



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

State agencies 2025

FINANCIAL AUDIT | 26 NOVEMBER 2025

THE ROLE OF THE AUDITOR-GENERAL

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

We conduct financial 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*.



GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**State agencies 2025**'.

A handwritten signature in black ink, appearing to read 'Bola Oyetunji'.

Bola Oyetunji

Auditor-General for New South Wales
26 November 2025

RECONCILIATION STATEMENT

We pay our respect and recognise Aboriginal peoples as the traditional custodians of the land in NSW who have cared for and protected the environment, waterways, and sacred sites over many millennia. We honour and thank the traditional custodians of the land on which our office is located, the Gadigal people of the Eora Nation, and the traditional custodians of all the lands on which our employees live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

As we mark our 200th anniversary, and our contribution to fostering accountability and transparency in the government and Parliament, we also acknowledge that our long history is shared with the histories of colonisation in New South Wales. We acknowledge the impacts of colonisation, and the resulting marginalisation and disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

We embrace our role in holding government agencies to account for the delivery of effective services for Aboriginal and Torres Strait Islander peoples. We are committed to ensuring that our audits are culturally responsive, respectful and inclusive, and that we engage with Aboriginal and Torres Strait Islander peoples and communities in a meaningful and collaborative way.

We recognise the ancestral tie of Aboriginal and Torres Strait Islander peoples to this land, and we acknowledge that we have much to learn from their wisdom, rich and diverse culture, languages, knowledge and practices.

contents

State agencies 2025

1.	Snapshot	1
2.	Executive summary	2
	2.1. Financial audit results	2
	2.2. Key findings	3
	2.3. Areas of focus	4
	2.4. Recommendations	7
3.	Introduction	8
4.	Financial audit results	9
	4.1. Quality of financial reporting	9
	4.2. Timeliness of financial reporting	13
	4.3. Accounting issues	15
5.	Key findings	16
	5.1. High-risk findings	16
	5.2. Key findings from our audits	17
6.	Contingent workforce management	22
	6.1. Use of contingent workforce	22
	6.2. Contingent workforce oversight and governance	26
7.	Software assets	28
	7.1. Accounting for software assets	29
	7.2. Software project management oversight and governance	31
	7.3. Single Digital Patient Record	32
8.	Climate reporting	33
	8.1. Agency readiness for climate disclosures and assurance	34
	8.2. Climate reporting pilot assurance learnings	35
	8.3. Net Zero Accelerator tool	38
	8.4. Whole of Government climate disclosure reporting	38
	Appendix 1 – Audits still in progress	39
	Appendix 2 – Agencies included in report	40
	Appendix 3 – Climate reporting agencies	42
	Appendix 4 – In-scope TPG24-33 disclosure requirements	44

1. Snapshot

This report provides an overview of the key findings and recommendations from our audits of the 40 largest NSW state sector agencies for the financial year ended 30 June 2025. It also focuses on the government's management of contingent workers, software assets, and climate reporting as these areas are critical for government efficiency, accountability, and transparency.

Key findings

Unqualified audit opinions were issued for all 30 June 2025 general purpose financial statement audits – with one exception.

A qualified audit opinion was again issued on the Wentworth Park Sporting Complex Land Manager's financial statements because of insufficient evidence to support the recognition of a \$6.5 million non-interest bearing loan.

There were 57 uncorrected misstatements totaling \$397 million this year, compared with 88 uncorrected misstatements totaling \$232 million in 2023–24.

Deficiencies were found in the completeness and accuracy of asset data

Asset registers were not consistently reconciled with asset management systems, leading to unexplained differences in source data records and unexplained reconciling items.

There are continuing deficiencies in the completeness and accuracy of Crown Land asset records.

Weaknesses in payroll controls led to staff overpayments

One agency continued paying 481 terminated employees, despite some terminations dating back to 2018. In one case, an employee was overpaid more than \$295,000, over three years, after resigning in 2021. The agency is taking reasonable steps to recover these overpayments.

Ineffective oversight in the acquittal of grant programs

One agency had deficiencies in the financial acquittal of a grant program, increasing the risk of mismanagement as funds were allocated to third parties without effective oversight.

Contingent workers are being engaged for extended periods of time

Of the 15 agencies assessed, 227 contingent workers have held roles for more than five years, with one contract lasting over a decade.

There were 17 contingent workers paid more than \$550,000 each, placing them in a salary range equivalent to, or above, Band 4 senior executive level. While justification for these salaries may be reasonable due to specialist skills, detailed assessment and market evaluation should be performed.

The Single Digital Patient Record (SDPR) project business case was inaccurate

The initial business case did not include all relevant project costs, and estimated operational costs lacked sufficient or reliable evidence.

The State has implemented first-year climate-related financial disclosure reporting

In 2024–25, 27 state agencies prepared climate-related financial disclosures. Unmodified assurance reports were issued for the three engagements completed as part of the climate disclosure assurance pilot.

Recommendations

Six recommendations were made to state agencies and NSW Treasury to implement (see page 7 for full details).

Fast facts

\$397m

uncorrected errors

1

qualified opinion

3

high risk findings

3

climate assurance reports issued

227

contingent workers in 15 agencies engaged for more than 5 years

12

days earlier, on average, hard close pilot agencies signed financial statements

2. Executive summary

This report provides an overview of the results and key findings from the year-end financial audits for 2024–25. The report also comments on the NSW Government’s management of:

- contingent workers
- software assets
- climate reporting.

These topics were chosen as these areas are critical for government efficiency, accountability and transparency.

This is the second of four Auditor-General reports focused on financial audits undertaken in the NSW public sector for 2025. The other three reports in the series are as follows:

- [‘Internal controls and governance: Procurement and technology’](#), published on 29 October 2025, which analyses the internal controls and governance of 26 of the largest state-sector agencies in NSW for the 2024–25 financial year. This report also includes findings on the focus areas of NSW Government procurement, cyber security and AI.
- ‘State finances’ which will focus on the NSW Government’s consolidated financial statements of the general government and total state sectors for 2024–25.
- ‘Capital projects’, which will assess procurement and project management of major infrastructure and investment projects in NSW.

2.1. Financial audit results

Unqualified audit opinions were issued for most of the completed 30 June 2025 general purpose financial statements audits of all state agencies. This meant sufficient audit evidence was obtained to conclude financial statements were free of material misstatement and were prepared in accordance with the Australian Accounting Standards and the *Government Sector Finance Act 2018*.

A qualified audit opinion was again issued on the Wentworth Park Sporting Complex Land Manager’s financial statements for 30 June 2025

The audit opinion was modified because there was insufficient evidence to support the recognition of a \$6.5 million non-interest bearing loan from Greyhound Racing NSW. The audit opinions on the financial statements of this agency were also qualified for this matter in 2022–23 and 2023–24.

A disclaimer of audit opinion was issued relating to the FANMAC Master Trust financial statements for 30 June 2023 (the audits for 2024 and 2025 are still outstanding)

A disclaimer of opinion was issued for the FANMAC Master Trust’s 30 June 2023 financial statements as management determined it was unable to provide sufficient and appropriate evidence to support the completeness of reported legacy loans and advances to the historic NSW HomeFund program. The absence of this documentation limited the ability to obtain audit evidence over material balances and related disclosures including loans and advances, interest income, and interest concessions and subsidies.

A disclaimer of audit opinion is issued when an auditor is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial report. It means the auditor cannot express an opinion (positive, qualified or adverse) because of significant limitations or uncertainties that are pervasive to the financial report.

Uncorrected misstatements amounted to \$397 million for the year ended 30 June 2025

For the 2024–25 audits \$397 million (2023–24: \$232 million) of uncorrected misstatements (on a gross basis) were found. The number of uncorrected misstatements for 2024–2025 was 57 (2023–24: 88).

