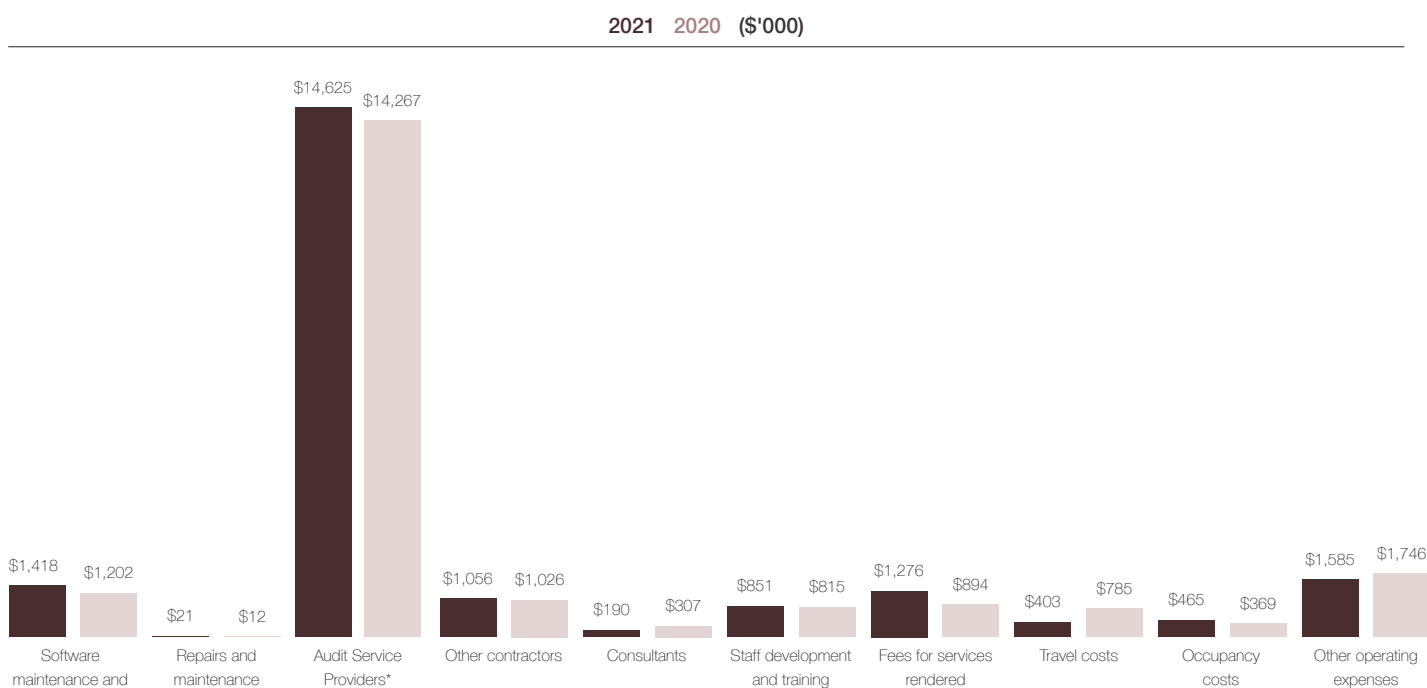
The Audit Office's key management personnel compensation is as follows:

	2021 (\$'000)	2020 (\$'000)
Short-term employee benefits:		
Salaries	2,679	2,605
Other long-term employee benefits	104	98
Post-employment benefits	210	203
<b>Total remuneration</b>	<b>2,993</b>	<b>2,906</b>

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

## C3. Operating expenses

The Audit Office's operating expense for the period totalled \$21,890,000 (2019–20: \$21,423,000). The chart below shows the split between the major components of our expenditure.

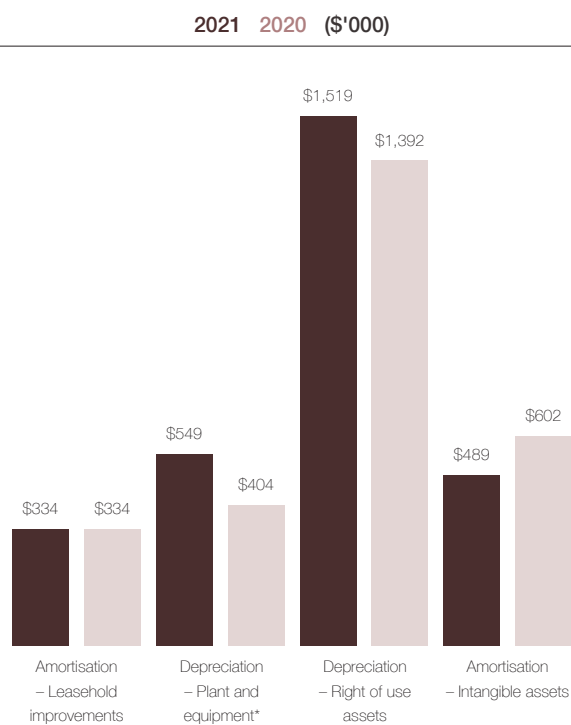


\* The Auditor-General contracts out a number of financial audits to private sector audit firms. These firms are referred to as Audit Service Providers.



#### C4. Depreciation and amortisation

The Audit Office's depreciation and amortisation expenses for the period totalled \$2,891,000 (2019–20: \$2,732,000). The chart below shows the split between the major components.



\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

# Section 4: Our assets

## Notes to and forming part of the financial statements for the year ended 30 June 2021

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	2021 \$'000	2020 \$'000
Cash at bank	13,079	8,225

Cash comprises cash at bank within the NSW Treasury Banking System. For the purposes of the statement of cash flows, cash and cash equivalents only includes cash at bank. The Audit Office does not hold cash on hand.

The Audit Office has a credit card facility of \$350,000 (2019–20: \$350,000) and we have used \$56,000 (2019–20: \$15,000) of the facility at reporting date. Aside from having access to the NSW Government's overdraft facility, the Audit Office has no other standing credit facility.

### Risk – Interest rate risk

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

### Risk – Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its payment obligations when they fall due. The Audit Office continuously manages its liquidity risk through monitoring future cash flows. The Audit Office's cash position throughout the year has been consistently adequate to meet all liquidity requirements.

D1.1 Reconciliation of cash flows from operating activities to net results	2021 \$'000	2020 \$'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	6,475	3,182
Depreciation and amortisation	(2,891)	(2,732)
Plant and equipment write offs	(88)	(39)
Finance costs	(274)	(289)
Impairment losses on assets	(668)	(328)
Increase in provisions	(1,041)	(2,602)
Increase in receivables and other assets	223	1,151
(Increase)/decrease in creditors	(476)	573
<b>Net result</b>	<b>1,260</b>	<b>(1,084)</b>



## D2. Current assets – receivables

	2021 \$'000	2020 \$'000
Rendering of services – audits	5,617	5,180
Less: Allowance for expected credit losses	–	–
<b>Total receivables</b>	<b>5,617</b>	<b>5,180</b>
Prepayments	954	777
Accrued income and other debtors	24	5
<b>Total current receivables</b>	<b>6,595</b>	<b>5,962</b>

## Recognition and measurement – receivables

Receivables are initially recognised at fair value based on the original invoice amount. Receivables are due for settlement within 14 days from the date of issuing the invoice.

Because the Audit Office holds receivables with the objective of collecting the contractual cash flows, we subsequently measure receivables under AASB 9 Financial Instruments at amortised cost using the effective interest method, less any impairment. Since the receivables are also short-term in nature the invoice amount is considered to be the amortised cost, as the effect of discounting is immaterial.

### Impairment of financial assets

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

In accordance with NSW Treasury mandate, the Audit Office:

- applies a simplified approach in calculating ECLs
- uses the practical expedient of a provision matrix available under AASB 9 Financial Instruments.

The provision matrix is based on historical credit loss experience for trade receivables, subsequently adjusted for forward looking factors specific to the receivable.

When an ECL is recognised, the loss is recorded in the net result for the year. Where there is objective evidence of recovering an ECL 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 a debtor defaulting on their contractual obligation, resulting in a financial loss to the Audit Office. This amount is equal to the total amount of receivables of \$5,617,000 (2019–20: \$5,180,000) and amounts recorded in WIP of \$1,049,000 (2019–20: \$1,904,000). The Audit Office does not hold any collateral.

The Audit Office is not materially exposed to any concentrations of credit risk to a single debtor or group of debtors. We have policies and procedures in place to recover outstanding amounts in a timely manner. Most of our debtors are government departments, statutory authorities, universities and their controlled entities, and local councils who are all legislatively bound to pay for our audit services.

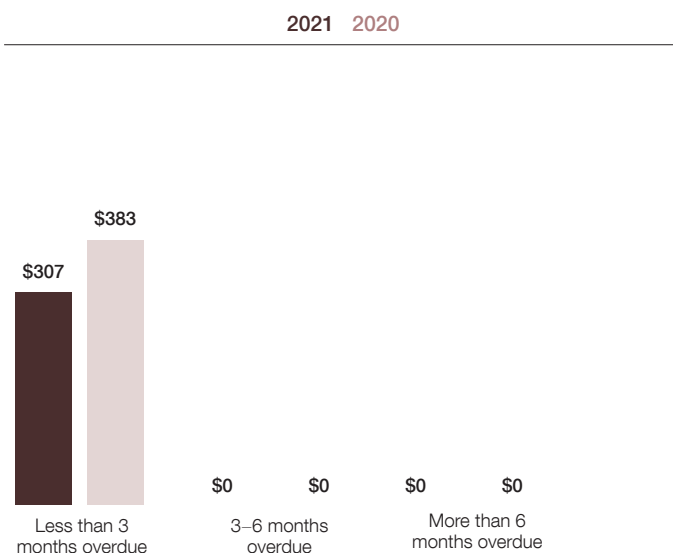
## Key judgement/estimates – receivables

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 continuing presence of the COVID-19 pandemic, we have no expected credit losses (ECLs) for receivables as at 30 June 2021 since we believe all outstanding receivables are recoverable (2019–20: Nil). This is because all amounts owing are bound by engagement terms with our auditees, and we also have a legal right to recover the cost of our audit work. In the last five years, we have not written off any receivables.

The ageing profile of our debtors is shown in the chart below. No amounts owing at reporting date are older than three months (2019–20: Nil).

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



\* The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the receivables total recognised in the statement of financial position.

