



FINANCIAL AUDIT

30 NOVEMBER 2023

Enterprise, Investment and Trade 2023

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These assess whether the activities of government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.

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In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**Enterprise, Investment and Trade 2023**'.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford PSM

Auditor-General for New South Wales
30 November 2023



RECONCILIATION COMMITMENT STATEMENT

The Audit Office of New South Wales pay our respect and recognise Aboriginal people as the traditional custodians of the land in NSW.

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

We honour and thank the traditional owners of the land on which our office is located, the Gadigal people of the Eora nation, and the traditional owners of the lands on which our staff live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

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Section one

Enterprise, Investment and Trade 2023

This report analyses the results of our audits of the Enterprise, Investment and Trade portfolio of agencies for the year ended 30 June 2023.

1. Introduction

This report provides Parliament and other users of the Enterprise, Investment and Trade portfolio of agencies' financial statements with the results of our audits, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations.

1.1 Snapshot of the portfolio of agencies

Enterprise, Investment and Trade

Key agencies

Principal Department



Agencies



Source: NSW Budget Papers 2023–24.

The NSW Government announced in the 2023–24 budget papers its intention to move away from agency-based outcomes to a broad set of wellbeing and performance measures. The outcomes that were applicable to this portfolio of agencies in 2022–23 are listed below.

Key objectives of the Enterprise, Investment and Trade portfolio: Support New South Wales (NSW) businesses to find new markets, help drive partnerships across sectors and borders, and promote New South Wales as an attractive place to do business.

State outcomes	Description
Increased economic development and investment attraction	Facilitate investment to support high-value job creation for future focussed industries, boost exports, lift productivity and activate precinct development opportunities.
Excellence in arts and tourism	Leverage our capabilities to position the State as a world-class centre for performances, events, exhibitions and visitation.
Vibrant, safe and responsible hospitality and racing	Allow the operation of a diverse and vibrant liquor and gaming industry while ensuring public safety and minimising the risk of harm.

Source: NSW Budget Papers 2023–24.

The Department of Enterprise, Investment and Trade (the department) is the lead agency of the Enterprise, Investment and Trade portfolio. The portfolio brings together the NSW public sector organisations across the key cultural, hospitality, entertainment, tourism and investment groups. The department was established in December 2021 to drive the NSW Government's commitment to economic transformation and thriving communities. Its businesses include:

- Create NSW
- Investment NSW
- Hospitality and racing.

1.2 Changes to the portfolio of agencies

Machinery of Government (MoG) refers to how the government organises the structures and functions of the public service. MoG changes are where the government reorganises these structures and functions that are given effect by administrative orders.

Administrative Orders and amendments to state legislation resulted in a number of changes to the Enterprise, Investment and Trade portfolio in 2022–23:

Impacted agency	Description of change	Effective date
Investment NSW	Investment NSW was first established on 29 March 2021 as a separate legal entity however, effective from 1 July 2022, the entity was abolished with all its functions, assets, liabilities, rights and obligations transferred into the Department of Enterprise, Investment and Trade.	1 July 2022
NSW Independent Casino Commission	New entity established under the <i>Casino Control Act 1992</i>	5 September 2022
Foundation for the Historic Houses Trust of New South Wales	Wound up under a 'Deed of Dissolution of Trust' and was approved to be voluntarily deregistered. On 21 November 2022, the activities, assets and liabilities of these Trusts were transferred to the Historic Houses Trust of New South Wales	21 November 2022
Foundation for the Historic Houses Trust of New South Wales Limited		

Impacted agency	Description of change	Effective date
Museums of History NSW	New entity established under the <i>Museums of History NSW Act 2022</i>	31 December 2022
Historic Houses Trust of New South Wales	All functions and related assets, liabilities and rights were transferred to the Museums of History NSW from 31 December 2022. At the same time, the <i>Historic Houses Act 1980</i> was repealed and abolished the Historic Houses Trust of New South Wales.	31 December 2022
State Archives and Records Authority of New South Wales	Renamed to State Records Authority of New South Wales with certain functions transferred to the Museums of History NSW.	31 December 2022
State Archives and Records Authority of New South Wales Staff Agency	Renamed to the Museums of History NSW and State Records Authority NSW Staff Agency.	31 December 2022
Independent Liquor and Gaming Authority Staff Agency	Established Independent Liquor and Gaming Authority Staff Agency and transferred persons employed in the Office of the Independent Liquor and Gaming Authority within the Department of Enterprise, Investment and Trade into the new entity.	27 February 2023
NSW Independent Casino Commission Staff Agency	Established NSW Independent Casino Commission Staff Agency and transferred persons employed in the Office of the NSW Independent Casino Commission within the Department of Enterprise, Investment and Trade into the new entity.	27 February 2023
Combat Sports Authority Institute of Sport Staff Agency New South Wales Institute of Sport Office of Sport State Sporting Venues Authority Venues NSW Venues NSW Staff Agency	Transferred to the Communities and Justice portfolio.	5 April 2023
Western Parklands City Authority	Transferred to the Planning and Environment portfolio.	5 April 2023

This report is focused on agencies in the Enterprise, Investment and Trade portfolio as at 30 June 2023.

2. Financial reporting





Financial reporting is an important element of good governance. Confidence and transparency in public sector decision-making are enhanced when financial reporting is accurate and timely.