The Department of Education, Infrastructure NSW and Treasury portfolio companies ERIC Alpha Holdings Pty Ltd and ERIC Epsilon Holdings Pty Ltd collectively had five material prior period errors greater than \$20 million that required comparative figures of their financial statements to be restated. In 2023–24, there were eight prior period errors exceeding \$20 million.

Performing hard close procedures improved the timeliness of financial report finalisation

On average, agencies participating in the hard close pilot project signed their financial statements 12 days earlier than in the prior year.

A hard close process comprises year-end close procedures typically performed at an agreed preliminary month-end date. For an effective hard close, agency staff must treat the hard close process with the same rigour and focus they would treat a full year-end process.

2.2. Key findings

This report considers the key findings from year-end financial audits of the 40 largest NSW Government agencies. Financial audits focus on the key internal controls that support the preparation of financial statements.

Deficiencies were found in the completeness and accuracy of asset data

The audits found discrepancies between agency fixed asset registers and source data records. Issues with the integrity, accuracy and reliability of asset data can affect financial or operational decision-making.

Deficiencies continue to be observed in the completeness and accuracy of Crown Land records.

Weaknesses in payroll controls led to staff overpayments

One agency continued paying 481 employees after their employment had ceased. The agency is reviewing these to confirm the payments were appropriate. In one instance, an employee was overpaid more than \$295,000 from 2021 to 2024 despite having ceased employment in 2021. These overpayments were mainly caused by delays in the notification of terminations. The agency is taking reasonable steps to recover these funds.

Ineffective oversight in the acquittal of grant programs

In one agency, deficiencies were identified in the timely and accurate financial acquittal processes in administering grant programs. Ineffective oversight over funds allocated to third parties elevates the risk of mismanagement or may lead to a failure in achieving the stated policy objectives or outcomes of the grant program.

It is important for agencies that manage grant programs to implement a robust process for reviewing grant acquittal reports. This will help to identify and resolve any discrepancies promptly and to ensure financial assistance is provided in accordance with grant program guidelines.

There are gaps in key governance controls

Our audits found gaps in key governance controls, including missing conflict-of-interest declarations, outdated policies and procedures, and incomplete fraud risk assessments. Inadequate fraud risk assessments can lead to fraud or corrupt activity going unnoticed or unchallenged. Further, a failure to disclose and manage conflicts of interest poses a significant fraud and integrity risk to agencies.

2.3. Areas of focus

This report also includes findings on the NSW Government's management of its contingent workforce, software assets and transition to climate reporting. The Audit Office focuses on these three key areas because:

- contingent workforce management is vital to ensuring that the use of contractors is the most efficient and effective option available to respond to an agency's needs
- prudent management and accurate reporting of software expenditure is critical as these assets form a core part of the infrastructure of state agencies, significantly improving the efficiency and effectiveness of public services delivery
- the new TPG24-33 Reporting Framework for First Year Climate Disclosures requires state agencies to report on climate-related financial risks and actions. This reform is designed to make the NSW Government's climate change exposure more transparent, strengthen accountability for managing climate risks and opportunities, and help achieve the State's net zero emissions target by 2050.

Contingent workforce management

Contingent labour has become an integral part of government operations, with all agencies assessed reporting active use of contingent workers. The roles performed by contingent workers are not generic, they are highly strategic and specialised and their critical nature is evident in contingent workers' involvement in major projects, digital transformation initiatives and infrastructure delivery.

Deficiencies were found in contingent workforce management

Our assessment identified deficiencies in the management of contingent workers such as data accessibility and report design inadequacies, along with extended contingent workforce tenure and excessive hours reported. Deficiencies were also found in the oversight of the re-engagement of a worker on a long-term project.

Contingent workers are being engaged for extended periods of time

Despite policies requiring justification and market re-evaluation for extensions, long-term contingent worker engagements are widespread. All agencies analysed engaged contingent workers for more than six months. In some cases, contracts have lasted many years. Across the analysed agencies, 227 contingent workers had been in the role more than five years. One agency reported a worker engaged for 15 years, and two agencies had workers engaged for over nine years.

Some contingent workers are paid salaries equivalent to, or in excess of, Band 4 senior executive level. While justification for these salaries may be reasonable due to specialist skills, detailed assessment and market evaluation should be performed.

Software assets

Software assets form a significant part of the NSW Government's asset portfolio, with a reported value of \$5.0 billion as at 30 June 2025.

Review of software project costs (work-in-progress) requires improvement

In 2024–25, one agency identified \$438 million of property, plant and equipment incorrectly classified as software assets work-in-progress and \$85 million in recorded software assets that should have been recognised as expenditure in previous financial years.

Deficiencies were found in the capitalisation of software

In 2024–25, four of the seven agencies reviewed reported software-related adjustments. Adjustments primarily stemmed from the correction of capitalisation of cloud computing costs and the write-off of discontinued IT projects. The total value of these adjustments reported across the sector was \$95 million.

Governance and oversight of software development projects is inconsistent

Three of seven agencies did not report the status of software projects to their audit committees or governance bodies. Two agencies undertook software development initiatives without a dedicated project management framework.

The Single Digital Patient Record (SDPR) project business case was inaccurate

In May 2024, the Single Digital Patient Record Implementation Authority (SDPRIA) was established as a division of the Health Administration Corporation to oversee the delivery and implementation of this project. The project business case did not adequately consider all project costs, failing to include the costs of integrating the SDPR with legacy systems. The estimate for implementation-related expenses for in-scope health entities was not supported by robust documentation due to limited cost information available at the time.

Climate disclosure reporting

The State has implemented first-year climate-related financial disclosure reporting

In 2024–25, a total of 27 state agencies were required to prepare climate-related financial disclosures (climate disclosures) in accordance with NSW Treasury's TPG24-33 Reporting Framework for First Year Climate Disclosures (TPG24-33). This year agencies were required to publish their unaudited climate disclosures in or alongside their annual reports. The Audit Office has been requested by the NSW Treasurer to provide assurance on all of these agencies' 2025–26 climate disclosures.

Pilot audits were conducted in 2024–25 to support agencies' transition to climate reporting

To support the transition to climate reporting, agencies could nominate to have their 2024–25 disclosures voluntarily assured by the Audit Office. Four public sector agencies were identified as assurance ready and, following a request from the NSW Treasurer, were engaged to participate in the pilot assurance program. Unmodified limited assurance reports were issued for the 30 June 2025 climate disclosures of three pilot agencies. At the time of this report, one climate assurance engagement remains outstanding.

The pilot assurance program identified insights to help agencies enhance next year's climate disclosures and be ready for assurance

Agencies can apply the following key improvements to enhance next year's disclosures:

- completing a gap analysis against TPG24-33 requirements to ensure all disclosure requirements are being addressed
- developing and implementing a climate disclosure preparation plan
- defining reporting boundary and materiality to guide climate disclosure preparation
- ensuring climate risks and opportunity assessments are completed and documented
- ensuring climate risks and opportunities are embedded into the agencies' enterprise-wide risk management process
- developing an emissions inventory covering all material emissions sources within an agencies' operational boundary, including plans for closing any gaps over time
- developing emissions reporting processes supported by informed emissions accounting policies
- developing plans to address reported gaps in governance, climate risk identification and emissions reporting to ensure disclosure requirements are enhanced in future reporting periods.

The use of different systems and processes by agencies to calculate emissions may lead to reporting inconsistencies across the sector

Agencies are using different systems and processes to calculate emissions, which could affect the consistency and reliability of reported emissions across the sector. The Department of Climate Change, Energy, the Environment and Water (DCCEEW) has developed the Net Zero Accelerator (NZA), a tool that supports emissions calculations for both whole-of-government and agency-specific contracts, but this system is not being utilised by all agencies. The use of common tools like the NZA would ensure an efficient approach is adopted when calculating emissions and avoid some duplication in effort across agencies.