## Section 4: Our assets (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2021



D3. Work in progress	2021 \$'000	2020 \$'000
Work in progress – unbilled charges on audit engagements	1,717	2,233
Less: Allowance for unrecoverable work in progress	(668)	(329)
	<b>1,049</b>	<b>1,904</b>

#### Recognition and measurement – WIP

Work in progress (WIP) represents work performed on audit engagements, where the Audit Office has not yet invoiced the auditee. This is largely made up of staff time and charges for work performed 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 is raised when there is objective evidence that WIP may not be fully recoverable.

#### Risk

**Credit Risk** - We believe the Audit Office is exposed to minimal credit risk. The maximum exposure arises from an auditee defaulting on the amount due to the Audit Office, and the amount recorded as WIP.

Our audit directors closely review and monitor WIP on a monthly basis. WIP is also regularly monitored by the financial audit branch executive.

#### Key judgement/estimates – WIP

We have reviewed WIP (unbilled staff time and charges) on each engagement to assess its 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 take into consideration a range of factors such as: the remaining budget versus forecasted effort to complete audit engagements; the historical cost for recurring audit engagements; historical write offs; audit inefficiencies; scope variations; and the potential to recover scope variations with additional billings.

D4. Current/non-current assets – other	2021 \$'000	2020 \$'000
Crown acceptance of long service leave liability – current	7,275	7,991
Crown acceptance of long service leave liability – non-current	720	695
	<b>7,995</b>	<b>8,686</b>

The 'Crown Acceptance of Long Service Leave Liability' represents the Audit Office's right to reimbursement for long service leave owed to employees from the Crown in the right of the state of New South Wales (the Crown). See Notes E3 for more details.

D5. Right of use assets	2021 \$'000	2020 \$'000
Balance at 1 July	13,794	15,186
Additions	–	–
Depreciation expense	(1,519)	(1,392)
<b>Net carrying amount</b>	<b>12,275</b>	<b>13,794</b>
Net carrying amount represented by:		
Cost (gross carrying amount)	15,186	15,186
Accumulated depreciation	(2,911)	(1,392)
<b>Net carrying amount</b>	<b>12,275</b>	<b>13,794</b>





## Recognition and measurement — right of use assets

### Acquisition

The Audit Office assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This ensures compliance with AASB 16 Leases, which requires a lessee to recognise a right of use asset for most leases.

The Audit Office recognises new right of use assets at the inception of the lease (most commonly the start date that the underlying asset is available for use). Right of use assets are initially measured by reference to the initial measurement of the lease liability referred to below, and then adjusted for any lease payments made at or before the commencement date in addition to lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. Right of use assets are subsequently measured at cost.

The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the Audit Office's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The Audit Office has elected to recognise payments for short-term and low value leases as expenses on a straight-line basis, instead of recognising a right of use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value leases are those for assets with a fair value of \$10,000 or less when new, and mainly comprise of photocopiers.

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

### Depreciation

Right of use assets are depreciated on a straight-line basis, over the shorter of either the lease term or estimated useful life of the assets.

### Impairment

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

When the carrying amount of the right of use asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount by recognising an impairment loss in the net result.

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

## Key judgement/estimates – right of use assets

Because our office accommodation lease does not have an implicit interest rate, and because we do not borrow from the market, our lease liability was measured at inception using an incremental borrowing rate of 2.0 per cent. This rate was mandated by NSW Treasury and was based on NSW TCorp's bond rates, with revised discount rates only required when there is a change in the lease term or a change in the option to purchase the underlying asset per AASB 16 Leases. We have also applied the fixed, four per cent annual rental increments in measuring the asset.

In determining the value of the right of use asset and corresponding lease liability, we have excluded the non-lease components (such as outgoings and cleaning for our office accommodation lease). We have also concluded that it is not reasonably certain that the Audit Office will exercise the option period of five years.

The decision to exclude the option period is based on factors such as: history; facts and circumstances that may create an economic incentive to exercise the option (such as the rents and terms and conditions); the expected life of the leasehold improvements; the cost of terminating the lease; and whether the underlying asset is a specialised asset. Because our office accommodation lease is not related to a specialised asset, and because there are no foreseeable economic incentives in relation to exercising the option, we do not believe it is reasonably certain that the Audit Office will exercise the five-year option. Therefore it has been excluded from the recorded right of use asset.

We have considered both internal and external factors in assessing whether our right of use asset is impaired. Internally, there is no evidence the asset is obsolete, damaged or does not meet our needs.

In terms of external factors, we have considered current market research by several real estate firms to compare our lease arrangement against current industry rental rates. We have also compared our lease arrangement with comparable leases executed over the last 12 months.

The current industry rental rates for prime office space in Sydney CBD, and lease incentives being offered by landlords, indicates that our lease arrangement is not impaired at this point in time. The net effective rent that we are paying per square metre is in line with prevailing industry rates for similar office space within similar locations. Therefore, 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 2021



D6. Property, plant and equipment, and intangibles

2021:

	Leasehold improvements \$'000	Plant and equipment* \$'000	Intangible assets \$'000	Total \$'000
<b>At 1 July 2020</b>				
Cost (gross carrying amount)	3,385	2,838	5,850	12,073
Accumulated depreciation and amortisation	(348)	(1,082)	(4,654)	(6,084)
<b>Net carrying amount as at 1 July 2020</b>	<b>3,037</b>	<b>1,756</b>	<b>1,196</b>	<b>5,989</b>
Additions	35	93	37	165
Depreciation and amortisation expense	(334)	(549)	(489)	(1,372)
Disposals	–	(5)	(83)	(88)
<b>Net carrying amount as at 30 June 2021</b>	<b>2,738</b>	<b>1,295</b>	<b>661</b>	<b>4,694</b>

**Net carrying amount as at 30 June 2021 represented by:**

Cost (gross carrying amount)	3,509	2,268	5,731	11,508
Accumulated depreciation and amortisation	(771)	(973)	(5,070)	(6,814)
<b>Net carrying amount as at 30 June 2021</b>	<b>2,738</b>	<b>1,295</b>	<b>661</b>	<b>4,694</b>

\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

2020:

	Leasehold improvements \$'000	Plant and equipment* \$'000	Intangible assets \$'000	Total \$'000
<b>At 1 July 2019</b>				
Cost (gross carrying amount)	3,291	1,903	5,687	10,881
Accumulated depreciation and amortisation	(14)	(678)	(4,145)	(4,837)
<b>Net carrying amount as at 1 July 2019</b>	<b>3,277</b>	<b>1,225</b>	<b>1,542</b>	<b>6,044</b>
Additions	94	974	256	1,324
Depreciation and amortisation expense	(334)	(404)	(602)	(1,340)
Disposals	–	(39)	–	(39)
<b>Net carrying amount as at 30 June 2020</b>	<b>3,037</b>	<b>1,756</b>	<b>1,196</b>	<b>5,989</b>

**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)
<b>Net carrying amount as at 30 June 2020</b>	<b>3,037</b>	<b>1,756</b>	<b>1,196</b>	<b>5,989</b>

\* Plant and equipment is comprised of computer equipment, and furniture and fittings.



## Recognition and measurement – intangible assets

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

### Research and development costs

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

### Amortisation

All intangible assets are amortised using the straight-line method over a period of three to nine 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 (such as laptops and phones), the threshold of \$1,000 is applied to the network cost. All other equipment purchases are expensed in the year they are acquired.

### Revaluation

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

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:

	2021	2020
Plant and equipment*	3 – 10 years	3–10 years
Leasehold improvements	Over the term of the lease	Over the term of the lease

\* Plant and equipment is comprised of computer equipment, and furniture and fittings.

## 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 nine years. The major intangible assets are:

- audit methodology software – 9 years (2019–20: 9 years)
- corporate management systems – 7 years (2019–20: 6 years)
- other software licenses – 3 to 5 years (2019–20: 3 to 5 years).

Effective 1 April 2021, we have increased the life of our corporate financial/practice management system by 12 months. This change has arisen because of a recent upgrade to the system that has extended its remaining life. The change has reduced the Audit Office's depreciation and amortisation expense by \$73,364 in 2020–21, and it will increase by \$15,530 in 2021–22, \$52,423 in 2022–23 and \$5,411 in 2023–24.

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

In line with AASB 138 Intangibles and supported by both NSW Treasury Guidance as well as the IFRS Interpretation Committee's April decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement - IAS 38', the Audit Office has expensed all costs incurred in implementing software as a service solutions.

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

## 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 and phones) as part of a network. As a result, equipment of this nature is generally capitalised.

We review the useful lives of all assets annually, and assess whether there are any indicators of impairment. There were no changes to the useful lives of our plant and equipment assets (2019–20: Nil). Some of the factors considered when determining useful lives include: significant damages; technical obsolescence; the typical life cycle of similar assets; license and support arrangements; and the actual lives of similar assets currently or previously controlled by the Audit Office.

In determining the amortisation period for our leasehold improvements, we believe the improvements will have a life equal to the lease term of ten years. We believe the ongoing changes to the workplace environment, together with normal wear and tear, will render the improvements obsolete beyond this period.

Because the Audit Office's property, plant and equipment assets are non-specialised with short useful lives, we believe the depreciated historical cost is a reasonable approximation of their fair value. We believe any difference between fair value and depreciated historical cost to likely be immaterial.

### 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 2021

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.

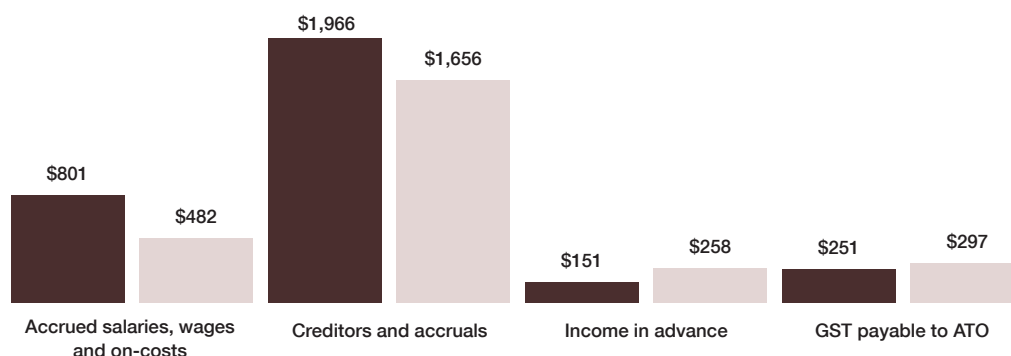
The Audit Office's obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. Obligations also arise from normal business practice.