This chapter outlines our audit observations related to the financial reporting of agencies in the Enterprise, Investment and Trade portfolio of agencies (the portfolio) for 2023.

Section highlights

- Unqualified audit opinions were issued on all completed portfolio agencies' 2022–23 financial statements.
- An 'other matter' paragraph was included for the Jobs for NSW Fund's 30 June 2022 financial report to reflect non-compliance with the *Jobs for NSW Act 2015*.
The Act requires the board to consist of seven members that include the Secretary of the Treasury, the Secretary of the Department of Premier and Cabinet (or their nominees) and five ministerial appointments, one of whom is to be appointed as Chair of the board. The board has consisted of the two secretaries since 24 May 2019 when the independent members resigned. The remaining five members have not been appointed by the ministers as required by section 5(2) of the Act.
- An 'emphasis of matter' paragraph was included in the Jobs for NSW Fund's 30 June 2022 financial report to draw attention to the financial report being prepared for the purpose of fulfilling the Jobs for NSW Fund's financial reporting responsibilities as requested by the Treasurer's delegate.
- The total number of errors (including corrected and uncorrected) in the financial statements increased by 12% compared to the prior year.
- The Responsible Gambling Fund (Special Deposit Account) did not prepare financial statements for the year ended 30 June 2023. Financial statements should be prepared unless NSW Treasury releases a Treasurer's Direction under section 7.8 of the GSF Act that will exempt the Fund from financial reporting requirements.

2.1 Portfolio financial information 2023

Agency	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Principal department				
Department of Enterprise, Investment and Trade	1,510.5	177.3	2,243.2	2,118.6
Other portfolio agencies listed in Appendix A of Treasurer's Direction TD21-02				
Art Gallery of New South Wales Trust	2,589.0	15.2	139.6	107.5
Australian Museum Trust	1,434.8	21.4	74.1	70.3
Destination NSW	148.3	55.3	382.1	352.8
Independent Liquor and Gaming Authority	3.3	0.4	6.8	5.4
Library Council of New South Wales	1,759.0	17.6	118.1	105.3
Museums of History NSW	1,577.0	22.0	37.1	41
NSW Independent Casino Commission	19.0	0.5	30.1	11.5
State Records Authority NSW	0.4	--	47.1	19.5
Sydney Opera House Trust	3,289.4	49.6	211.3	196.8
Trustees of the Museum of Applied Arts and Sciences	563.8	9.6	97.8	97.5

* Includes other gains.

** Includes other losses.

Source: Agencies' audited 2022–23 financial statements.

2.2 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued on all completed agencies' financial statements

Unqualified audit opinions were issued on all completed portfolio agencies' 30 June 2023 financial statements. Sufficient and appropriate audit evidence was obtained to conclude the financial statements were free of material misstatement.

The Jobs for NSW Fund (Jobs Fund) audit for year ended 30 June 2023 is ongoing.

In our [Enterprise, Investment and Trade 2022](#) report, we reported that Jobs Fund audit for the year ended 30 June 2022 was ongoing. The audit has since been completed and the independent auditor's report was signed on 10 October 2023.

Jobs for NSW Fund's 30 June 2022 Independent Auditor's Report includes an 'Other Matter' and an 'Emphasis of Matter' paragraph

Similar to 2020–21, while not modifying the audit opinion, we included:

- an 'other matter' paragraph to reflect the non-compliance with the *Jobs for NSW Act 2015*
- an 'emphasis of matter' paragraph to draw attention to Note 2 of the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Jobs Fund's financial reporting responsibilities requested by the Treasurer's delegate.

The number of identified monetary misstatements increased in 2022–23

The number of monetary misstatements identified during the audits of portfolio agencies' financial statements increased from 25 in 2021–22 to 28 in 2022–23. A monetary misstatement is an error in amount recognised in the financial statements initially submitted for audit. In our view, misstatements should be corrected. They are reported to management for this purpose. Management has determined not to correct some errors because they are not material, either individually or in aggregate. These are reported in this report as 'uncorrected misstatements'.

Reported corrected misstatements remained consistent at 19 in 2021–22 and 2022–23 with a gross value of \$150.6 million in 2022–23 (\$86.4 million in 2021–22). Reported uncorrected misstatements increased from six in 2021–22 to nine with a gross value of \$3 million in 2022–23.

The table below shows the number and quantum of monetary misstatements for the past two years.

Year ended 30 June	2023		2022	
	✓	!	✓	!
Less than \$50,000	1	1	1	1
\$50,000 to \$249,999	2	4	6	2
\$250,000 to \$999,999	7	4	2	2
\$1 million to \$4,999,999	4	--	4	--
\$5 million and greater	5	--	6	1
Total number of misstatements	19	9	19	6
Key	✓	!	Corrected misstatements Uncorrected misstatements	

Source: Engagement Closing Reports issued by the Audit Office of New South Wales.

Refer to [Appendix one](#) for details of corrected and uncorrected monetary misstatements by agency.

Of the 19 corrected monetary misstatements, five had a gross value of greater than \$5 million, and related to the following:

Agency	Description of corrected misstatements > \$5 million
The Department of Enterprise, Investment and Trade (the department)	The department overstated grants relating to the Jobs Plus Program by \$48.5 million as the criteria to recognise the grant as an expense was not met at 30 June 2023.
	The Pier 2/3 building in the Walsh Bay Arts Precinct was understated by \$47.6 million as outdated asset data was used in the valuation.
	The Wharf 4/5 building in the Walsh Bay Arts Precinct valuation was overstated by \$25.5 million due to double counting of some cost elements in the valuation.
	Pier 2/3 land in the Walsh Bay Arts Precinct was understated by \$7.3 million due to an incorrect rate used in the valuation.
	The department recognised \$7.1 million of costs spent on the Willow Grove relocation project as capital in nature when it should have been expensed.