Further guidance by NSW Treasury will help improve consistency in climate disclosures across agencies

Climate reporting approaches and outputs for 2024–25 varied across agencies as they prepared their first set of disclosures under NSW Treasury's TPG24-33 framework. Although each agency may face different climate risks and opportunities, using proforma templates for common disclosures would help achieve consistency in reporting. Sharing state-wide climate risks, opportunities and emissions data with agencies will support uniformity in disclosures, making it easier to then aggregate and produce state-level climate reporting.

2.4. Recommendations

By 30 June 2026, state agencies should:

1. adopt all relevant requirements of the Contingent Workforce Management Guidelines recommended by the Premier's Department including:
 - ensuring there is clear and current evidence of a shortage of candidates with the required capabilities in the labour market, and there is a short or longer term need to engage external labour
 - reporting contingent labour data to the hiring agency's executive or leadership team on a regular and ongoing basis
2. review the accounting treatment for all material software asset balances and software-as-a-service contractual arrangements for compliance with Australian Accounting Standards
3. adopt all relevant project management requirements of the Digital Assurance Framework issued by the Department of Customer Service.

By 30 June 2026, NSW Treasury should:

4. provide additional guidance to agencies when drafting their climate reports including proformas and/or best practice guidance
5. consider the use of a centralised emissions reporting system to streamline the aggregation of agency emissions for whole-of-government reporting purposes
6. centralise emission calculations for shared service functions to reduce duplication in reporting of similar emissions sources.

3. Introduction

Financial audits provide independent opinions on the financial statements of state agencies. They are designed to give reasonable assurance that financial statements are true and fair, thus enhancing users' confidence in financial statements.

This report analyses the year-end financial audit results of the state agencies. It is important that agencies prepare financial statements that are free from material error:

- to ensure transparency, accountability and confidence in public sector financial management
- because agencies deliver a wide range of services and are exposed to varying degrees of financial, operational and strategic risk, each presenting unique challenges to accurate financial reporting.

This report provides insights relating to the following important areas of public sector financial accounting and management, which carry elevated operational complexity, financial risk and long-term sustainability implications.

Chapter	Objective
Financial audit results	<p>Chapter 4 provides an overview of year-end audits of state agencies.</p> <p>Chapter 5 examines the key financial and operational control deficiencies identified, which agencies should address.</p>
Contingent workforce management	<p>NSW agencies are reliant on contingent labour for critical roles and projects. While this brings flexibility and access to specialist skills, it also introduces risks around cost, oversight and planning. The Contingent Workforce Management Guidelines issued by the NSW Public Service Commission state that contingent workers should only be used when there is a clear shortage of required skills in the labour market, when an immediate solution is needed pending recruitment, or for time-limited projects</p> <p>Chapter 6 examines how effectively agencies are managing their contingent workforce to ensure spending is optimised.</p>
Software assets	<p>Software assets form a significant part of the NSW Government's asset portfolio, with a reported value of \$5.0 billion as at 30 June 2025. Software assets comprise both internally developed and externally acquired IT systems and applications. Despite their non-physical nature, these assets are critical enablers of NSW Government public service delivery, digital transformation and operational efficiency across government agencies.</p> <p>Chapter 7 examines how effective agencies are accounting for software assets and managing software/ IT projects to ensure project benefits and objectives are achieved.</p>
Climate reporting	<p>NSW Treasury has implemented climate-related financial disclosure (climate disclosures) reporting requirements for state agencies. A total of 27 state agencies were required to include climate disclosures in their annual reports, or a stand-alone climate report in 2024–25. It will be mandatory for these Phase 1 agencies to have their disclosures assured from 2025–26. To support this transition, the Audit Office of New South Wales and NSW Treasury ran a pilot program where agencies could nominate to have their 2024–25 disclosures voluntarily assured by the Audit Office.</p> <p>Chapter 8 examines results and findings from these climate reporting pilot assurance engagements, including the Audit Office's assessment of agencies' readiness for climate reporting.</p>

4. Financial audit results

This chapter summarises the 2024–25 financial audit results for state agencies. Financial reporting is an important element of good governance. Confidence in, and transparency of, public sector decision-making is enhanced when financial reporting is accurate and timely.

Chapter highlights

- Except for one agency, unqualified audit opinions were issued for all completed audits of state agencies' 2024–25 financial statements.
- A qualified audit opinion was again issued to the Wentworth Park Sporting Complex Land Manager's 30 June 2025 financial statements.
- A disclaimer of opinion was issued for the First Australian National Mortgage Acceptance Corporation (FANMAC) Master Trust's 30 June 2023 financial statements.
- For 2024–25 audits, \$397 million (2023–24: \$232 million) of uncorrected misstatements (on a gross basis) were found. The number of uncorrected misstatements for 2024–25 was 57 (2023–24: 88).
- Three or more versions of financial statements were submitted by 76 agencies, which can indicate poor-quality financial reporting.
- Hard close procedures helped to improve financial reporting timeliness.

4.1. Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued for all 30 June 2025 general purpose financial statement audits – with one exception. This means sufficient audit evidence was obtained to conclude financial statements were free of material misstatement and were prepared in accordance with Australian Accounting Standards and the *Government Sector Finance Act 2018*.

A qualified audit opinion was again issued on the Wentworth Park Sporting Complex Land Manager's financial statements for 30 June 2025

A qualified opinion was again issued on the Wentworth Park Sporting Complex Land Manager's (Land Manager) financial statements because of insufficient evidence to support the recognition of a \$6.5 million non-interest bearing liability owing to Greyhound Racing NSW (GRNSW). The audit opinions on the financial statements of this agency were also qualified on this basis in 2022–23 and 2023–24.

The Land Manager continues to recognise the loan as a liability in the financial statements despite the Administrator certifying that the Land Manager does not have sufficient and appropriate evidence to support the recognition of the loan. This contradiction is misleading to users of the financial statements.

A qualified opinion is issued when the auditor believes the financial report is free from material misstatement except for a specific issue that is not considered pervasive across the entire financial report.

A disclaimer of audit opinion was issued relating to the FANMAC Master Trust’s financial statements for 30 June 2023 (the audits for 2024 and 2025 are still outstanding)

A disclaimer of opinion was issued for the FANMAC Master Trust’s 30 June 2023 financial statements as management determined it was unable to provide sufficient and appropriate evidence to support the completeness of reported legacy loans and advances to the historic NSW HomeFund program. The absence of this documentation limited the ability to obtain audit evidence over material balances and related disclosures including loans and advances, interest income, and interest concessions and subsidies.

A disclaimed opinion is issued when an auditor has been unable to obtain sufficient appropriate audit evidence to form an opinion on the financial report. Unlike a qualified opinion, a disclaimer means the auditor cannot express an opinion because of significant limitations or uncertainties that are pervasive across the financial report.

An ‘emphasis of matter’ was included in nine unqualified audit opinions

An ‘emphasis of matter’ (EoM) paragraph is included in an independent auditor’s report when it is necessary to draw users’ attention to a matter presented or disclosed in the financial statements. Importantly, an EoM paragraph does not modify the audit opinion.

An emphasis of matter paragraph on financial statements was included in nine unqualified independent auditors’ reports. These are detailed below.

Portfolio	Number of audits	Description of emphasis of matters
Customer Service	1	The financial statements of nine funds were prepared in accordance with a special purpose framework.
Education	1	
Primary Industries and Regional Development	1	These funds included financial statements prepared for special deposit accounts.
Treasury	6	
Total	9	

Source: Audit Office of NSW 30 June 2025 Independent Auditor’s Reports.

Common errors were evident across agency financial statements

The table below highlights common errors in 2024–25 financial reports.