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 2021 totalled \$3,169,000 (2019–20: \$2,693,000). The chart below shows the split between the major components.

2021 2020 (\$'000)



### 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 no interest during the year for a late payment (2019–20: \$82).

### Risk

#### Liquidity risk

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

#### Maturity profile

All of the Audit Office's payables and accruals have a maturity of less than 12 months (2019–20: less than 12 months).

#### Market risk

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



## E2. Borrowings – lease liabilities

The following table presents liabilities under leases:

	2021 \$'000	2020 \$'000
Opening balance at 1 July	14,194	15,186
Additions	–	–
Interest expenses	255	278
Payments	(1,456)	(1,270)
<b>Total lease liabilities</b>	<b>12,993</b>	<b>14,194</b>
Lease liabilities – current	1,516	1,443
Lease liabilities – non-current	11,477	12,751
<b>Total lease liabilities</b>	<b>12,993</b>	<b>14,194</b>

The following amounts were recognised in the statement of comprehensive income regarding leases where the Audit Office is the lessee:

	2021 \$'000	2020 \$'000
Depreciation expense of right of use assets	1,519	1,392
Interest expense on lease liabilities	255	278
Expense relating to short-term leases	–	131
Expense relating to leases of low-value assets	7	–
<b>Total amount recognised in the statement of comprehensive income</b>	<b>1,781</b>	<b>1,801</b>

The Audit Office recorded total cash outflows of \$1,718,000 for its leases (2019–20: \$1,680,000).

## Recognition and measurement – lease liabilities

The Audit Office's lease liabilities are measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the Audit Office's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is the rate an entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment with similar terms, security and conditions.

Instead of recognising a right-of-use asset and lease liability for short-term and low value asset leases, the Audit Office recognises these payments as expenses on a straight-line basis. This is consistent with the NSW Treasury mandate, and a permitted recognition exemption per paragraph 6 of the AASB 16 Leases standard.

Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less.

The Audit Office's lease liabilities relate solely to its ten-year office accommodation lease at 201 Sussex Street Sydney. The lease commenced on 1 August 2019 and will end on 31 July 2029, with a five-year renewal option in our favour. The annual rent increases by four per cent each year. The lease agreement does not impose any covenants on the Audit Office.

### E2.1 Finance costs

The finance costs for the year is made up of interest expense on lease liabilities of \$255,000 (2019–20: \$278,000) and the unwinding of the make good provision's discount rate, amounting to \$19,000 (2019–20: \$11,000), as disclosed in note E3.1.

## Key judgement/estimates – lease liabilities

Because our office accommodation lease does not have an implicit interest rate, and because the Audit Office does not borrow from the market, we have measured 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. We have excluded the five-year option period in our office accommodation lease, since it is not reasonably certain that we will exercise this option once the original term expires.

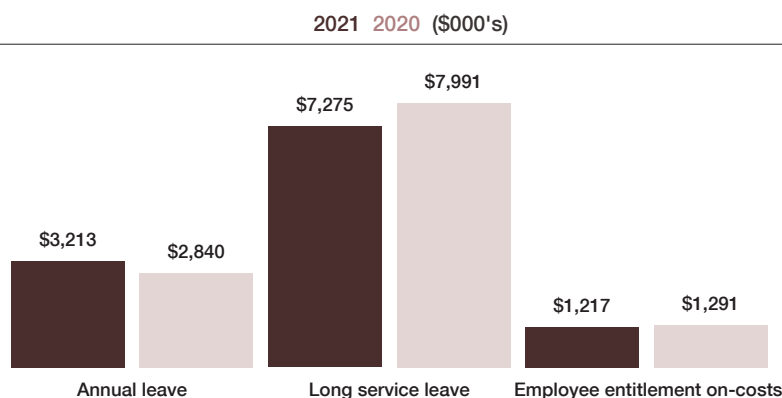




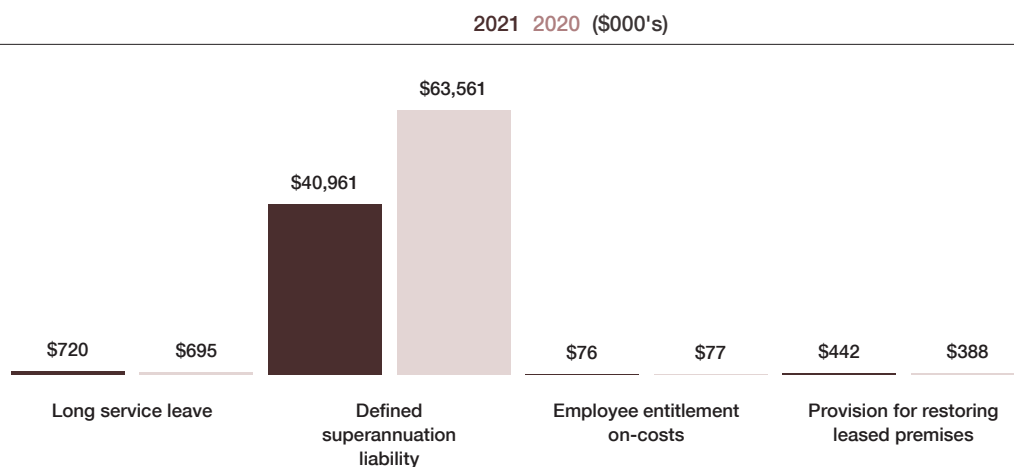
### E3. Current/non-current liabilities – provisions

The Audit Office's current provisions at 30 June 2021 totalled \$11,705,000 (2019–20: \$12,122,000) and its non-current provisions totalled \$42,199,000 (2019–20: \$64,721,000). 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 2021 was \$3,213,000 (2019–20: \$2,840,000). Of this liability, the value expected to be settled within the next 12 months is \$1,961,000 (2019–20: \$1,806,000) and \$1,252,000 (2019–20: \$1,034,000) after 12 months.

##### Long service leave

The long service liability at 30 June 2021 was \$7,995,000 (2019–20: \$8,686,000). This liability comprises:

	2021 \$'000	2020 \$'000
Short-term – expected to be settled within 12 months	245	372
Long-term – not expected to be settled within 12 months	7,750	8,314
	<b>7,995</b>	<b>8,686</b>

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

The Audit Office made contributions of \$907,000 to the Crown's pool during the period (2019–20: \$718,000).



## Recognition and measurement – employee entitlements

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

Liabilities for salaries, including non-monetary benefits, are measured on an undiscounted basis because they are expected to be settled wholly within 12 months after the end of the period in which the employees render the service. Annual leave is accounted for as a long-term benefit and measured at its present value in accordance with AASB 119 Employee Benefits, because it is not expected to be settled wholly within the next 12 months.

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

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

### Long service leave

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the Commonwealth government bond rate at the reporting date.

### Consequential on-costs

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

## Key judgement/estimates – employee entitlements

### Annual leave

We have relied on actuarial advice obtained by NSW Treasury, where using the nominal annual leave balance plus annual leave entitlements accrued while taking annual leave, approximates the present value of the annual leave liability.

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 1.5 per cent (2019–20: 0.87 per cent)
- short-term salary increases of 3 per cent (2019–20: 3.2 per cent)

In determining the split between current and non-current, we have used 91 and 9 per cent respectively. This is consistent with Treasury Circular TC21-03 Accounting for Long Service Leave and Annual Leave.

The Audit Office has recognised an asset for our right to reimbursement, which is of equal value to our long service leave liability, from the Crown. This is based on Treasury Circulars TC21-03 Accounting for Long Service Leave and Annual Leave and TC21-05 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements.

## E3.1 Other provisions

### Restoration costs

In accordance with 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.

	2021 \$'000	2020 \$'000
Movements in the provision during the financial year is set out below:		
Carrying amount at the beginning of financial year	388	377
Re-measurement of provision	35	–
Unwinding/change in the discount rate	19	11
<b>Carrying amount at end of financial year</b>	<b>442</b>	<b>388</b>



## Recognition and measurement – other provisions

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

## Key judgement/estimates – other provisions

The provision to make good the Audit Office's leased premises has been calculated by reference to the leased area (in square metres), an independent expert advised 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.

Name of scheme	Type of scheme
The State Superannuation Scheme (SSS)	Multi-employer defined benefit scheme
The State Authorities Superannuation Scheme (SASS)	Multi-employer defined benefit scheme
The State Authorities Non-Contributory Superannuation Scheme (SANCS – Basic Benefits Scheme)	Multi-employer defined benefit scheme

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

### Regulatory Framework

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

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

Under a Heads of Government agreement, the 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 2021.

### Governance

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

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

## Section 5: Our liabilities (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2021



The following information has been prepared by the scheme actuary.

Reconciliation of the net defined benefit liability	Present value of obligation \$'000	Fair value of plan assets \$'000	Net amount \$'000
<b>At 1 July 2019</b>	<b>(131,428)</b>	<b>70,733</b>	<b>(60,695)</b>
Current service cost	(485)	–	(485)
Interest (expense)/income	(1,705)	904	(801)
<b>(Expense)/income recognised in profit or loss</b>	<b>(2,190)</b>	<b>904</b>	<b>(1,286)</b>
<b>Contributions by fund participants</b>			
Employers	–	–	–
Plan participants	(184)	184	–
	<b>(184)</b>	<b>184</b>	<b>–</b>
<b>Remeasurements</b>			
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	(752)	–	(752)
<b>Amount recognised in other comprehensive income</b>	<b>(2,238)</b>	<b>657</b>	<b>(1,581)</b>
Benefits paid	3,656	(3,656)	–
Taxes, premiums and expenses paid	(160)	160	–
<b>At 30 June 2020</b>	<b>(132,544)</b>	<b>68,983</b>	<b>(63,561)</b>
<b>At 1 July 2020</b>	<b>(132,544)</b>	<b>68,983</b>	<b>(63,561)</b>
Current service cost	(376)	–	(376)
Interest (expense)/income	(1,132)	579	(553)
<b>(Expense)/income recognised in profit or loss</b>	<b>(1,508)</b>	<b>579</b>	<b>(929)</b>
<b>Contributions by fund participants</b>			
Employers	–	–	–
Plan participants	(153)	153	–
	<b>(153)</b>	<b>153</b>	<b>–</b>
<b>Remeasurements</b>			
Actual return on Fund assets less interest income	–	8,166	8,166
Actuarial gains/(losses) arising from changes in demographic assumptions	589	–	589
Actuarial gains/(losses) arising from changes in financial assumptions	6,033	–	6,033
Actuarial gains/(losses) arising from liability experience	8,743	–	8,743
<b>Amount recognised in other comprehensive income</b>	<b>15,365</b>	<b>8,166</b>	<b>23,531</b>
Benefits paid	6,175	(6,175)	–
Taxes, premiums and expenses paid	(762)	762	–
<b>At 30 June 2021</b>	<b>(113,426)</b>	<b>72,467</b>	<b>(40,959)</b>