Of the nine uncorrected monetary misstatements, none had a gross value of greater than \$5 million.

Eleven agencies were exempted from financial reporting in 2022–23

Part 3A, Division 2 of the Government Sector Finance Regulation 2018 (GSF Regulation) prescribes certain kinds of GSF agencies not to be a reporting GSF agency. For 2022–23, the following portfolio agencies have assessed and determined they met the reporting exemption criteria under the GSF Regulation, and therefore were not required to prepare annual financial statements:

Agencies	GSF Regulation reference	Basis for reporting exemption
Special purpose staff agencies		
Art Gallery of New South Wales Trust (Staff Agency)	Part 3A, Division 2, Section 9F of the GSF Regulation	GSF Regulation prescribes a GSF agency that comprises solely of persons who are employed to enable another particular GSF agency to exercise its function not to be a reporting GSF agency.
Australian Museum Trust (Staff Agency)		
Destination NSW (Staff Agency)		
Independent Liquor and Gaming Authority (Staff Agency)		Staff agencies satisfy this requirement and therefore are exempted from preparing financial statements in 2022–23. These exemptions are standing in nature and continue from the previous year.
NSW Independent Casino Commission (Staff Agency)		
Office of the Greyhound Welfare and Integrity Commission (Staff Agency)		
Sydney Opera House Trust (Staff Agency)		
Trustees of the Museum of Applied Arts and Sciences (Staff Agency)		
Small agencies		
General Incorporated Association NSW Government	Part 3A, Division 2, Section 9D of the GSF Regulation	GSF Regulation prescribes a GSF agency meeting all the following requirements not to be a reporting GSF agency: <ul style="list-style-type: none">the assets, liabilities, income, expense, commitments and contingent liabilities of the agency are each less than \$5 millionthe total cash or cash equivalent held by the agency is less than \$2.5 millionat least 95% of the agency’s income is derived from money paid out of the Consolidated Fund or money provided by other GSF agenciesthe agency does not administer legislation for a minister by or under which members of the public are regulated.
NSW Government US Office Inc		
The Australian Institute of Asian Culture and Visual Arts Limited		

Matters around the effectiveness of the exemptions framework will be included in our Report on State Finances.

Financial statements were not prepared for the Responsible Gambling Fund for the year ended 30 June 2023 (Special Deposits Account)

The new financial reporting provisions in section 7.8 of the GSF Act commenced on 1 July 2023 effective for the 2022–23 financial year. These provisions require responsible managers of Special Deposits Accounts (SDA) to prepare financial reports for each SDA account in accordance with the Treasurer's Directions and give those reports to the Auditor-General to audit unless they are exempted from reporting under a Treasurer's Direction.

For these reasons, the Responsible Gambling Fund, an SDA established under the *Casino Control Act 1992*, is required to prepare financial statements for the year ended 30 June 2023 unless NSW Treasury releases a Treasurer's Direction under section 7.8 of the GSF Act that will exempt the Fund from financial reporting requirements.

Historically, the Responsible Gambling Fund have prepared financial statements until 2022–23. For 2022–23, the Fund is disclosed as an administered item within the Department of Enterprise, Investment and Trade's 2022–23 financial statements.

2.3 Timeliness of financial reporting


Early close procedures


NSW Treasury introduced early close procedures to improve the quality and timeliness of year-end financial statements. In February 2023, NSW Treasury reissued Treasurer's Direction TD19-02 'Mandatory Early Close as at 31 March each year' (TD19-02) and reissued Treasury Policy and Guidelines TPG22-11 'Agency Direction for the 2022–23 Mandatory Early Close'. These pronouncements require the GSF agencies listed in Appendix A of TD19-02 to perform the mandatory early close procedures and provide the outcomes to the audit team by 27 April 2023. The 17 mandatory procedures are listed in [Appendix two](#).

Portfolio agencies met the statutory deadline for submitting their 2022–23 early close financial statements and other mandatory procedures.

Agencies need to improve their completion of early close procedures

The following portfolio agencies did not complete all mandatory early close procedures:

Portfolio agencies	Not completed 	Description of incomplete early close procedures
Principal department		
Department of Enterprise, Investment and Trade (the department)	6	<p>Revaluation of property, plant and equipment</p> <p>The comprehensive revaluation of the department's land and buildings asset classes was not performed in time for early close. Management advised this was due to delays in resolving matters raised by the Audit Office in 2021–22 relating to capitalisation and componentisation of capital project costs in WIP.</p> <p>Significant management judgements and assumptions</p> <p>The department did not:</p> <ul style="list-style-type: none">complete its useful life, asset condition, and impairment assessment of its building assets due to delays in completing their comprehensive asset revaluationprovide their assessment on the provision for grant funding committed and how it meets Australian Accounting Standards.