Error type	Nature of errors
Asset accounting	<ul style="list-style-type: none"> overstatement of land valuation balances due to incorrect inclusion of land under finance leases and previously disposed Crown Land parcels correction to property, plant and equipment balances due to reconciling errors between the general ledger and fixed asset register correction to receivables and fixed asset balances resulting from inter-agency land and buildings sales late impairment adjustments to property, plant and equipment resulting from natural disaster events misclassification and derecognition of assets transferred for development incorrect land valuations due to failure to consider remediation costs overstatement of infrastructure asset valuations due to use of incorrect unit rate
Lease accounting issues	<ul style="list-style-type: none"> errors in right-of-use asset recognition, lease liability measurements and leasing impairment calculations failure to account for lease extension periods resulting in understatement of leasing obligations incorrect discount rates used for finance lease calculations

Error type	Nature of errors
Capitalisation and expense misclassification	<ul style="list-style-type: none"> incorrect capitalisation of expenses and project costs, including Project Management Office related costs incorrect offsetting of operating expenses and associated revenue
Financial instrument and investment misstatements	<ul style="list-style-type: none"> reclassification of repurchase agreements from investments to liabilities adjustments to investment valuations due to updated valuations from investment custodian
Depreciation and amortisation errors	<ul style="list-style-type: none"> understatement of property, plant and equipment depreciation expense due to incorrect calculations overstated software amortisation due to unremoved software assets
Employee expense and provision errors	<ul style="list-style-type: none"> employee benefit provisions understated due to errors in actuarial assumptions incorrect calculation of long service leave expenses and liability amounts assumed by the Crown
Revenue and receivable misstatements	<ul style="list-style-type: none"> incorrect offsetting of receivables against contract liabilities overstatement of revenue user charges due to incorrect underlying billings overstatement of reinsurance recoveries revenues identified by management
Service concession accounting errors	<ul style="list-style-type: none"> service concession assets and related liabilities understated due to using forecast rather than actual costs incurred by the operator in recognising assets under construction at balance date.

Source: Audit Office Engagement closing reports from 30 June 2025 audits.

Five prior period errors, each retrospectively corrected, had values exceeding \$20 million

A prior period error is a misstatement made by an agency in previous financial years, identified by the auditor or agency in the current financial year. These errors are corrected retrospectively by restating the opening balances in the financial statements. The existence of prior period errors corrected retrospectively can be indicative of deficiencies in an agency's financial reporting processes and internal controls.

Five retrospectively corrected prior period errors had values exceeding \$20 million, compared with eight in the 2023–24 financial reports. These errors were as follows.

Nature of prior period errors	Description of prior period error
Capitalisation of work-in-progress project costs (Department of Education)	<p>Certain building, infrastructure and IT project costs classified as work-in-progress were incorrectly capitalised as they were not directly attributable to the project assets and should have been recognised as expenses at the time they were incurred.</p> <p>A total of \$176.7 million was derecognised from property, plant and equipment and intangible assets at 30 June 2024 and a \$75.8 million increase was recorded for employee-related expenses and operating expenses for the 2024 year, with the balance of \$100.9 million reducing accumulated funds at 1 July 2023.</p>
Timely capitalisation of assets already in use (Department of Education)	<p>Certain IT projects' work-in-progress balances were completed and in use in prior periods, but no depreciation or amortisation expense had been recognised for those assets.</p> <p>The carrying amount of property, plant and equipment and intangible assets at 30 June 2024 was reduced by \$112.9 million, with a \$65.1 million increase in depreciation and amortisation expense for the 2024 year. The balance of \$47.8 million reduced accumulated funds at 1 July 2023.</p>

Nature of prior period errors	Description of prior period error
Land value reduced for known site remediation costs (Infrastructure NSW)	The valuation of the former Sydney Fish Markets site at 30 June 2024 did not incorporate the impact of site contamination, despite the availability of a reliable remediation estimate. The prior period error was corrected retrospectively, resulting in a \$81.2 million decrease in the value of the land and the asset revaluation reserves at 30 June 2024.
Treatment of distributions (ERIC Alpha Holdings Pty Ltd & ERIC Epsilon Holdings Pty Ltd)	Two Treasury portfolio companies identified and corrected prior year errors in the accounting treatment of distributions received from associate investments. Historically, the financial statements of the companies did not account for the distributions received by the companies and then paid to the parent companies as dividends. These were only recognised at the consolidated level in the financial statements of Electricity Retained Interest Corporation - Ausgrid and Electricity Retained Interest Corporation - Endeavour. The correction resulted in an increase of \$316.6 million to distribution income and dividends declared in the comparative 2023–24 financial year. The net impact of the changes on the Statement of Financial Position was nil.

Source: Agency financial statements for the year ending 30 June 2025.

Uncorrected misstatements amounted to \$397 million for the year ended 30 June 2025

An uncorrected error is an error identified by the auditor or agency in the financial statements that has not been corrected by the agency. These errors are reported to agency management but have not been corrected because the agency does not consider them material, either individually or in aggregate. While the financial statements would be more accurate if the errors had been corrected, the errors are not sufficiently material to cause the Audit Office to modify its opinion of the agencies' financial statements.

The table below shows the number and value of uncorrected errors.

Uncorrected errors			
Value of errors	2025	2024	
Less than \$250,000	18	36	
\$250,000 to \$1 million	13	11	
\$1 million to \$5 million	10	22	
\$5 million to \$50 million	15	19	
\$50 million or greater	1	0	
Total number of uncorrected errors	57	88	
Total value of uncorrected errors (\$ million)	\$396.9	\$232.6	

Source: Engagement closing reports from 30 June 2025 audits.

In 2024–25, the gross impact of uncorrected errors on all balances totalled \$397 million, an increase of \$164 million from the previous year. This rise was primarily driven by a \$121 million uncorrected error in the financial statements of the Department of Communities and Justice.

The Department continued to recognise land that was legally transferred through a gazette of a 'transfer of property order' to Property and Development NSW (PDNSW) in November 2024. While PDNSW issued a letter to the Department Secretary that gave the department temporary access to the property until 30 June 2025, in the view of the Audit Office, legal and accounting control over the property was transferred to PDNSW when the gazette was authorised. PDNSW recognised the land in its financial statements in November 2024 at the date of transfer.

Versions of financial statements

Some agencies are submitting too many different versions of financial statements and supporting workpapers for audit

Agencies presenting multiple versions of the financial statements for audit typically means governance over the financial reporting process is inadequate. Multiple attempts to produce accurate, auditable financial statements delay the timeliness of financial reporting to users, diminish public accountability and result in higher audit costs.

The table below shows the number of versions of financial statements submitted to audit for review.

Versions of financial statements	
Versions	Number of agencies
Draft and final only	131
3 to 5	74
6 to 10	2
Total	207

Source: Audit Office of NSW.

Agencies with better-quality financial reporting typically have a draft and final set of financial statements, with few or no amendments between those versions. Most agencies submitted draft and final versions of the financial statements for audit. However, 76 agencies submitted three or more versions of the financial statements throughout the audit process.

Performing all early financial or hard close reporting procedures, such as completing valuations by 31 March, will enable more complete draft financial statements and minimise the number of adjustments.

4.2. Timeliness of financial reporting

It is accepted that timely year-end financial reporting is an indicator of sound financial management processes. Accordingly, measures aimed at earlier financial reporting should continue to be a priority for NSW Treasury and all state agencies.

Early close procedures and the hard close pilot

NSW Treasury introduced early close procedures to improve the quality and timeliness of year-end financial statements. In March 2025, NSW Treasury issued TPG25-01: Agency Direction for the 2024–25 Mandatory Early Close. The policy and guidelines replaced TPG24-03: Agency Direction for the 2023–24 Mandatory Early Close. These pronouncements required the government sector finance (GSF) agencies listed in Appendix I of TPG25-01 to perform the mandatory early close procedures and provide the outcomes to the audit team by 28 April 2025. TPG25-01 also contains requirements for agencies participating in the 2025 hard close pilot.