## Section 5: Our liabilities (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2021



#### 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 2021	\$'000	\$'000	\$'000	\$'000	%
Cash	2,398,668	2,709,702	–	5,108,370	12
Australian fixed interest	–	903,816	–	903,816	2
International fixed interest	45,227	1,709,799	–	1,755,026	4
Australian equities	8,308,316	2,341	–	8,310,657	20
International equities	13,884,532	5,148	–	13,889,680	33
Property	626,961	–	2,660,769	3,287,730	8
Alternatives	759	2,709,828	5,819,124	8,529,711	21
<b>Total</b>	<b>25,264,463</b>	<b>8,040,634</b>	<b>8,479,893</b>	<b>41,784,990</b>	<b>100</b>

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 2021 includes \$41.4 million (2019–20: \$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 per cent owned by the Pooled Fund with a fair value of \$328 million (2019–20: \$340 million).
- Health Administration Corporation occupies part of a property 50 per cent owned by the Pooled Fund with a fair value (100 per cent interest) of \$443 million (2019–20: \$343 million).

#### Significant actuarial assumptions at the reporting date

As at	30 June 2021	30 June 2020
Discount rate	1.50% p.a.	0.87% p.a.
Salary increase rate (excluding promotional increases)	2.74% p.a. 21/22 to 25/26; 3.2% p.a. thereafter	3.2% p.a.
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% p.a. thereafter	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% p.a. to 2029/30; 2.50% p.a. thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show 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 2021



The economic assumptions adopted for 30 June 2021 AASB 1056 Accounting Standard Superannuation Entities are:

#### Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	6.5% p.a.
Expected rate of return on Fund assets backing other liabilities	5.7% p.a.
Expected salary increase rate (excluding promotional salary increases)	2.74% p.a. 21/22 to 25/26; 3.2% p.a. thereafter
Expected rate of CPI increase	2.0% p.a.

#### Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2021 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 2021.

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% p.a.	as above +0.5% p.a.	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above +0.5% p.a.	as above -0.5% p.a.	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above +0.5% p.a.	as above -0.5% p.a.
Defined benefit obligation (A\$'000)	113,424,772	122,115,157	105,582,279	122,034,859	105,578,400	113,542,971	113,309,372

	Base case	Scenario G lower mortality*	Scenario H higher mortality**
Defined benefit obligation (A\$'000)	113,424,772	115,440,848	112,021,654

\* Assumes the short-term pensioner mortality improvement factors for years 2021–2026 also apply for years after 2026.

\*\* Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for the years 2021–2026.

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 2021



#### Surplus/deficit

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

	2021 \$'000	2020 \$'000
Accrued benefits*	62,088	62,560
Net market value of Fund assets	(72,465)	(68,983)
<b>Net surplus</b>	<b>(10,377)</b>	<b>(6,423)</b>

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

#### 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 2022	
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 2020 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 2021	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)	6.5% p.a	6.0% p.a	7.0% p.a
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7% p.a	5.2% p.a	6.2% p.a
Rate of CPI increase	2.0% p.a	as base case	as base case
Salary inflation rate	2.74% p.a 21/22 to 25/26; 3.2% p.a. thereafter	as base case	as base case
<b>Accrued benefits (\$A)</b>	<b>\$62,088,439</b>	<b>\$64,924,912</b>	<b>\$59,467,657</b>

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
<b>Accrued benefits (\$A)</b>	<b>\$62,559,842</b>	<b>\$65,297,311</b>	<b>\$60,028,623</b>



#### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.6 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 2021

### 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

There are no capital commitments as at 30 June 2021 (2019–20: Nil).

### F3. Contingent assets and contingent liabilities

We are not aware of any contingent assets or contingent liabilities (2019–20: Nil).

### F4. Auditor's remuneration

In May 2021, the Governor appointed Mr Matthew Adam-Smith to audit the Audit Office's financial statements for a five-year period, commencing in the year ended 30 June 2021. Mr Matthew Adam-Smith is a partner at Grant Thornton and he uses the firm's resources to complete the audit. The auditor's remuneration for auditing the 2020–21 financial statements is \$51,800. The previous year's audit was conducted by Mr Andrew Archer, who was also a partner at Grant Thornton. The auditor's remuneration for auditing the 2019–20 financial statements was \$51,000.

While Mr Matthew Adam-Smith did not provide any other services during the year to the Audit Office, his firm did provide services as an Audit Service Provider (ASP). Grant Thornton is currently an Audit Service Provider on several financial audits. The Audit Office paid Grant Thornton \$882,000 for this work in 2020–21 (2019–20: \$930,982).

Grant Thornton's appointment as an Audit Service Provider is done through an open tender process. They have been appointed for a period of up to four years and they conduct these audits under the control and direction of the Auditor-General. Mr Matthew Adam-Smith is not involved in these audits and nor was Mr Andrew Archer in the previous year.

### F5. Related party disclosures

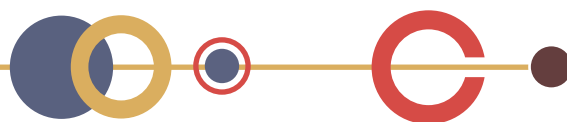
#### Transactions with NSW government agencies

During the period, the Audit Office provided audit and other assurance services to entities that are controlled by the NSW Government. These services were provided at arm's length based on agreed terms and using our standard charge rates and pricing approach. None of these transactions were individually significant. The total revenue received from NSW government agencies was \$35.4 million (2019–20: \$33.8 million). Of this amount, \$3.8 million (2019–20: \$3.7 million) is owed to the Audit Office at the reporting date.

The Audit Office also received funding of \$11.7 million (2019–20: \$10.1 million) from the Crown in the right of the State of New South Wales 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 2020–21.

End of audited financial statements

# APPENDICES



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# Senior executive and leadership positions

## Appendix one

### Public service senior executive remuneration band equivalent range and average remuneration\*

Band	2019–20		2020–21	
	Range \$	Average \$	Range \$	Average \$
Band four (equivalent)	487,051–562,650	551,447	487,051–562,650	553,966
Band three (equivalent)	345,551–487,050	395,578	345,551–487,050	399,800
Band two (equivalent)	274,701–345,550	294,321	274,701–345,550	303,413
Band one (equivalent)	192,600–274,700	232,440	192,600–274,700	232,337

\* Due to the nature of our business, 24 per cent of the Audit Office's employee-related expenditure in 2020–21 was related to senior executive, compared with 26 per cent in 2019–20.

### Public sector senior executive remuneration band equivalent and gender

Band	2019–20		2020–21	
	Female	Male	Female	Male
Band four (equivalent)	1	0	1	0
Band three (equivalent)	0	2	0	2
Band two (equivalent)	3	4	4	2
Band one (equivalent)	17	10	14	11
<b>Total</b>	<b>37</b>		<b>34</b>	

### Number of executive and leadership positions filled by women





# Financial audit entities, reviews and other related services

## Appendix two

Central agencies			
Alpha Distribution Ministerial Holding Corporation	Electricity Transmission Ministerial Holding Corporation	Superannuation Scheme	TCorplM Direct Investment Fund G
Art Gallery of New South Wales Foundation	Energy Industries Superannuation Scheme	Ministerial Holding Corporation	TCorplM Direct Investment Fund K
Art Gallery of New South Wales Trust	EIF Pty Ltd	National Art School	TCorplM Downside Protection Australian Share Fund
Australian Museum Trust	Energy Industries Superannuation Scheme Pool A	New South Wales Electoral Commission	TCorplM Downside Protection International Share Fund
Board of Surveying and Spatial Information	Energy Industries Superannuation Scheme Pool B	New South Wales Government Telecommunications Authority	TCorplM Emerging Market Debt Fund
Building Insurer's Guarantee Corporation	Energy Investment Fund	New South Wales Treasury Corporation	TCorplM Emerging Market Share Fund
Building Professionals Board	Epsilon Distribution Ministerial Holding Corporation	ICNSW Australian Equities Fund	TCorplM Global Credit Fund
City West Housing Pty Limited	Foundation for the Historic Houses Trust of New South Wales	ICNSW International Equities Fund (Unhedged)	TCorplM High Yield Fund
Corporation Sole 'Minister Administering the Heritage Act'	Foundation for the Historic Houses Trust of New South Wales Limited	ICNSW International Equities Hedged Fund	TCorplM Indexed Australian Share Fund
Cowra Japanese Garden Maintenance Foundation Limited	Generator Property Management Pty Limited	Insurers' Guarantee Fund Investment Trust	TCorplM Indexed International Share (Unhedged) Fund
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	Greater Sydney Commission	Long Service Corporation Investment Fund	TCorplM International Share (Hedged) Fund 2018
NSW Fire Brigades Superannuation Pty Limited	Greyhound Welfare and Integrity Commission	NSW Generations (Debt Retirement) Fund Investment Trust	TCorplM International Share (Unhedged) Fund
Crown Entity	Historic Houses Trust of New South Wales	NSW Infrastructure Future Fund	TCorplM Liquidity Cash Fund
Electricity Retained Interest Corporation Fund - Ausgrid	Home Building Compensation Fund	NSW TCorp Investment Management Funds	TCorplM Listed Property Fund
Electricity Retained Interest Corporation Fund - Endeavour	Independent Commission Against Corruption	Parliamentary Contributory Superannuation Fund Investment Trust	TCorplM Long Term Growth Fund
NSW Generations (Community Services and Facilities) Fund	Independent Liquor and Gaming Authority	Social and Affordable Housing NSW Fund Investment Trust	TCorplM Medium Term Growth Fund
NSW Generations (Debt Retirement) Fund	Independent Pricing and Regulatory Tribunal	TCorplM Absolute Return Multi-Asset Class Fund	TCorplM Multi-Asset Class Fund
Restart NSW	Information and Privacy Commission NSW	TCorplM Alternative Risk Premia Fund	TCorplM Opportunistic Fund A
Social and Affordable Housing NSW	Infrastructure NSW	TCorplM Australian Bond Fund	TCorplM Short Term Income Fund
Department of Customer Service (including Revenue NSW)	Insurance & Care NSW	TCorplM Australian Inflation Linked Bond Fund	TCorplM Small Cap Australian Share Fund
Department of Premier and Cabinet	Jobs for NSW Fund	TCorplM Australian Share Fund	TCorplM Specialist Emerging Market Share Fund
Destination NSW	LGSS Pty Limited	TCorplM Bank Loan Fund	TCorplM Unlisted Infrastructure Fund
Electricity Assets Ministerial Holding Corporation	Liability Management Ministerial Corporation	TCorplM Cash Fund	TCorplM Unlisted Property Fund
Electricity Retained Interest Corporation - Ausgrid	Library Council of New South Wales	TCorplM Cyclical Growth Australian Share Fund	Treasury Managed Fund Investment Portfolio
ERIC Alpha Holdings Pty Ltd	Library Council of New South Wales Staff Agency	TCorplM Cyclical Growth International Share Fund	NSW Architects Registration Board
Electricity Retained Interest Corporation - Endeavour	Lifetime Care and Support Authority of New South Wales	TCorplM Direct Infrastructure Fund A	NSW Self Insurance Corporation
ERIC Epsilon Holdings Pty Ltd	Long Service Corporation	TCorplM Direct Investment Fund B	Ombudsman's Office
	Macquarie University Professorial	TCorplM Direct Investment Fund C	Parliamentary Contributory Superannuation Fund
		TCorplM Direct Investment Fund D	Parliamentary Counsel's Office
		TCorplM Direct Investment Fund E	Port Botany Lessor Pty Limited
		TCorplM Direct Investment Fund F	Port Kembla Lessor Pty Limited
			Port of Newcastle Lessor Pty Limited