Portfolio agencies	Not completed 	Description of incomplete early close procedures
		<p>Inter and Intra (cluster) agency transactions and balances</p> <p>At 31 March 2023, the department had 16 inter and intra agency transactions that did not match. These were individually below \$5 million but were collectively above \$30 million. This is collectively above audit's materiality and Treasury's prescribed threshold. Management did not confirm nor agree these variances with counterparties.</p> <p>Reconciliation of key account balances</p> <p>The March 2023 reconciliation for:</p> <ul style="list-style-type: none"> an accrued expense general ledger account was not prepared. At 31 March 2023, there was \$3.3 million recorded in this account provision for annual leave did not reconcile to the general ledger balance. <p>Finalise assessment of all revenue contracts</p> <p>The department did not perform and document its review of its revenue contracts relating to Create NSW.</p> <p>Monthly management reports</p> <p>Management did not provide to audit its management reports where they have performed variance analysis with meaningful explanations, for actuals versus budget, and year to date actuals for the previous year.</p>
Other agencies listed in Appendix A of TD19-02		
Australian Museum Trust	3	<p>Fair value assessment of property, plant and equipment</p> <p>Management did not document a fair value assessment of its land, buildings and collection assets for the 2022–23 early close procedures.</p> <p>Revaluation of property, plant and equipment</p> <p>The results of the Museum's collection assets' comprehensive revaluation were received later than expected, therefore delaying management from finalising their review before the early close deadline.</p> <p>Significant management judgements and assumptions</p> <p>Further documentation was needed to support significant judgements and assumptions used by management to derive its accounting treatment for 'Collection Enhancement Project' related costs.</p>
Trustees of the Museum of Applied Arts and Sciences	1	<p>Fair value assessment of property, plant and equipment</p> <p>The early close proforma financial statements did not incorporate the indexation movement of the fair value of its land and buildings due to the timing of receiving the indexation report.</p>

Source: Reports on early close procedures 2023 issued by the Audit Office of New South Wales.

The review of agencies' early close procedures found more work needs to be done to:

- complete comprehensive revaluation and fair value assessment of property, plant and equipment in a timely manner
- appropriately document and perform an assessment over the key significant judgements and assumptions.

Year-end financial reporting

NSW Treasury required all agencies to submit their financial statements by 1 August 2023

In June 2023, NSW Treasury issued a suite of Treasurer's Directions and Treasury Policy and Guidelines for 2022–23 financial reporting requirements and timetables:

- Treasurer's Direction TD21-02 'Mandatory Annual Returns to Treasury' (TD21-02) and Treasury Policy and Guidelines TPG23-13 'Agency Direction for the 2022–23 Mandatory Annual Returns to Treasury' require agencies listed in the Appendix A of TD21-02 to submit their 2022–23 financial statements to both NSW Treasury and the Audit Office by 1 August 2023.
- Treasury Policy and Guidelines TPG23-14 'Agency guidelines for the 2022–23 Mandatory Annual Returns to Treasury for New South Wales public sector agencies that are not included in TD21-02' requires New South Wales public sector agencies not listed in Appendix A of TD21-02 to submit their draft 2022–23 financial statements to NSW Treasury by 1 August 2023.

Treasurer's Direction TD21-03 'Submission of Annual GSF Financial Statements to the Auditor-General' requires reporting GSF agencies that are not listed in Appendix A of TD21-02 to submit their annual financial statements for audit within six weeks after the year end.

Financial statements were submitted on time for all portfolio agencies

Portfolio agencies met the reporting deadlines for submitting their 2022–23 year-end financial statements.

The *Government Sector Audit Act 1983* does not specify the statutory deadline for issuing the audit reports. At the date of this report, the Jobs for NSW Fund audit for year ended 30 June 2023 is ongoing.

The table in [Appendix three](#) shows the timeliness of the year-end financial reporting for portfolio agencies.

2.4 Key accounting issues

Asset accounting for completed capital projects

Significant capital projects were completed and opened to the public during 2022–23

During 2022–23, there were a number of significant capital projects within the portfolio where construction was completed and the site was opened to the public. They were:

Sydney Modern by the Art Gallery of New South Wales Trust

The Sydney Modern project was completed and commenced operations on 3 December 2022. The total cost of the project was \$344 million. Of this total cost, \$244 million was funded by the State Government whilst \$100 million was funded through sponsorships from private donors. At 30 June 2023, the Art Gallery of New South Wales Trust have received \$99.2 million of its sponsorships towards the Sydney Modern project. The remaining \$800,000 was received by 30 September 2023.

For financial reporting purposes, the Art Gallery of New South Wales Trust engaged an external valuer to undertake a comprehensive valuation of the Sydney Modern building to ensure that the carrying amount of the asset is at fair value. Due to the specialised nature, the building was valued with reference to its current replacement cost.

The Art Gallery of New South Wales Trust recorded a revaluation increment of \$17.2 million at 30 June 2023 to reflect the changes to fair value of the building.

Walsh Bay Arts Precinct by the Department of Enterprise, Investment and Trade

The Walsh Bay Arts Precinct (WBAP) was completed and officially opened to the public in 2022. Situated at Dawes Point, Sydney, WBAP comprises of Pier 2/3 and Wharf 4/5.

During 2022–23, the department engaged an external valuer to undertake a comprehensive revaluation of the WBAP. Due to their nature, the fair value of these specialised assets is determined with reference to their current replacement cost. The value of land, which is not a specialised asset, is determined using market prices and adjusted for any restrictions that apply to that land. The department recognised:

- \$2.5 million revaluation increment to Wharf 4/5 and Pier 2/3 land
- \$2.8 million revaluation increment to Wharf 4/5 and Pier 2/3 buildings.