Eleven agencies participated in a hard close pilot to improve the timeliness of financial statements preparation and audit processes

In conjunction with the early close procedures, NSW Treasury ran a hard close pilot to test whether hard close reporting can improve the timeliness of agency financial reporting for the sector.

A hard close process comprises year-end close procedures typically performed at an agreed preliminary month-end date. For an effective hard close, agency staff must treat the hard close process with the same rigour and focus they would treat a full year-end process. In summary:

- agencies prepare a complete set of financial statements at an earlier period, such as 31 March, 30 April or 31 May, and confirm that effective controls over key agency balances are in place
- auditors plan and perform audit procedures at an earlier period, with roll forward audit procedures for the intervening period to 30 June
- agencies and the Audit Office agree on the scope and timing of work and identify areas of work to be either left until year-end or revisited at year-end.

Eleven agencies participated in the hard close pilot and were required to prepare a full set of financial statements at a date earlier than 30 June 2025. Most agencies selected a hard close reporting date of 30 April or 31 May, however one agency selected 31 March as its hard close date.

Performing hard close procedures improved the timeliness of financial report finalisation

On average agencies participating in the hard close pilot signed their financial statements 12 days earlier than in the prior year. The following benefits from the completed hard close procedures were identified by these agencies:

- errors and issues were identified early at hard close, giving management time to restate or correct them before the final year-end submission
- there was increased efficiency at year end with audit testing brought forward, allowing adjustments to be made prior to submitting financial statements. Some year-end audit procedures were completed at hard close, reducing the workload and time pressure at year end.

Year-end reporting

Five agencies have not yet submitted financial statements for audit as required by the *Government Sector Finance Act 2018*

The *Government Sector Finance Act 2018* requires reporting GSF agencies to prepare financial statements and submit them to the Auditor-General.

The following agencies have not yet submitted financial statements for audit as these agencies have been granted extensions by NSW Treasury:

- Bathurst Showground Land Manager
- FANMAC Master Trust
- FANMAC Pooled Super Trust
- Home Purchase Assistance Fund
- NSW Rent Buy Pty Limited.

The Bathurst Showground Land Manager received an extension to submit their financial statements by 31 March 2026. The remaining agencies received extensions to submit their financial statements to 19 December 2025.

Two agencies did not submit their financial statements to the Audit Office by the required date

The Treasurer's Direction TD25-02: Financial Reporting Requirements requires state agencies named in TPG25-08: Agency Direction for the 2024-25 Mandatory Annual Returns to NSW Treasury to prepare and submit their financial statements for audit by 30 July 2025. All other agencies were required to prepare and submit their financial statements for audit within six weeks after 30 June 2025. The GSF Act requires annual reporting information, including the audited financial statements, to be tabled in Parliament by the end of November.

The following agencies did not submit financial statements on time:

- CB Alexander Foundation
- Corporation Sole 'Minister Administering the *Heritage Act 1977*'.

Audits in progress are listed in [Appendix 1](#) of this report.

4.3. Accounting issues

Agencies did not properly assess the amendments to AASB 13 'Fair Value Measurement'

Amendments to AASB 13 'Fair Value Measurement', effective from 2024–25, introduced guidance for not-for-profit public sector entities when measuring the fair value of non-financial assets that are not held primarily to generate cash inflows. The amendments clarify:

- when alternative uses for assets must be considered
- what constitutes a 'financially feasible' use
- how to apply the cost approach, including the use of unobservable inputs and the treatment of disruption and site preparation costs.

While some agencies have undertaken assessments of the impact of these amendments, others have yet to adequately evaluate whether their existing application of AASB 13 aligns with the revised requirements. Agencies that have not completed this assessment were typically those that did not conduct a comprehensive revaluation during the 2024–25 financial year.

Agencies are not disclosing the expected future impacts of AASB 18 implementation

AASB 18 'Presentation and Disclosure in Financial Statements' will introduce new requirements aimed at improving how entities communicate financial performance, particularly in the Statement of Comprehensive Income. For not-for-profit public sector entities, the standard applies to annual reporting periods beginning on or after 1 January 2028. These new requirements include:

- the introduction of newly defined subtotals in the Statement of Comprehensive Income
- new disclosures about management-defined performance measures
- the removal of existing options for classifying dividends and interest received and interest paid in the Statement of Cash Flows.

Disclosures made by state agencies in their financial statements evaluating the future impact of AASB 18 were limited, impacting the user's understandability of how the new standard would affect future financial reporting periods.

5. Key findings

Financial audits focus on the key internal controls and governance that support the preparation of financial statements. Breakdowns and weaknesses in internal controls increase the risk of fraud and error. Deficiencies in internal controls, matters of governance interest and unresolved issues identified in the final phase of financial audits were reported to management and those charged with governance of each agency so they can take appropriate action to mitigate the identified risk.

This chapter outlines observations and insights from the year-end financial statement audits of the 40 largest agencies in the state sector. These agencies are listed in [Appendix 2](#).

Chapter highlights

- Three high-risk findings were identified during 2024–25, with two being ongoing issues from prior years. These relate to control deficiencies in governance and asset management.
- Deficiencies were found in:
 - the completeness and accuracy of asset data
 - payroll controls leading to staff overpayments
 - the acquittal of a grant program
 - governance controls, including management of conflict-of-interest (COI) declarations
 - the reporting and management of contracts and related controls.

5.1. High-risk findings

Three high-risk findings were identified across the 40 largest agencies

High-risk findings identified include:

- an agency had employees who were directors of an entity that transacted with the agency but did not complete COI declarations
- an agency that had deficiencies in the accuracy and completeness of land records
- health entities that had entered into non-standard arrangements with staff specialists and visiting medical officers (VMOs) without the required delegation. Non-standard arrangements are any arrangements that provide benefits to staff specialists or VMOs beyond what is provided in the award or determination.

5.2. Key findings from our audits

The following key findings were identified across the following areas:

- asset management and integrity of data
- payroll controls
- grant administration
- governance matters
- contract management.

Asset management and integrity of data

Deficiencies were found in the completeness and accuracy of asset data

NSW Government agencies manage a large number of non-financial assets that are proportionately significant in the financial statements of state sector agencies. The size, geographical disbursement and diversity of assets managed by these agencies increase the complexity of maintaining a complete and accurate fixed asset register for financial reporting and asset management purposes.

The Audit Office identified:

- incomplete and/or inaccurate asset data source records and fixed asset registers
- fixed asset registers not reconciled with asset management systems, resulting in unexplained differences to source data records and unexplained reconciling items
- inaccurate asset details in fixed asset registers and/or discrepancies with other information records
- legacy system integration issues with the general ledger affecting asset processes
- incomplete stocktake of plant and equipment and delayed disposal of missing assets.

Errors or omissions in asset source data records may impact financial reporting, asset management and planning. Issues with integrity of asset data impact decision-making that relies on the accuracy of financial reporting and asset management data.

Integrity of data in asset systems and registers, on which the preparation of financial statements relies, should be strengthened to support reliability of asset data sources, as demonstrated in the case study below.

Case study – Deficiencies in the Crown Land Information Database

The Department of Planning, Housing and Infrastructure (the Department) maintains the Crown Land Information Database (CLID). Users of the CLID include Department staff who oversee management of all Crown land, Crown Land Managers and other agencies that use it in a limited viewing capacity. CLID is also used in preparing the Department's financial statements. Legacy workflows in CLID and delays in processing changes in CLID have led to data integrity issues, with records containing incorrect land manager information, or inaccurate land statuses, sizes and usages.

For many years, the Audit Office reported deficiencies in the recording of Crown land assets data in CLID. While the Department implemented a number of initiatives to address the identified deficiencies, issues with the completeness and accuracy of Crown land assets reported in CLID persisted.