## Appendix two

Ports Assets Ministerial Holding Corporation	New South Wales Technical and Further Education Commission	Central Murray County Council	Hawkesbury River County Council
Public Service Commission	NSW Education Standards Authority	Central NSW Joint Organisation	Hay Shire Council
Rental Bond Board	NSW Skills Board	Central Tablelands County Council	Hilltops Council
Resilience NSW		Cessnock City Council	Hunter Joint Organisation
Responsible Gambling Fund	<b>Local government</b>	City of Canada Bay Council	Illawarra Shoalhaven Joint Organisation
Roads Retained Interest Pty Ltd	Albury City Council	City of Parramatta Council	Inner West Council
SAS Trustee Corporation	Armidale Regional Council	Council of the City of Ryde	Inverell Shire Council
Limited Assurance Report - SAS Trustee Corporation Pooled Fund	Ballina Shire Council	Clarence Valley Council	Junee Shire Council
Reasonable Assurance Report - SAS Trustee Corporation Pooled Fund	Balranald Shire Council	Cobar Shire Council	Kempsey Shire Council
SAS Trustee Corporation - Pooled Fund	Bathurst Regional Council	Coffs Harbour City Council	Ku-ring-gai Council
Service NSW	Bayside Council	Coolamon Shire Council	Kyogle Council
Sporting Injuries Compensation Authority	Bega Valley Shire Council	Coonamble Shire Council	Lachlan Shire Council
State Archives and Records Authority of New South Wales	Bellingen Shire Council	Cootamundra-Gundagai Regional Council	Lake Macquarie City Council
State Insurance Regulatory Authority	Berrigan Shire Council	Council of the City of Sydney	Lane Cove Council
State Library of New South Wales Foundation	Blacktown City Council	Cowra Shire Council	Leeton Shire Council
State Rail Authority Residual Holding Corporation	Blacktown Venue Management Limited	Cumberland Council	Lismore City Council
Sydney Opera House Trust	Bland Shire Council	Dubbo Regional Council	Lithgow City Council
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	Blayney Shire Council	Dungog Shire Council	Liverpool City Council
The Brett Whiteley Foundation	Blue Mountains City Council	Edward River Council	Liverpool Plains Shire Council
The Treasury	Bogan Shire Council	Eurobodalla Shire Council	Lockhart Shire Council
Total State Sector Accounts	Bourke Shire Council	Fairfield City Council	Maitland City Council
Trustees of the Museum of Applied Arts and Sciences	Brewarrina Shire Council	Far North West Joint Organisation	Mid North Coast Joint Organisation
University of Sydney Professorial Superannuation System	Broken Hill City Council	Far South West Joint Organisation	MidCoast Council
Western City and Aerotropolis Authority	Burwood Council	Federation Council	Mid-Western Regional Council
Workers Compensation (Dust Diseases) Authority	Byron Shire Council	Forbes Shire Council	Moree Plains Shire Council
Workers Compensation Nominal Insurer	Cabonne Council	Georges River Council	Mosman Municipal Council
	Camden Council	Gilgandra Shire Council	Murray River Council
	Campbelltown City Council	Glen Innes Severn Council	Murrumbidgee Council
	Canberra Region Joint Organisation	Goldenfields Water County Council	Muswellbrook Shire Council
	Canterbury-Bankstown Council	Goulburn Mulwaree Council	Nambucca Shire Council
	Carrathool Shire Council	Greater Hume Shire Council	Namoi Joint Organisation
	Castlereagh Macquarie County Council	Griffith City Council	Narrabri Shire Council
	Central Coast Council	Gunnedah Shire Council	Narrandera Shire Council
	Central Coast Water Supply Authority	Gwydir Shire Council	Narromine Shire Council
	Central Darling Shire Council	Hawkesbury City Council	New England Joint Organisation
<b>Education</b>			
Department of Education			

[illegible]

## Appendix two

Jenolan Caves Reserve Trust	Worimi Board of Management	Law Enforcement Conduct Commission	Port Authority of New South Wales
Landcom	Office of Environment and Heritage	Legal Aid Commission	Rail Corporation New South Wales a/s (now Transport Asset Holding Entity)
Lands Administration Ministerial Corporation	Office of Local Government	Legal Profession Admission Board	State Transit Authority of NSW
Lord Howe Island Board	OLG Statement of Payments Audit	Legal Services Council	Sydney Ferries
Luna Park Reserve Trust	<b>Regional NSW</b>	Multicultural NSW	Sydney Metro
Mt Grenfell Board of Management	Agriculture Scientific Collections Trust	New South Wales Aboriginal Land Council	Sydney Trains
Mutawintji Board of Management	Belgenny Farm Agricultural Heritage Centre Trust	NSWALC Employment and Training Ltd	Transport for NSW
Natural Resources Access Regulator	Border Fence Maintenance Board	NSWALC Housing Ltd	Roads and Maritime Services (former)
Natural Resources Commission	CB Alexander Foundation	NSWALC Properties Pty Ltd	Transport Service of NSW
NSW Biodiversity Conservation Trust	Coal Innovation Fund	NSWALC Resources Pty Ltd	<b>Universities</b>
NSW Crown Holiday Parks Land Manager	Department of Regional New South Wales	New South Wales Crime Commission	Charles Sturt University
NSW Land and Housing Corporation	Fisheries Trust Funds	New South Wales Institute of Sport	Charles Sturt Campus Foundation
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	Forestry Corporation of NSW	New South Wales Rural Fire Service	Charles Sturt Campus Services Limited
Parramatta Park Trust	Game and Pest Management Trust Fund	BushFire Co-ordinating Committee	Macquarie University
Place Management NSW	Local Land Services	NSW Police Force	Access Macquarie Limited
Planning Ministerial Corporation	NSW Food Authority	NSW Trustee and Guardian	Bequest from the Estate of FJ Walsh
Property NSW	NSW Rural Assistance Authority	NSW Trustee and Guardian - Common Fund	Macquarie University Hong Kong Foundation Limited
Rookwood General Cemeteries Reserve Land Manager	Regional Growth NSW Development Corporation	NSW Trustee and Guardian - Common Fund Financial Management	MGS Limited
Rookwood Necropolis Land Manager	Rice Marketing Board for the State of New South Wales	Office of Sport	MQ Health Pty Ltd
Royal Botanic Gardens and Domain Trust	Trustees of the Farrer Memorial Research Scholarship Fund	Office of the Ageing and Disability Commissioner	U@MQ Limited
Sydney Olympic Park Authority	Veterinary Practitioners Board	Office of the Children's Guardian	Southern Cross University
Sydney Water Corporation	Wine Grapes Marketing Board	Office of the Director Public Prosecutions	Southern Cross Campus Limited
Taronga Conservation Society Australia	<b>Stronger Communities</b>	State Emergency Service	University of New England
Teacher Housing Authority of NSW	Combat Sports Authority of NSW	State Sporting Venues Authority	Ag360
Venues NSW	Crown Solicitor's Office	Sydney Cricket and Sports Ground Trust	Agricultural Business Research Institute
Waste Assets Management Corporation	Crown Solicitor's Trust Account	Trustees of the ANZAC Memorial Building	UNE Foundation
Water Administration Ministerial Corporation	Department of Communities and Justice	<b>Transport</b>	UNE Foundation Limited
Water NSW	Fire and Rescue New South Wales	Chief Investigator of the Office of Transport Safety Investigations	UNE Life Pty Ltd
WaterNSW Infrastructure Pty Ltd	Home Purchase Assistance Fund	Department of Transport	UNE Partnerships Pty Ltd
Wentworth Park Sporting Complex Trust	John Williams Memorial Charitable Trust	NSW Trains	University of New South Wales
Western Sydney Parklands Trust	Judicial Commission of New South Wales		NewSouth Innovations Pty Limited

## Appendix two



UK Foundation of UNSW Australia	UTS Global Pty Limited
University of New South Wales Foundation	UTS Shenzhen Limited
University of New South Wales Press Limited	University of Wollongong
UNSW & Study Abroad - Friends and U.S. Alumni, Inc.	CCCU Deed of Trust
UNSW Centre of Transformational Environmental Technologies (Yixing)	KDU C (PJ) Sdn Bhd (Malaysia)
UNSW Global India Private Limited	KDU UC (PG) Sdn Bhd (Malaysia)
UNSW Global Pty Limited	KDU UC Sdn Bhd (Malaysia)
UNSW Hong Kong Foundation Limited	The Sydney Business School
UNSW Hong Kong Limited	The University of Wollongong USA Foundation
UNSW Sino-Australia Innovative Technology & Education (Shanghai) Co. Ltd.	UOW College Hong Kong (UOWCHK)
University of Newcastle	UOW FZ-LLC (Dubai)
NuServices Pty Ltd	UOW Pulse Ltd
The University of Newcastle Research Associates Limited	UOWC Ltd
UON Singapore Pte Ltd	UOWD Ltd
The University of Sydney	UOWM Sdn Bhd (Malaysia)
A14 Holdings Pty Ltd	Western Sydney University
The Warren Centre for Advanced Engineering Limited	Western Growth Developments (Innovation Hub Parramatta) Pty Ltd
United States Study Centre Limited	Western Growth Developments (Westmead) Pty Ltd
Westmead IVF Pty Limited	Western Sydney University Early Learning Ltd
University of Technology, Sydney	Whitlam Institute Trust (within the University of Western Sydney)
accessUTS Pty Limited	Western Sydney University Enterprises Pty Limited
AustLII Foundation Limited	Western Unlimited Limited
Insearch Education International Pty Limited	
Insearch (Shanghai) Limited	
Insearch Lanka (Private) Limited	
Insearch Global	
Insearch India LLP	
Insearch Limited	
Rural Pharmacy Student Placement Allowance	
Insearch Sri Lanka	
Sydney Educational Broadcasting Limited	
UTS Research and Innovation Institute (Shenzhen) Company Limited	
UTS Beijing Limited	



### Audit-related services of an ongoing nature requested by the Treasurer under section 27B(3)(c) of the then named *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.