Our audit identified a number of errors which were corrected by management. These are reported in [section 2.2](#) of the report.

Opera House Concert Hall Renewal by the Sydney Opera House Trust

The Opera House Concert Hall renewal works commenced in February 2020 which resulted in the closure of the hall until its reopening in July 2022. At 30 June 2023, the spend to date on the renewal was \$183.8 million.

In 2022–23, the Sydney Opera House Trust engaged an external valuer and comprehensively revalued its building and building services assets which includes the concert hall. As a result, a total revaluation increment of \$224 million was recorded at 30 June 2023 to reflect the changes to fair value. This brings the fair value of its building and building services assets to \$2.9 billion. Due to the specialised nature, these assets were revalued with reference to their reproduction cost.

The reproduction cost approach is a valuation technique that aims to reflect the estimated cost required to reproduce a replica of an asset to the extent possible, using the same specifications, materials and construction techniques as the asset being valued. Reproduction costs is appropriate in this circumstance as the utility offered by the Opera House can only be provided by a replica rather than a modern equivalent. This is in accordance with Australian Accounting Standards and NSW Treasury financial reporting requirements.

Jobs Plus Program

The department overstated grants relating to the Jobs Plus Program

The department overstated grants relating to the Jobs Plus Program by \$48.5 million as the criteria to recognise the grant as an expense was not met at 30 June 2023. Exceptions included:

- A number of businesses that entered into agreements with the department have not lodged claims for reimbursement by 30 June 2023 for milestones due by 30 June 2023.
- For businesses who lodged their claim for reimbursement, there were significant delays in the department's assessment process with some claims remaining unpaid up to ten months after the department received the claim.
- The department does not have a robust assessment or monitoring process in place at 30 June 2023 to understand whether the businesses had incurred costs which would qualify for reimbursement.

The department corrected the error in the 30 June 2023 financial statements.

This matter has been included as a high-risk finding in the management letter as there is a risk that:

- the accounting for the program may continue to be materially misstated in the financial statements if the department does not develop and implement a robust assessment and monitoring process to support the provision that it recognises
- the program may not achieve its intended outcomes if payments and assessment decisions are delayed. Timely assessment of grant applications is crucial to ensure that the department is administering the program effectively and efficiently.

Recommendation

We recommend the department:



- **develop a robust model to ensure it only provides for grants that meet the eligibility criteria.**

2.5 Key financial statement risks

The table below details our specific audit coverage and response over key areas of financial statements risks that had the potential to impact the financial statements of significant portfolio agencies.

Department of Enterprise, Investment and Trade

The Department of Enterprise, Investment and Trade (the department) was established in December 2021 to drive the NSW Government's commitment to economic transformation and thriving communities.

	Key financial statement risk	Audit response
 Land and buildings \$1.1 billion	<p>The department's land and buildings consist of specialised assets such as the Walsh Bay Arts Precinct, which are measured at fair value based on their current replacement cost.</p> <p>Our audit risk rating for land and buildings is higher because these assets are:</p> <ul style="list-style-type: none">• proportionately significant to the financial statements of the department• subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer upon revaluation.	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• testing the accuracy and completeness of the asset register• reviewing the appropriateness of the valuation methods• assumptions and judgements applied• reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.
 Grants and subsidies \$1.7 billion	<p>In 2022–23, the department's grants and subsidies expenses totalled \$1.7 billion.</p> <p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none">• the grants and subsidies are financially significant• the grants program has a diverse number of recipients including NSW government agencies and non-government organisations.	<p>Our audit procedures tested for accuracy, validity, compliance with conditions and presentation and disclosure to ensure that they are in accordance with the relevant Australian Accounting Standards and applicable Treasury policies and procedures.</p>


Art Gallery of New South Wales Trust

The Art Gallery of New South Wales Trust (the trust) is one of Australia's flagship art museums and the state's leading visual arts institution. The trust serves as a centre of excellence for the collection, preservation, documentation, interpretation and display of Australian and international art, and a forum of scholarship, art education and the exchange of ideas.

	Key financial statement risk	Audit response
 Sydney Modern	<p>The Sydney Modern Project is the trust's \$344 million expansion project which was opened to the public for use in December 2022.</p> <p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> the asset is financially significant to the trust the asset will be comprehensive valued for the first-time therefore subject to management judgements and estimates when determining their fair values and setting economic useful lives funding is sourced from the NSW Government and philanthropic support. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> reviewing and assessing the appropriateness of management's basis of valuation and the determined fair value assessing the competence and objectivity of the expert where an expert is used ensuring the adequacy of financial statement disclosures are in accordance with the Australian Accounting Standards.

Sydney Opera House Trust

Sydney Opera House Trust operates as one of the State's cultural institutions. It provides a broad range of cultural, tourism, community and commercial experiences to people from Sydney, New South Wales, Australia and around the world.