In 2018 the Department sought to replace CLID by implementing the CrownTracker system which is a configurable, spatially enabled Land Management system. The new system also had the stated intention of improved integration with the Department's finance system.

The CrownTracker system has not achieved all its intended outcomes. The Department advised that CrownTracker system did not include all the functionalities originally scoped in the 2018 business case, with only an estimated 30% of the operational functionality/workflows previously delivered by CLID transitioning in full to the CrownTracker system.

The CrownTracker project including integration with the Departments finance system has since been discontinued, with a total project cost of \$11.7 million. The Department continues to implement system enhancements and initiatives to mitigate risks of data integrity issues including the 'Crown Lands Data Strategy' to build capabilities to generate, share and adopt quality data and data governance – reorienting its focus and resources towards improving the integrity and quality of Crown land data in CLID.

In 2024–25 the Department continues to work on categorising and prioritising the large number of long outstanding Crown land work orders and data matching activities to identify anomalies in its records.

Agencies need to strengthen timely reviews of assets under construction and improve capitalisation processes

Assets under construction were not always reviewed on a timely basis, resulting in delays in capitalisation of completed assets and inappropriate classification between capital and expense.

Weaknesses in timely review of assets under construction and capitalisation practices can lead to incorrect capitalised project costs and a failure to identify in a timely manner any non-moving or discontinued project. Delays in capitalisation of assets and incorrect treatment of operating expenses as capital expenditure may also impact the accuracy of asset balances and depreciation expenses.

Payroll controls

Weaknesses in payroll controls led to staff overpayments

Employee-related expenditure is the largest cost of the NSW government. Effective payroll controls and processes are essential in ensuring that transactions are processed accurately, completely and promptly.

The findings highlight gaps in the payroll control environment. These gaps included:

- inappropriate access to amend employee masterfile data
- ineffective controls over removing terminated employees from payroll systems
- unauthorised or former employees acting as signatories on bank accounts.

Weak controls over access to employee master data and the offboarding of terminated employees from payroll systems and as signatories on bank accounts can elevate the risk of salary overpayments, fraud and misappropriation of cash.

Delayed notifications of employee cessations, leave and errors in processing can lead to substantial financial losses, as demonstrated in the following case study.

Case study – Terminated employees continued to be paid, resulting in salary overpayments

At one agency the Audit Office identified:

- 481 terminated employees were paid during 2024–25, some ceasing employment as far back as 2018
- six cases investigated by audit highlighted collective overpayments of over \$429,000 were made, with the remaining cases referred to management to investigate
- of the six cases, one employee was overpaid more than \$295,000 in total from 2021 to 2024 after they had resigned in 2021.

Underpinning these overpayments were the delays in the notifications of termination, leave and errors in processing. The agency is taking reasonable steps to recover the overpayments.

There is inadequate monitoring of employee entitlements, including overtime

Managing employee entitlements can be complex, given the range and nature of industrial agreements, laws and regulations and policies that are applicable to agencies.

The Audit Office found weaknesses in:

- the oversight of employee leave balances, including excessive annual leave
- reporting and management of excessive overtime
- the controls over the retention of employee leave records
- data integrity, resulting in inconsistencies between payroll master files and leave liability reports and between payslips and payroll reports.

Inadequate oversight of employee leave balances, including excessive annual leave may result in health and safety implications, accrued employee liabilities being settled at higher rates as a result of salary increases and increased fraud risks, where staff who perform key control functions do not take leave.

Weak reporting and management of excessive overtime can heighten the risk of ineffective resource allocation and create budget risks, as demonstrated in the following case study.

Case study – Management oversight of excessive overtime

A government agency reported a net result in 2024–25 of \$26 million – \$96 million lower than the budgeted surplus of \$122 million. This variance was largely driven by employee-related expenses exceeding budget by \$103 million, with over half being additional overtime costs of \$56.4 million.

An agency's ability to operate within budget is impacted if overtime costs are not adequately controlled and managed. Excessive overtime can lead to reduced productivity because of employee fatigue and burnout, as well as non-compliance with work, health and safety labour laws and regulations.

A root cause analysis should be performed on employee-related costs that significantly exceed forecasted expenditure to ensure policies and procedures can be put in place to ensure they remain within acceptable limits and operate within budget boundaries.

Grant administration

Deficiencies were found in the acquittal of grant programs

The Audit Office identified deficiencies in the financial acquittal process over administration of grant programs as demonstrated by the case study below.

Case study – Deficiencies found in grant program acquittal process

In December 2023, Agency B administered a grant program over \$60 million to fund non-government service providers on behalf of Agency A.

While an agreement between Agency A and Agency B outlined the arrangements and acquittal processes to be undertaken, the terms of the arrangement were not substantially enforced. The effective administration of this grant program was hampered by the level of information and timeframe of Agency B's acquittal requirements from the grant recipients, with pertinent information such as the completion of financial accountability forms communicated late, leaving limited time for this requirement to be completed.

As a result, Agency B's acquittal obligations to Agency A were incomplete, or not performed in a timely manner. Despite receiving late or incomplete submissions from Agency B in November 2024, Agency A approved further funding to extend the program until the end of the 2025 calendar year for continuity of the program and to ensure that service providers could continue to deliver to community members.

Ineffective oversight over funds allocated to intermediaries and third parties elevates the risk of mismanagement and limits opportunities for financial redress, which can lead to a failure in achieving the grant's stated policy objectives and outcomes.

Agencies responsible for administering grant programs should provide acquittal reports supported by timely, accurate and complete data from the recipients/providers. The program guidelines should specify acquittal report deadlines and outline consequences for late submission, such as suspension of future funding. This will help maintain compliance with legislative and program-specific guidelines.

It is important for agencies to implement a robust process for reviewing acquittal reports, so any discrepancies are identified and resolved promptly. Agencies should understand and assess the financial implications of the acquittal data by ensuring the timely submission of accurate and complete financial records.

The Audit Office's [Audit Work Program 2025–2028](#) will continue to focus on grants administration and will assess the effectiveness of selected agencies in ensuring that awarded grants are being used by recipients for their intended purpose and stated benefits are being realised.

Governance matters

Gaps were identified in key governance controls, including monitoring conflict-of interest declarations

Good governance promotes public confidence in the integrity and effectiveness of agencies' systems and operations. Effective governance controls and processes help mitigate the risk of errors or fraud through the safeguarding of public resources, ensuring financial and other information is reliable, and that laws and regulations are being complied with.

Governance matters identified in audits included:

- incomplete fraud risk assessments
- gaps in COI procedures including:
 - some employees of one agency had not submitted a COI declaration regarding their relationship with the entities that transacted with the agency
 - decentralised COI registers
 - a secondary employment register did not exist, and secondary employment was not being monitored
- agencies having either outdated policies and procedures beyond scheduled review dates or missing policies and procedures
- incomplete key management personnel declarations
- outdated compliance frameworks, including centralised legislative compliance registers.

Inadequate fraud risk assessments can lead to fraud or corrupt activity going unnoticed or unchallenged. Effective fraud control processes help protect agencies from events that can cause serious reputational damage and/or financial loss.

A failure to disclose and manage COIs and secondary employment poses a significant fraud and integrity risk to agencies. Consequences can include reputational damage, financial loss due to biased decision-making, and legal and ethical breaches. Establishing a centralised COI register that can be readily accessed during procurement and supplier engagement is regarded as best practice.

Annual 'key management personnel' declarations are required to confirm related party transactions in accordance with AASB 124 'Related Party Disclosures' and NSW Treasury policy guidance.

The lack of an up-to-date legislative compliance register may increase the risk of non-compliance with applicable legislative obligations.

Contract management

Deficiencies were found in the reporting and management of contracts and related controls

The Audit Office found controls and processes over contract management could be strengthened, particularly over the:

- management oversight of contracts and assessments of financial implications
- completeness and accuracy of contract registers, elevating the risk of non-compliance with legislation including the *Government Information (Public Access) Act 2009*
- timeliness in which some required contracts are uploaded onto the buy.nsw website.