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

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

---

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

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Audit of special purpose and trust funds for controlled entities of the Ministry of Health

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Assurance engagement to report on Controls at a Service Organisation for HealthShare NSW and eHealth NSW

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

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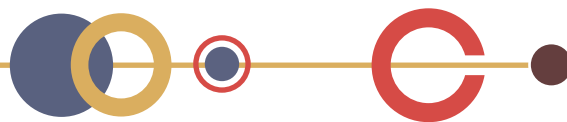
Audit of any Fisheries Trust Funds special purpose financial reports submitted by the Department of Planning, Industry and Environment.

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# Overseas visits

## Appendix three



There were no overseas visits made in the period from 1 July 2020 to 30 June 2021 due to travel restrictions related to the COVID-19 pandemic.

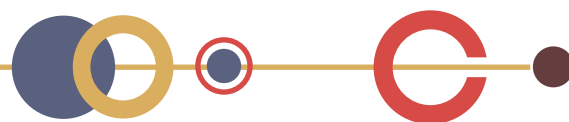
# Appearances before parliamentary committees

## Appendix four

Date	Committee	Event	Who
27 July 2020	Public Accounts Committee	Examination of the Auditor-General's Performance Audit Reports: August 2018 – January 2019	Margaret Crawford Claudia Migotto
6 August 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 4 June 2020 – 6 August 2020	Margaret Crawford Claudia Migotto Aaron Green
24 September 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 6 August 2020 – 24 September 2020	Margaret Crawford Scott Stanton Claudia Migotto
16 October 2020	Public Accountability Committee	Inquiry into the integrity, efficacy and value for money of NSW Government grant programs	Margaret Crawford Scott Stanton Claudia Migotto
22 October 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 24 September 2020 – 22 October 2020	Margaret Crawford Ian Goodwin Claudia Migotto Renee Meimaroglou
23 October 2020	Public Accountability Committee	Inquiry into the Budget process for independent oversight bodies and the Parliament of NSW	Margaret Crawford Ian Goodwin
2 November 2020	Investment, Industry and Regional Development Committee	Brief committee on relevant performance audits	Margaret Crawford Claudia Migotto
19 November 2020	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 22 October 2020 – 19 November 2020	Margaret Crawford Ian Goodwin Claudia Migotto
20 November 2020	Public Accounts Committee	Examination of the Auditor-General's Performance Audit Reports: February 2019 – July 2019	Margaret Crawford Ian Goodwin Claudia Migotto
3 February 2021	Portfolio Committee No. 1 – Premier and Cabinet	Inquiry into Cybersecurity	Ian Goodwin Scott Stanton Claudia Migotto
18 February 2021	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 19 November 2020 – 18 February 2021	Margaret Crawford Ian Goodwin Scott Stanton Claudia Migotto
4 March 2021	Portfolio Committee No. 1 – Premier and Finance	Budget Estimates	Margaret Crawford Ian Goodwin
25 March 2021	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 19 February 2021 – 25 March 2021	Margaret Crawford Ian Goodwin Claudia Migotto
13 May 2021	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 26 March 2021 – 13 May 2021	Margaret Crawford Ian Goodwin Claudia Migotto
15 June 2021	Portfolio Committee No. 6 – Transport and Customer Service	Inquiry into the acquisition of land in relation to major transport projects	Margaret Crawford Ian Goodwin
30 June 2021	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament: 14 May – 30 June 2021	Margaret Crawford Ian Goodwin Aaron Green Alison Brown

# Submissions to professional bodies

## Appendix five



Title	Date
<b>AASB – Australian Accounting Standards Board</b>	
Exposure Draft: 298 – General Presentation and Disclosures	13 August 2020
Fatal Flaw Review – AASB 2021-X – Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors	4 June 2021*
<b>IASB – International Accounting Standards Board</b>	
ED/2019/7 General Presentation and Disclosures	13 August 2020
<b>AUASB – Australian Auditing Standards Board</b>	
Exposure Draft ISA 600 Special Considerations – Audits of Group Financial Statements	4 September 2020
<b>IAASB – International Auditing and Assurance Standards Board</b>	
Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements	29 January 2021

\* The submission on Fatal Flaw Review – AASB 2021-X – Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors was submitted to the AASB by the Audit Office as it related to a NSW specific issue.

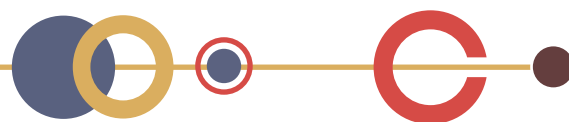
# Modified auditor's opinions and conclusions

## Appendix six

We issued four modified auditor's opinions and conclusions on assurance engagements in 2020–21 (seven modified audit opinions in 2019–20). See page 22 for further details.

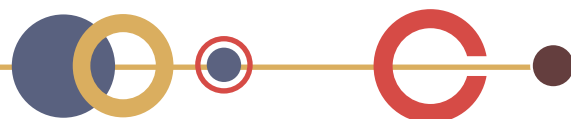
### Modified opinions on financial statements

Agency	Type of modification	Reason for modification
Central Coast Council	Qualified opinion	There were two matters which resulted in the qualified opinion.
General purpose financial statements for the year ended 30 June 2020		<p>For the first matter, the Council did not conduct the required revaluation to support the valuation of roads, bridges and footpath assets at 30 June 2020. As a result, sufficient appropriate audit evidence was not available to demonstrate that roads, bridges and footpath assets were measured at fair value at 30 June 2020 in accordance with AASB 116 'Property, Plant and Equipment'.</p> <p>The second matter related to the Council's disclosure of a prior period error relating to restrictions of monies collected for their water, sewer, and drainage operations, which, based on the NSW Crown Solicitor's advice, should be considered a change in accounting policy.</p> <p>Further information is available in the Auditor-General's <a href="#">Report on Local Government 2020</a>.</p>



### Modified opinions and conclusions on other assurance engagements

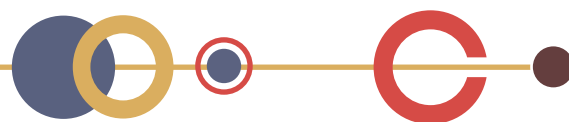
Agency	Type of modification	Reason for modification
<p>Social and Affordable Housing NSW Fund</p> <p>Audit of the payments from the Fund in accordance with the <i>Social and Affordable Housing Act 2016</i> for the year ended 30 June 2020</p>	Qualified opinion	<p>Except for one matter, payments from the 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.</p>
<p>Ministry of Health</p> <p>Report on compliance with the prudential requirements of the Fees and Payments Principles 2014 (No.2) within the Annual Prudential Compliance Statement for the year ended 30 June 2020</p>	Qualified opinion	<p>Except for a number of matters, the Ministry materially complied with the Fees and Payments Principles 2014 (No.2) (the Principles) within the Annual Prudential Compliance Statement. We identified a number of instances of non-compliance with the Principles, which resulted in a qualified opinion.</p>
<p>The Legislature</p> <p>Review of compliance with the Annual Determination of the Parliamentary Remuneration Tribunal by Members of the New South Wales Parliament for the year ended 30 June 2020</p>	Qualified conclusion	<p>Except for three matters, 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 the following three instances of material non-compliance with the PRT Determination that resulted in a qualified conclusion:</p> <ul style="list-style-type: none"> <li>• one member claimed the General Travel Allowance for the full cost of a charter flight used to attend a family event and perform the Member's parliamentary duties instead of estimating and claiming only the cost related to the Member's parliamentary duties</li> <li>• one member claimed the Communications Allowance for the same expenditure twice</li> <li>• one member elected to repay the Sydney Daily Allowance in lieu of providing evidence to support their claims as they did not have records to support that the purpose of the travel related to their parliamentary duties.</li> </ul> <p>Further information is available in the Auditor-General's <a href="#">Report on Members' additional entitlements 2020</a>.</p>