	Key financial statement risk	Audit response
 Fair value of property, plant and equipment	<p>Sydney Opera House Trust recorded \$3.2 billion in property, plant and equipment at fair value representing approximately 98.4% of its total assets.</p> <p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> the assets are financially significant to the Sydney Opera House Trust the valuation of non-current physical assets is highly complex, involves management judgement, relies on a valuation expert and various assumptions underpin the methodology to determine fair value. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> testing the completeness and accuracy of the asset register assessing the competence and objectivity of management's valuation experts reviewing the appropriateness of the valuation methodologies, key assumptions and judgements applied reviewing the disclosures on the fair value of the property, plant and equipment assets in the financial statements in accordance with Australian Accounting Standards. <p>For assets not subject to a comprehensive revaluation, management's annual fair value assessment was reviewed.</p>



Letter of financial support

Key financial statement risk

Sydney Opera House Trust continued to be impacted from decreased international visitors from key tourism markets.

Our audit risk rating is higher because the Sydney Opera House Trust:

- is a Public Non-Financial Corporation that does not rely on grants and contributions from government. Rather, it operates on a commercial basis and recovers its costs by charging for services
- generates commercial revenue from conducting tours for international tourism.

Audit response

Our audit procedures included:

- assessing the appropriateness of the going concern assumption used to prepare the financial statements
- obtaining the letter of financial support from the Minister for the Arts and reviewing for appropriateness
- reviewing the disclosures in the financial statements in accordance with Australian Accounting Standards.

3. Audit observations

Appropriate financial controls help ensure the efficient and effective use of resources and administration of agency policies. They are essential for quality and timely decision-making.

This chapter outlines our observations and insights from our financial statement audits of agencies in the Enterprise, Investment and Trade portfolio.

Section highlights

- The audits identified two high-risk and 20 moderate risk issues across the portfolio. Of these, one was a high-risk repeat issue and ten were moderate-risk repeat issues.
- One of the high-risk matters related to the Jobs for NSW Fund audit for the year ended 30 June 2022.
- The other high-risk matter related to overstating grants relating to the Jobs Plus Program as the criteria to pay the grant was not met at 30 June 2023.
- The total number of findings decreased from 65 to 44 with 2022–23 findings mainly related to deficiencies in accounting for property, plant and equipment and agencies having outdated policies.

3.1 Findings reported to management

The number of findings reported to management has decreased, and 46% were repeat issues

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. Deficiencies in internal controls, matters of governance interest and unresolved issues were reported to management and those charged with governance of agencies. The Audit Office does this through management letters, which include observations, related implications, recommendations and risk ratings.

In 2022–23, there were 44 findings raised across the portfolio (65 in 2021–22). Forty-six per cent of all issues were repeat issues (34% in 2021–22).

The most common repeat issues related to accounting for property, plant and equipment and agencies having policies either past its scheduled review date or the lack of policies for certain key business processes.

A delay in implementing audit recommendations increases the risk of intentional and accidental errors in processing information, producing management reports and generating financial statements. This can impair decision-making, affect service delivery and expose agencies to fraud, financial loss and reputational damage. Poor controls may also mean agency staff are less likely to follow internal policies, inadvertently causing the agency not to comply with legislation, regulation and central agency policies.

2022–23 audits identified two high-risk findings







High-risk findings were reported at the following portfolio agencies.













Agency	Description	Assessment of action taken
Repeat finding from prior years		
Jobs for NSW Fund 2022	The composition of the Jobs for NSW Board (the board) did not comply with the <i>Jobs for NSW Act 2015</i> (the Act). The Act requires the board to consist of seven members that include the Secretary of the Treasury, the Secretary of the Department of Premier and Cabinet (or their nominees) and five ministerial appointments, one of whom is to be appointed as Chair of the board. When appointing a member, section 5(4) of the Act requires the minister to have regard to ensuring that the members of Jobs for NSW as a whole have demonstrated commercial acumen and knowledge of, and senior business experience in, growing jobs and improving industry competitiveness. The board has consisted of the two secretaries since 24 May 2019 when the independent members resigned. The remaining five members have not been appointed by the ministers as required by section 5(2) of the Act.	During 2022–23, management has not taken action to address this matter.

Agency	Description
2022–23 new finding	
Department of Enterprise, Investment and Trade	The department overstated grants relating to the Jobs Plus Program by \$48.5 million as the criteria to recognise the grant as an expense was not met at 30 June 2023. Further detail can be found at section 2.4 of this report.

Note: Management letter findings are based either on final management letters issued to agencies, or draft letters where findings have been agreed with management.

The table below describes the common issues identified across the portfolio by category and risk rating.

Risk rating	Issue
Information technology	
 High: 0 new, 0 repeat	The financial audits identified deficiencies in information technology processes and controls that support the integrity of financial data used to prepare agencies' financial statements. Of particular concern are issues associated with: <ul style="list-style-type: none">no exception reporting to identify missing patch updateslack of testing of disaster recovery plans.
 Moderate: 3 new, 2 repeat	
 Low: 1 new, 1 repeat	
Internal control deficiencies or improvements	
 High: 0 new, 0 repeat	The financial audits identified internal control deficiencies across key business processes, including: <ul style="list-style-type: none">variances and inconsistencies in reconciliations of key account balances and inter-entity confirmationsmanual adjustments outside of the general ledger.
 Moderate: 3 new, 0 repeat	
 Low: 7 new, 0 repeat	