Ineffectively designed controls relating to contract management can expose an agency to financial loss, error, waste or fraud, as demonstrated in the case study below.

Case study – Inadequate contract management

In 2018, an agency purchased land from two separate vendors but failed to meet road access obligations, triggering a \$20 million compensation claim from one of the vendors. Despite legal actions, the agency was required to pay \$26 million plus \$1.5 million in legal costs. A cross-claim by the agency against the second vendor was abandoned as the second vendor went into voluntary administration.

This highlights the agency's weaknesses in contract structuring, risk allocation, land acquisition strategy and decision-making transparency.

6. Contingent workforce management

This chapter presents key insights from analysis of 15 selected state agencies and their use of contingent workers. NSW agencies rely on contingent labour for critical roles and projects. While this brings flexibility and access to specialist skills, it also introduces risks around cost, oversight and planning.

Chapter highlights

- Deficiencies were found in contingent workforce management.
- Contingent workers are being engaged for extended periods of time.
- Contingent workers are being paid in salary ranges equivalent to, or in excess of senior executives.
- Some agencies lack oversight of contingent labour, however some maintained robust systems.

The Contingent Workforce Management Guidelines issued by the NSW Public Service Commission (PSC) include that contingent labour should be used when there is a clear shortage of required skills in the labour market, when an immediate solution is needed pending recruitment, or for time-limited projects requiring expertise not needed in the ongoing workforce. The use of contingent workers must respond to business objectives, be the most efficient and effective option, and be integrated with broader workforce planning – ensuring it is not used to bypass recruitment processes or for long-term roles that could be filled by direct employment.

6.1. Use of contingent workforce

The Contingent Workforce Prequalification scheme (SCM0007) is a mandated whole-of-government arrangement for the sourcing and payroll of the contingent workforce. Data from NSW Procurement and the Department of Customer Service on buy.nsw shows aggregate contingent workforce spend under the scheme as follows. The aggregate contingent labour workforce spend has reduced 40% since 2023.

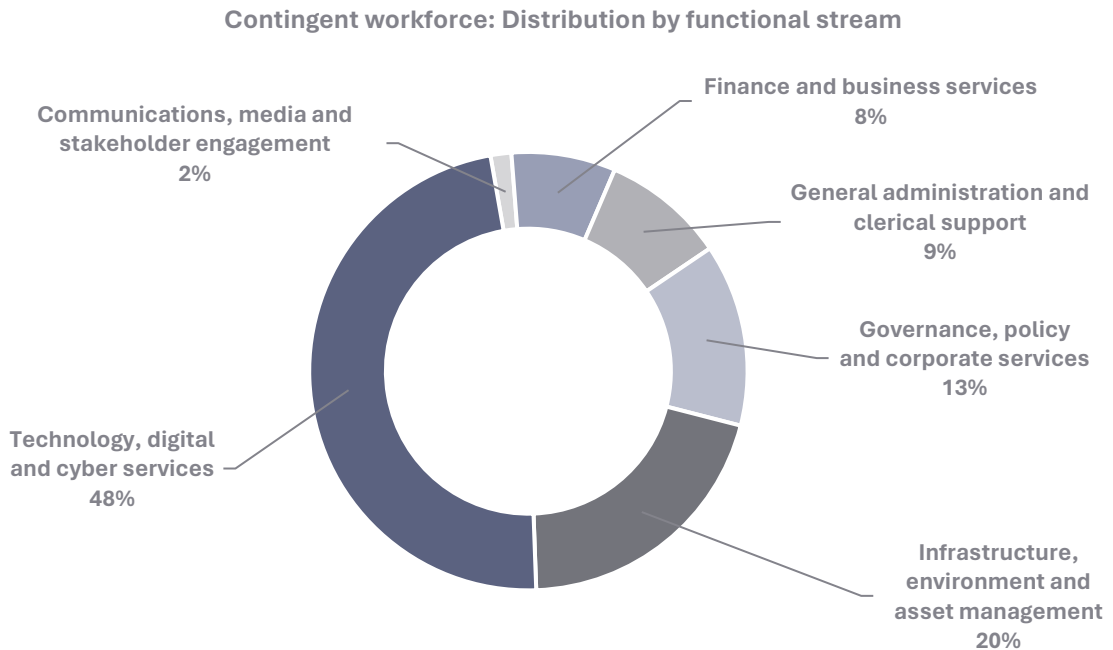
Financial year	Aggregate contingent workforce spend
2025	\$1,188 million
2024	\$1,697 million
2023	\$1,989 million

Source: [Contingent Workforce Scheme](#) | [info.buy.nsw](#).

Contingent labour is now a structural feature of government operations. Of the 15 agencies analysed, every agency reported active use of contingent labour. Three of these agencies spent over \$150 million on contingent workers for the 2025 financial year.

Contingent roles are not generic; they are strategic and technical. Of the total number of contingent workers, 48% were engaged in technology, digital and cyber services and 20% were engaged in infrastructure, environmental and asset management services. These roles are often critical to major projects, digital transformation and infrastructure delivery.

The distribution of contingent labour by function for the agencies assessed was as follows.



Source: Agency provided data (unaudited).

Deficiencies were found in contingent workforce management

Deficiencies were identified in the management of contingent workers at one agency, with data accessibility and report design deficiencies found, along with extended contingent workforce tenure and excessive hours reported. The agency operated under a whole of government contract with reliance placed on external providers for systems management and control. No external assurance was undertaken to verify the integrity of these systems.

Case study: Contingent workforce management deficiencies

Issues identified in the management of the contingent workforce at one agency were:

- **High pay rates**

Twenty-seven contractors were paid more than \$200 per hour (totalling \$17.2 million over 2 years and 9 months), and an additional 222 contractors had hourly rates between \$150–\$200 per hour, resulting in total spending of \$112.6 million. Collectively these 249 high-rate contractors accounted for almost a quarter of total contractor spending for the agency.
- **Long engagements**

Many contractor roles extended well beyond intended short-term use. 933 contingent worker work orders extended beyond 12 months and 339 exceeded 24 months. 104 contractors were engaged for over three years, with 37 exceeding five years. 876 work orders recorded a worked proportion exceeding 70% suggesting these contractors were working similar to full time hours.
- **Excessive hours**

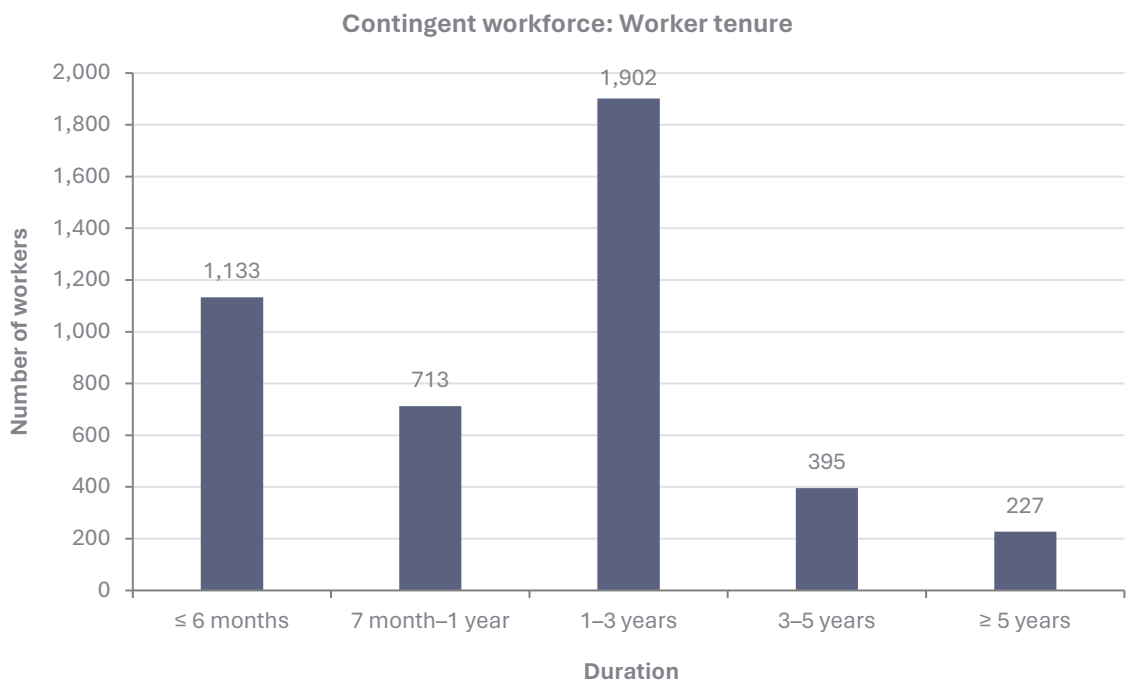
227 contractors worked more than 40 hours per week, with some exceeding 50 or even 60 hours, often due to shift work or critical business needs.