### Performance audits and special reports

Report	Entities audited	Date released
<a href="#">Their Futures Matter</a>	Department of Communities and Justice	24 July 2020
<a href="#">Health capital works</a>	NSW Health	12 August 2020
<a href="#">Governance and internal controls over local infrastructure contributions</a>	Blacktown City Council Central Coast Council City of Sydney Council Liverpool City Council	17 August 2020
<a href="#">Credit card management in Local Government</a>	Dubbo Regional Council Junee Shire Council Lane Cove Council Nambucca Valley Council Penrith City Council Shellharbour City Council	3 September 2020
<a href="#">Support for regional town water infrastructure</a>	Department of Planning, Industry and Environment	24 September 2020
<a href="#">The effectiveness of the financial arrangements and management practices in four integrity agencies (special report)</a>	Department of Premier and Cabinet NSW Treasury Independent Commission Against Corruption NSW Ombudsman NSW Law Enforcement and Conduct Commission NSW Electoral Commission	20 October 2020
<a href="#">Government advertising 2018–19 and 2019–20</a>	Department of Customer Service Service NSW NSW Rural Fire Service	19 November 2020
<a href="#">Waste levy and grants for waste infrastructure</a>	Department of Planning, Industry and Environment	26 November 2020
<a href="#">Managing the health, safety and wellbeing of nurses and junior doctors in high demand hospital environments</a>	NSW Health	9 December 2020
<a href="#">Procurement management in Local Government</a>	Cumberland City Council Georges River Council Lockhart Shire Council Tweed Shire Council Waverley Council Wollongong City Council	17 December 2020
<a href="#">One TAFE NSW modernisation program</a>	TAFE NSW	17 December 2020
<a href="#">Service NSW's handling of personal information (special report)</a>	Service NSW Department of Customer Service	18 December 2020
<a href="#">Delivering school infrastructure</a>	Department of Education	8 April 2021
<a href="#">Addressing public inquiry recommendations - Emergency response agencies</a>	Fire and Rescue NSW NSW National Parks and Wildlife Service NSW Rural Fire Service NSW State Emergency Service Resilience NSW	22 April 2021
<a href="#">Acquisition of 4–6 Grand Avenue, Camellia (special report)</a>	Transport for NSW	18 May 2021
<a href="#">Responses to homelessness</a>	Department of Communities and Justice	4 June 2021
<a href="#">WestConnex: changes since 2014</a>	Transport for NSW	17 June 2021
<a href="#">Grants administration for disaster relief</a>	NSW Treasury Service NSW Department of Customer Service	24 June 2021





## Financial audit reports

Report	Date released
<a href="#">State Finances 2020</a>	19 November 2020
<a href="#">Internal controls and governance 2020</a>	24 November 2020
<a href="#">Education 2020</a>	26 November 2020
<a href="#">Planning, Industry and Environment 2020</a>	10 December 2020
<a href="#">Regional NSW 2020</a>	10 December 2020
<a href="#">Stronger Communities 2020</a>	10 December 2020
<a href="#">Transport 2020</a>	10 December 2020
<a href="#">Health 2020</a>	10 December 2020
<a href="#">Central Agencies 2020</a>	10 December 2020
<a href="#">Report on Local Government 2020</a>	27 May 2021
<a href="#">Universities 2020 audits</a>	18 June 2021

## Request audit reports

Report	Date released
<a href="#">The effectiveness of the financial arrangements and management practices in four integrity agencies</a>	20 October 2020
<a href="#">Members' additional entitlements 2020</a>	15 December 2020
<a href="#">Service NSW's handling of personal information</a>	18 December 2020
<a href="#">Acquisition of 4–6 Grand Avenue, Camellia</a>	18 May 2021

## 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 2020–21:

- [April to June 2021](#)
- [January to March 2021](#)
- [October to December 2020](#)
- [July to September 2020.](#)

## Annual Report

[Annual Report 2019–20](#) published 15 October 2020.

Total external production costs for the Annual Report 2020–21: \$0.

# Internal Audit and Risk Management Attestation

## Appendix eight

### Internal Audit and Risk Management Attestation Statement for the 2020–21 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, am of the opinion that the Audit Office of New South Wales has internal audit and risk management processes in operation that are compliant with the seven (7) core requirements set out in the Internal Audit and Risk Management Policy for the General Government Sector, specifically:

Core requirements		Compliant or non-compliant
<b>Risk Management Framework</b>		
1.1	The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	Compliant
1.2	The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	Compliant
<b>Internal Audit Function</b>		
2.1	The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	Compliant
2.2	The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.	Compliant
2.3	The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
<b>Audit and Risk Committee</b>		
3.1	The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.2	The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

## Membership

The independent chair and members of the Audit and Risk Committee are:

- Independent Chair, 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, re-appointed 17 February 2021 for a further four-year term, ending on 16 February 2025
- Independent Member, John Gordon, re-appointed 1 November 2020 for a three-year term, ending on 31 October 2023.



Margaret Crawford  
Auditor-General for New South Wales  
26 September 2021

# Cyber Security Annual Attestation Statement

## Appendix nine



### Cyber Security Annual Attestation Statement for the 2020–21 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 and found all control effectiveness to be satisfactory.

An independent ISO/IEC 27001:2013 surveillance audit of the Audit Office of New South Wales' ISMS was undertaken and found the ISMS to conform with the standard.

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

- Fortnightly cyber security operational reporting
- Monthly review of cyber security posture with our Deputy-Auditor General, Assistant Auditor-General, 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 2021

# Transparency reporting

## Appendix ten



The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the Audit Office is not subject to these requirements, we have embraced the principles of transparency reporting. The following table summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this report.

Prescribed information*	Coverage in the annual report
Description of the auditor's legal structure and ownership	The 'Our organisation' section details our legislative framework. Refer to 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 2020–21. 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 2020–21. 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 32–33 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 55–86.
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.

# Workforce diversity and disability inclusion

## Appendix eleven

### Trends in the representation of workforce diversity groups

	Benchmark/ Target*	2016–17	2017–18	2018–19	2019–20	2020–21
Workforce Diversity Group	%	% of total staff				
Women	50 <sup>1</sup>	52.5	52.6	53.1	53.6	54.7
Aboriginal people and Torres Strait Islanders	3.3 <sup>2</sup>	1.4	0.3	1.0	0.4	1.7
People whose first language spoken as a child was not English	23.2 <sup>3</sup>	50	47.4	44.3	46.5	46.3
People with a disability	5.6 <sup>4</sup>	2.5	1.7	1.4	1.4	1.7
People with a disability requiring work-related adjustment	n/a	1.4	1.4	1.1	1.1	1.4

1 The benchmark of 50 per cent for representation of women across the sector is intended to reflect the gender composition of the NSW community.

2 The NSW Public Sector Aboriginal Employment Strategy 2014–17 introduced an aspirational target of 1.8 per cent by 2021 for each of the sector's salary bands. If the aspirational target of 1.8 per cent is achieved in salary bands not currently at or above 1.8 per cent, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3 per cent.

3 A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for people whose first language spoken as a child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2 per cent is the percentage of the NSW general population born in a country where English is not the predominant language.

4 In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7 per cent to 5.6 per cent by 2027. The benchmark for People with Disability Requiring Work-Related Adjustment was not updated.

### Trends in the distribution of workforce diversity groups

	Benchmark/ Target*	2016–17	2017–18	2018–19	2019–20	2020–21
Workforce Diversity Group	%	% of total staff				
Women	100	96	100	101	98	98
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a	n/a	n/a
People whose first language spoken as a child was not English	100	86	93	97	95	94
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 2020–21, 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 employees. 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 2020–21, and activity planned for 2021–22, please see 'Cultural Diversity' in the table on the next page.

Multicultural NSW provided two MPSP themes for all NSW government agencies to report against in 2020–21. These themes, along with our responses, are detailed below.

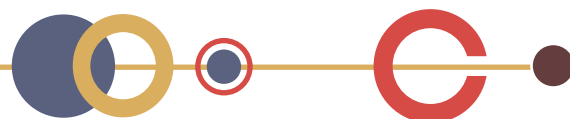
### Theme 1: Response to COVID-19

*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 2020–21, six women are from CALD backgrounds out of 34 Band 1 equivalent and above leaders in total – this equates to 18 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.



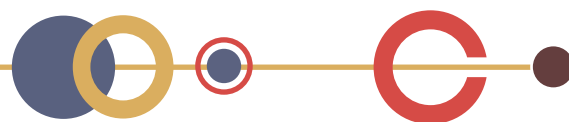
### Diversity Inclusion and Accessibility Roadmap

Focus area	2020–21 achievements	2021–22 goals and planned activity
<b>Indigenous (Reconciliation)</b> Aims to strengthen relationships between Aboriginal and Torres Strait Islander peoples and non-indigenous employment, community engagement, cultural competency and procurement.	<ul style="list-style-type: none"> <li>Implemented year five of our Indigenous Internship Program with four Indigenous interns employed.</li> <li>Celebrated NAIDOC week virtually with an external speaker.</li> <li>Recognised National Reconciliation Week.</li> <li>Launched the Audit Office Reconciliation Roadmap.</li> <li>Published the Audit Office Reconciliation Commitment Statement.</li> <li>Published guidelines for adding a Reconciliation Commitment Statement to email signatures.</li> <li>Installed a sign acknowledging the traditional custodians on which the Audit Office stands at our reception.</li> <li>Supported an employee's virtual secondment to the Jawun program.</li> <li>Drafted a First Nations Engagement Strategy.</li> <li>Launched Aboriginal cultural competency modules for all employees.</li> <li>Piloted an advanced Aboriginal cultural competency virtual course.</li> <li>Updated our Procurement and Contracts Management Policy to align with the NSW Government Aboriginal Procurement Policy and NSW Government initiatives.</li> <li>Partnered with two Aboriginal owned businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to partner with our Indigenous Internship Program and implement year six of the program.</li> <li>Involvement in Women's Mentors through our Indigenous Internship Program.</li> <li>Advanced Aboriginal cultural competency training for Office Executive team members.</li> <li>Development of a Social Procurement Action Plan, which includes Aboriginal businesses.</li> <li>Finalise the First Nations Engagement Strategy.</li> </ul>
<b>Gender Equity</b> Aims to eliminate discrimination on the basis of gender and remove barriers to equal participation.	<ul style="list-style-type: none"> <li>Continued to conduct twice-yearly gender pay gap analysis.</li> <li>Continued our approach to championing flexible working arrangements.</li> <li>Continued to advertise roles as supporting flexible working arrangements.</li> <li>Supported various International Women's Day events.</li> <li>Supported ten women to attend 'Masterclass: Building visibility and influence for women in the Public Sector'.</li> <li>Hosted a virtual catch up for female leaders to network and discuss impact of COVID-19.</li> <li>50 per cent of graduates recruited were women.</li> <li>Shortlisted at least one woman for each recruitment campaign.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to encourage women to attend leadership events.</li> <li>Continue to review and support flexible working options.</li> <li>Target women for development opportunities.</li> <li>Align paid parental leave entitlements with the determination under the Government Sector Employment Act.</li> <li>Promote internal female leadership and female middle management networking sessions.</li> </ul>
<b>Disability and Inclusion</b> 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"> <li>Implemented training, development and job design solutions for employees with a disability.</li> <li>Implemented training solutions for managers of employees with a disability.</li> <li>Promoted the PSC Age of Inclusion campaign.</li> <li>Celebrated International Day of People with a Disability, with a range of articles on our intranet.</li> <li>Continued to ensure that all service information was available in accessible electronic formats.</li> <li>Continued to ensure that training programs are accessible.</li> <li>Increased the accessibility of our external products by providing on the job accessibility training to some of our report teams and by utilising alt text for images.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to provide training and development to employees with a disability and their managers.</li> <li>Leverage off the NSW Public Service Commission's disability initiatives.</li> <li>Develop a strategy for increasing employment of people with a disability, including investigate disability internships.</li> <li>Continue to investigate ways to increase the accessibility of our external products.</li> <li>Ensure all training programs are accessible.</li> </ul>
<b>Cultural Diversity</b> 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"> <li>Ensured all new and existing employees completed the 'Respect and Diversity' and 'Cultural Competence' compulsory online training modules.</li> <li>Continued to include diversity statements in all job advertisements.</li> <li>Continued to build our diversity calendar with days of cultural significance.</li> <li>Conducted and provided employees communications for several diversity events.</li> <li>Showcased recipes from employees' cultural backgrounds as part of Harmony week.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to include diversity statements in all job advertisements.</li> <li>Continue to build our diversity calendar days of cultural significance.</li> <li>Diversity of thought to be delivered under the Workforce Strategy.</li> <li>Investigate inclusive leadership development programs.</li> <li>Investigate opportunities to develop inclusive capabilities across the organisation.</li> </ul>