Risk rating	Issue
Financial reporting	
 High: 1 new, 0 repeat	The financial audits identified deficiencies in agencies' financial reporting controls and processes, including: <ul style="list-style-type: none">quality and timeliness of the financial reporting processissues with the quality of works-in-progress and asset register information that was used for financial statements preparation.
 Moderate: 3 new, 6 repeat	
 Low: 4 new, 1 repeat	
Governance and oversight	
 High: 0 new, 0 repeat	The financial audits identified deficiencies in governance and oversight processes, including: <ul style="list-style-type: none">policies either past its scheduled review date or the lack of policies for certain key business processesimprovements in governance and internal control frameworks for entities that were recently set up and/or have experienced machinery of government changes.
 Moderate: 1 new, 2 repeat	
 Low: 0 new, 1 repeat	
Non-compliance with key legislation and/or central agency policies	
 High: 0 new, 1 repeat	The financial audits identified deficiencies in compliance with key legislation and central agency policies, including a high-risk repeat finding on non-compliance with enabling legislation.
 Moderate: 0 new, 0 repeat	
 Low: 1 new, 6 repeat	
 High-risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.	
 Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.	
 Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.	

Note: Management letter findings are based either on final management letters issued to agencies, or draft letters where findings have been agreed with management.

The number of moderate risk findings decreased from prior year

Twenty moderate risk findings were reported in 2022–23, representing a 39% decrease from 2021–22. Of these, ten were repeat findings, and 10 were new issues.

Moderate risk findings mainly related to:

- quality and timeliness of the financial reporting process
- property, plant and equipment such as errors in asset register information, accounting for works-in-progress and valuation of collection assets
- variances and inconsistencies in reconciliations of key account balances and inter-entity confirmations.

Section two

Appendices

Appendix one – Misstatements in financial statements submitted for audit

	2022–23			2021–22		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Department of Enterprise, Investment and Trade	1	7	8	1	6	7
Art Gallery of New South Wales Trust	--	--	--	--	1	1
Art Gallery of New South Wales Foundation	--	--	--	--	--	--
Australian Museum Trust	4	1	5	2	1	3
Destination NSW	--	--	--	--	--	--
Foundation for the Historic Houses Trust of New South Wales	--	2	2	--	--	--
Foundation for the Historic Houses Trust of New South Wales Limited	--	--	--	--	--	--
Greyhound Welfare and Integrity Commission	--	--	--	1	--	1
Historic Houses Trust of New South Wales	2	2	4	--	1	1
Independent Liquor and Gaming Authority	--	--	--	--	1	1
Investment NSW***	--	--	--	--	3	3
Jobs for NSW Fund (SDA)*	--	--	--	--	2	2
Library Council of New South Wales	--	--	--	--	--	--
Library Council of New South Wales Staff Agency	--	--	--	--	--	--
Museums of History NSW**	2	2	4	--	--	--
Museums of History NSW and State Records Authority NSW Staff Agency	--	--	--	--	--	--

	2022–23			2021–22		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
National Art School****	--	2	2	--	3	3
NSW Independent Casino Commission**	--	--	--	--	--	--
State Library of New South Wales Foundation	--	--	--	--	--	--
State Records Authority NSW	--	1	1	1	--	1
Sydney Opera House Trust	--	1	1	--	--	--
The Brett Whiteley Foundation	--	1	1	--	--	--
Trustees of the Museum of Applied Arts and Sciences	--	--	--	1	1	2

* 2022–23 audits are ongoing.

** New entity established in 2022–23 therefore no comparative information available.

*** Investment NSW was abolished on 1 July 2022 therefore does not have 2022–23 information available.

**** Agency has a 31 December year-end. Data presented are for financial years ended 31 December 2021 and 31 December 2022.

Source: Engagement Closing Reports issued to portfolio agencies.

Appendix two – Early close procedures

No.	Procedure	Description
1	Revaluation of material non-financial assets	Complete (as required) the comprehensive revaluation of property, plant and equipment and other non-financial asset valuations by early close.
2	Fair value assessment of non-financial assets	Document the annual assessment of the fair value of non-financial assets, including property, plant and equipment. This should consider their useful lives and residual values, and the reasons why the carrying value was not materially different to the fair value. This assessment is performed between comprehensive revaluations.
3	Update employee annual leave provisions	Reconcile and calculate annual leave provisions. The balances calculated for the early close 31 March financial statements must be rolled forward with adjustments for monthly accruals and actual payments as part of the 30 June financial statements.
4	Inter and intra (cluster/portfolio) agency transactions and balances	Agree and confirm all inter and intra (cluster/portfolio) agency balances and transactions with the counterparty agency.
5	Significant management judgements and assumptions	Document all significant management judgements and assumptions made when estimating transactions and balances.
6	Reconciliation of key account balances	Reconcile all key account balances (including annual leave provisions) and clear reconciling items.
7	Reconcile March 2023 month-end Prime submission to the proforma financial statements	Reconcile the March 2023 month-end Prime submission to the proforma financial statements and provide explanations for variances above \$5 million.
8	Changes in accounting policy	Review and agree changes in accounting policy with the principal cluster/portfolio agency.
9	Proforma financial statements and supporting information	Complete proforma financial statements and provide supporting information in relation to the notes to the financial statements.
10	Finalise right-of-use assets and lease liability balances	Ensure that all lease arrangements are accurate and complete.
11	Finalise assessment of all revenue contracts	Ensure revenue is accurate and complete and has been correctly accounted for under AASB 15 'Revenue from Contracts with Customers' or AASB 1058 'Income of Not-for-Profit Entities'.
12	Correction of material prior period errors	Confirm there are no changes to the 2021–22 closing balances. Proposed changes are accompanied by journals, explanations and proposed disclosures.
13	Monthly management reports	Perform variance analysis with meaningful explanations for actuals versus budget, and year-to-date actuals for the previous year.
14	Accounting treatment for restructures and discontinued/abolished agencies	Identify and document the accounting treatment for changes to agency structures resulting from legislative or other changes.