# Recognition program winners

## Appendix twelve



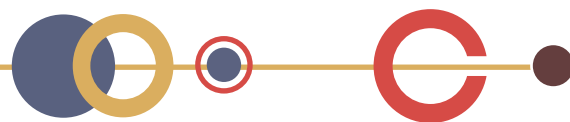
Following are the 2020–21 winners in the Audit Office's 'Audies' recognition program. For further details on this program see page 34.

Name	Type of award	Nomination period
Rochele Antolin	Karyn Neal Leadership Award 2020	2020
Amy Divall	Individual	July 2020 – November 2021
Daniel Irwin	Individual	
Walter Chung	Individual	
Wendy Chow	Individual	
Eric Nathaniel	Individual	
Adam Zhuang	Individual	
Robert Hayek	Individual	
Sameer Talekar	Individual	
Moontaha Sattar	Individual	
Jason Appleby, Stacie Adamedes, Andrew Fatseas, Rochele Antolin	Team - Contact tracing	
Yugani Vidanalage, Ken Thomson, Peter McCloud, Ryan O'Connor, Anthony Bradshaw	Team - Data centre recovery	December 2020 – June 2021
Mukesh Nair, Rammiya Brinthapan, Adam Zhuang	Team - IS Audit	
Sean Bryceland, Andrew Fatseas, Ken Thomson, Kris Patil, Anthony Bradshaw, Peter McCloud, Luke Powell, Kanthi Subbanna, Ryan O'Connor, Yugani Vidanalage	Team - Technology services	
Sylvia Lee	Individual	
Hannah Stopel	Individual	
Jarryd Friedmann	Individual	
Aubrey Perez	Individual	
Jonathan Lam	Individual	
Alex Kaiser	Individual	
Sarah Huang	Individual	
Tiago Serra	Individual	Team - Camellia and WestConnex Audit Report Support
Mukesh Nair, Adam Zhuang, Sarah Huang, Neil Chen, Barry Li, Helen Ye, Rammiya Brinthapan, Harrison Lo, Rasheeq Mir, Cassie Malone, Moontaha Sattar, Joanne Ters, Sean Barnard, Karen Taylor, Aaron Green, David Daniels	Team - Central Coast Audit	
Kamal Colah, Abie Domingo, Trevor Tye, Vanessa Gill, Roush Tallai	Team - Camellia and WestConnex Audit Report Support	

Award winners featured on our cover (top row l-r): Rochele Antolin, Tiago Serra, (second row l-r) Roush Tallai, Hannah Stopel, Amy Divall, (bottom row l-r) Aubrey Perez, Sameer Talekar, Sylvia Lee.

# Accounts payable performance

## Appendix thirteen



### 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
<b>All suppliers</b>					
September	374	–	–	–	–
December	57	–	–	–	–
March	711	–	–	–	–
June	277	–	–	–	–
<b>Small business suppliers</b>					
September	2	–	–	–	–
December	–	–	–	–	–
March	1	–	–	–	–
June	–	–	–	–	–

### Accounts due or paid within each quarter

Measure	September	December	March	June
<b>All suppliers</b>				
Number of accounts due for payment	952	907	728	1,094
Number of accounts paid on time	950	903	711	1,086
Actual percentage of accounts paid on time (based on number of accounts)	99.8%	99.6%	97.7%	99.3%
Dollar amount of accounts due for payment	\$8,959,038	\$8,425,994	\$5,722,664	\$10,894,560
Dollar amount of accounts paid on time	\$8,955,388	\$8,418,586	\$5,697,285	\$10,840,902
Actual percentage of accounts paid on time (based on \$)	99.9%	99.9%	99.6%	99.5%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–
<b>Small business suppliers</b>				
Number of accounts due for payment to small businesses	6	15	4	10
Number of accounts due to small businesses paid on time	6	15	4	10
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses	\$13,337	\$99,881	\$27,221	\$43,280
Dollar amount of accounts due to small businesses paid on time	\$13,337	\$99,881	\$27,221	\$43,280
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%
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 99.7 per cent of all accounts on time.

### Interest on late payments

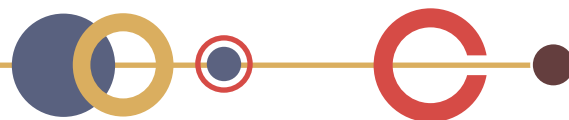
There were no interest payments during the year for overdue payments (2019–20: \$82).

### Purchasing Card Certification

The Audit Office's Purchasing Card Policy was reviewed and updated in May 2021. 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.

# Consultants and allied organisations

## Appendix fourteen



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 2020–21 were \$190,407 compared to \$306,668 in 2019–20. The reduction in expenditure is due to the Audit Office only engaging three consultants during the year.

### 2020–21 consultancy expenses

Consultant	Nature of consultancy	Amount \$
<b>Contracts \$50,000 or more</b>		
Bendelta	Assist in developing principles for hybrid ways of working	100,353
Quark Consulting	Review of the Auditor-General's mandate	75,000
<b>Total</b>	<b>(2 contracts)</b>	<b>175,353</b>
<b>Contracts less than \$50,000 (total)</b>		
	<b>(1 contract)</b>	<b>15,054</b>
<b>Total expenditure for 2020–21*</b>		<b>190,407</b>

\* This table excludes the engagement of Audit Service Providers and firms/individuals whom the Audit Office engaged to provide assistance on financial and performance audits.

### 2019–20 consultancy expenses

Consultant	Nature of consultancy	Amount \$
<b>Contracts \$50,000 or more</b>		
Elton Consulting	Develop stakeholder engagement strategy and plan	81,408
Bendelta	Develop 2020–24 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
<b>Total</b>	<b>(4 contracts)</b>	<b>292,372</b>
<b>Contracts less than \$50,000 (total)</b>		
	<b>(1 contract)</b>	<b>14,296</b>
<b>Total expenditure for 2019–20*</b>		<b>306,668</b>

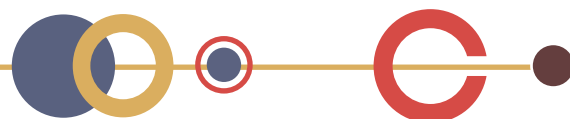
\* This table excludes the engagement of Audit Service Providers and firms/individuals whom the Audit Office engaged to provide assistance on financial and performance audits.

## Allied organisations

The Audit Office does not have any allied organisations including controlled entities, formal partnerships, joint ventures or other related entities.

# GIPA application information

## Appendix fifteen



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	1	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	1	0	0	0	0	0

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	1	0	0	0	0	0
Access applications (other than personal information applications)	0	0	1	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

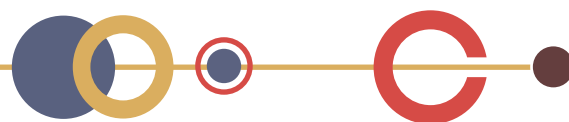
\* A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

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)	2
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

	Number of times consideration used*
Excluded information	2
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)	2
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
<b>Total</b>	<b>2</b>

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

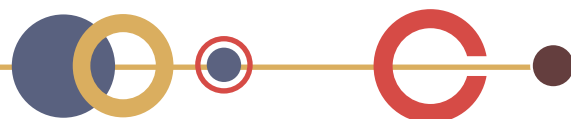
	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

# Public interest disclosures information

## Appendix sixteen



Commentary on public interest disclosures and the *Public Interest Disclosures Act 1994* can be found on page 46.

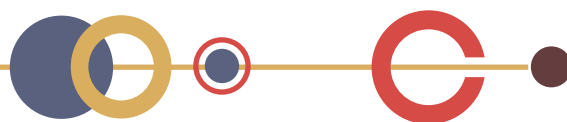
Statistical information on Public Interest Disclosures (PIDs) for the period 1 July 2020 to 30 June 2021

### Categories of wrongdoing

Corrupt conduct	Maladministration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			Total		
	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other
Number of public officials who made PIDs direct to the Audit Office	–	–	–	–	–	–	–	–	6	–	–	–	–	–	6
Number of PIDs made directly to your investigating authority	–	–	–	–	–	–	–	–	6	–	–	–	–	–	6
Number of PIDs received by your investigating authority under section 25 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs received by your investigating authority under section 26 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total number of PIDs	–	–	–	–	–	–	–	–	6	–	–	–	–	–	6

Corrupt conduct	Maladministration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			Total		
	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other
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	–	–	–	–	–	–	–	–	6	–	–	–	–	–	6
Number of PIDs handled with a public authority	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs handled with another investigating authority	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total number of PIDs	–	–	–	–	–	–	–	–	6	–	–	–	–	–	6
Number of PIDs handled by commencing a formal investigation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs finalised in 2020–21	–	–	–	–	–	–	–	–	7	–	–	–	–	–	7





## **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.



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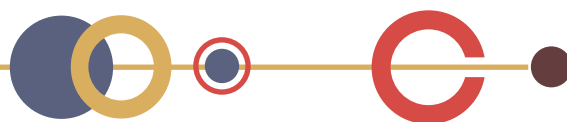
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