No.	Procedure	Description
15	Delegations	Ensure all material transactions are supported by appropriate delegations.
16	Prior year Management Letter and Engagement Closing Report issues	Agreed action plans are in place to address prior year Management Letter and Engagement Closing Report issues. Explanations are provided for any unresolved issues(s).
17	Complete Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements	Complete and return the 'Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements' for all new and amended Commonwealth Funding Agreements entered or amended during the 2022–23 financial year.

Appendix three – Timeliness of financial reporting

Portfolio agencies	2022–23 Financial statements submission	Date audit report was issued
Department of Enterprise, Investment and Trade	✓	25 October 2023
Art Gallery of New South Wales Trust	✓	23 October 2023
Art Gallery of New South Wales Foundation	✓	23 October 2023
Australian Museum Trust	✓	25 September 2023
Destination NSW	✓	11 October 2023
Foundation for the Historic Houses Trust of New South Wales	✓	20 October 2023
Foundation for the Historic Houses Trust of New South Wales Limited	✓	20 October 2023
Greyhound Welfare and Integrity Commission	✓	27 October 2023
Historic Houses Trust of New South Wales	✓	20 October 2023
Independent Liquor and Gaming Authority	✓	23 October 2023
Jobs for NSW Fund (SDA) 2023	✓	Audit is ongoing
Library Council of New South Wales	✓	25 September 2023
Library Council of New South Wales Staff Agency	✓	25 September 2023
Museums of History NSW	✓	20 October 2023
Museums of History NSW and State Records Authority NSW Staff Agency	✓	20 October 2023
National Art School*	✓	24 April 2023
NSW Independent Casino Commission	✓	23 October 2023
State Library of New South Wales Foundation	✓	25 September 2023
State Records Authority NSW	✓	20 October 2023
Sydney Opera House Trust	✓	3 October 2023
The Brett Whiteley Foundation	✓	23 October 2023
Trustees of the Museum of Applied Arts and Sciences	✓	30 October 2023

- ✓ Treasury's reporting deadline was met.
- Treasury's approved extension timeframe was met.
- ! Treasury's reporting deadline was not met.

Note:

* For year ended 31 December 2022.

Appendix four – Financial data

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Portfolio lead entity								
Department of Enterprise, Investment and Trade	1,510.5	1,167.3	177.3	126.9	2,243.2	515.0	2,118.6	513.4
Other agencies								
Art Gallery of New South Wales Trust	2,589.0	2,524.7	15.2	14.2	139.6	176.9	107.5	76.9
Art Gallery of New South Wales Foundation	63.2	59.7	--	--	6.4	7.0	3.0	15.2
Australian Museum Trust	1,434.8	1,291.7	21.4	18.2	74.1	76.1	70.3	56.9
Destination NSW	148.3	110.7	55.3	46.9	382.1	296.4	352.8	233.5
Foundation for the Historic Houses Trust of New South Wales	--	2.3	--	--	0.1	0.1	--	0.1
Foundation for the Historic Houses Trust of New South Wales Limited	--	--	--	--	--	--	--	--
Greyhound Welfare and Integrity Commission	6.0	5.4	4.0	3.7	21.1	20.1	20.7	19.1
Historic Houses Trust of New South Wales	--	382.9	--	9.1	22.7	42.1	17.7	29.0
Independent Liquor and Gaming Authority	3.3	1.9	0.4	0.4	6.8	10.3	5.4	9.9
Jobs for NSW Fund (SDA)	--	78.6	--	11.8	--	18.0	--	15.2
Library Council of New South Wales	1,759.0	1,733.1	17.6	12.6	118.1	110.8	105.3	337.4
Library Council of New South Wales Staff Agency	6.4	6.4	6.4	6.4	37.3	35.4	37.3	35.4
Museums of History NSW	1,577.0	--	22.0	--	37.1	--	41.0	--
Museums of History NSW and State Records Authority NSW Staff Agency	5.4	5.0	5.4	5.0	41.8	8.7	41.8	8.7

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
National Art School***	28.9	28.9	21.1	20.5	18.3	18.7	18.9	16.9
NSW Independent Casino Commission	19.0	--	0.5	--	30.1	--	11.5	--
State Library of New South Wales Foundation	25.5	20.8	0.4	0.3	6.5	1.8	1.9	1.2
State Records Authority NSW	0.4	1,149.3	--	12.4	47.1	51.1	19.5	34.5
Sydney Opera House Trust	3,289.4	3,054.1	49.6	52.9	211.3	148.9	196.8	140.9
The Brett Whiteley Foundation	7.9	6.8	--	--	1.1	0.6	0.2	0.8
Trustees of the Museum of Applied Arts and Sciences	563.8	550.7	9.6	9.7	97.8	74.5	97.5	73.2

* Includes other gains.

** Includes other losses and taxes, if applicable.

*** Agency has a 31 December year-end. Data presented are for financial years ended 31 December 2021 and 31 December 2022.

Source: Agencies' audited 2022–23 financial statements.

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.

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Pride in purpose
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