- **Data accessibility and report design deficiencies**
Reports used for audit had required additional interpretation because the data was not exportable in an appropriate format. This stemmed from report design limitations, data type configurations or filtering. Reports were not standard system outputs and could be improved for accessibility and usability for both management and audit activities.
- **Control gaps over revision tracking in work orders**
There was no standard process to track the history of revisions to contractor work orders, creating risks around visibility and control. In one case, a contractor’s cumulative work order revisions totalled \$1.9 million over ten years.
- **Lack of centralised policy framework**
Guidance for managing contingent workers was fragmented across multiple documents. There was no single consolidated authoritative reference.
- **Reliance on third parties**
Noting that the agency operates under a whole of government contract, heavy reliance was placed on external providers for system management and control. No external assurance has been undertaken to validate the reliability or integrity of these systems.

Contingent workers are being engaged for extended periods of time

Despite policies requiring justification and market re-evaluation for extensions, long-term contingent worker engagements are widespread. All agencies analysed engaged contingent workers for more than six months. In some cases, contracts have lasted many years. Across the analysed agencies, 227 contingent workers had been in the role more than five years. One agency reported a worker engaged for 15 years, and two agencies had workers engaged for over nine years.

The process for markets reviews and approvals is inconsistent across agencies. At two agencies, there is an inconsistency between the Guidelines and recommendations set by the PSC related to the timing of performing a re-evaluation of market conditions for continuing engagement of contingent labour. Agency guidelines require this to be performed after 24 months, however the PSC recommends this be conducted after six months as (outlined in section 5.5 of the NSW PSC Contingent Workforce Management Guidelines). At another agency, approval could not be located for extension for one of the highest paid contingent workers.



Source: Agency provided data (unaudited).

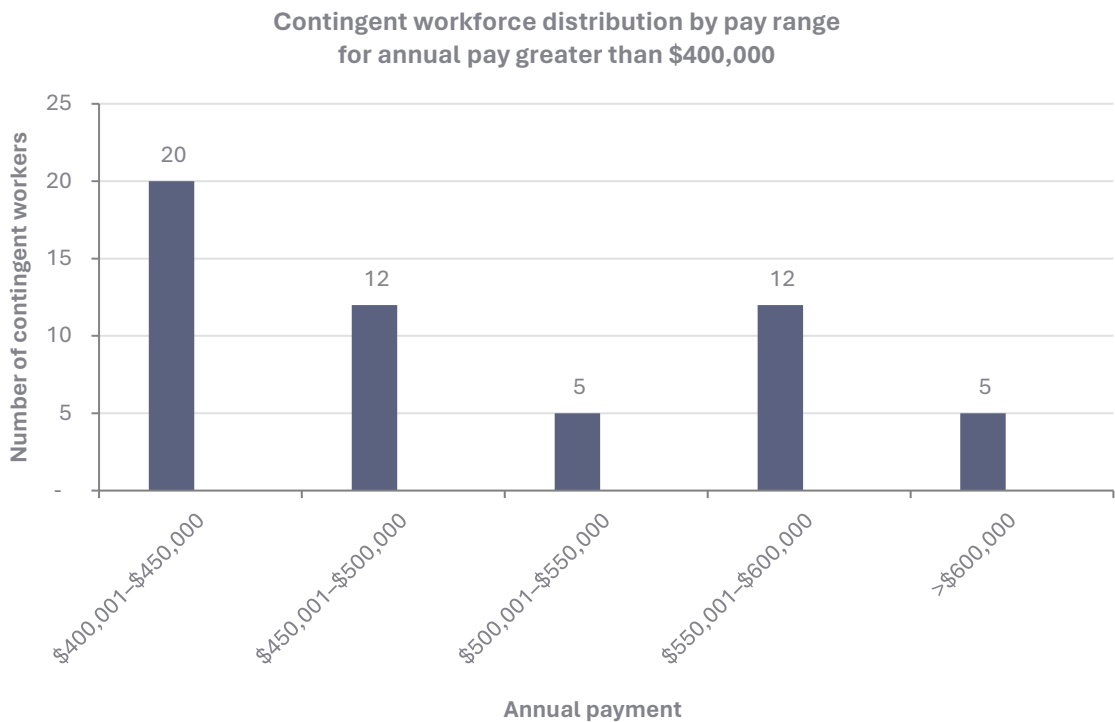
Some contingent workers are being paid in salary ranges equivalent to, or in excess of senior executives

There were 17 contingent workers in the agencies analysed paid more than \$550,000, placing them in a salary range equivalent to, or above a Band 4 senior executive. An additional 37 workers were paid more than \$400,000 placing them in the same category as a Band 3 senior executive. Roles attracting these salaries are typically in ICT (program/project managers, architects, consultants), infrastructure (capital project management), and specialist advisory positions. While justification for these salaries may be reasonable due to specialist skills, detailed assessment and market evaluations should be performed.

Public sector senior executive bands

Band	Per annum range
Band 4	\$527,051 to \$608,850
Band 3	\$373,951 to \$527,050
Band 2	\$297,251 to \$373,950
Band 1	\$208,400 to \$297,250

The contingent worker distribution by pay range over \$400,000 for the 15 agencies analysed is below.



Source: Agency provided data (unaudited).

Case study – Cost efficiency of contingent workforce arrangements

One agency engaged over 1,400 contingent workers in 2024–25 at a total cost of \$217 million (including fees paid to labour hire companies), with several engagements extending well beyond the standard short-term or project-based durations. Notably, one contingent worker has been engaged for ten years, and 18 others for more than five years. Contingent workers from 836 assignments have been engaged for more than one year.

Internal guidelines for this agency set a maximum benchmark daily rate of \$1,746. Our review identified 13 contingent workers assignments were paid above this benchmark rate, including 6 assignments being paid more than \$2,000 per day. The agencies' internal guidelines require any non-compliance with the maximum benchmark rate to be approved by the Deputy Secretary or equivalent. During the review, the Deputy Secretary's approval could not be located for one of the five highest-paid contingent workers for their assignment period of July to December 2024.

Additionally, a substantial number of contingent workers received remuneration comparable to, or exceeding, senior management levels in the public sector. During 2024–25, 215 contingent workers earned more than \$300,000, with two earning above \$500,000. Per the [Annual Determination for Public Service Senior Executives](#), the annual remuneration package for Band 2 – Executive Director Level (2025) starts from \$287,201. This means more than 200 contingent workers were paid above the Executive Director minimum annual remuneration.

6.2. Contingent workforce oversight and governance

Some agencies lack oversight of contingent labour, however some maintained robust systems

Deficiencies in the oversight of contingent labour were found. The PSC guidelines recommend agencies regularly report on contingent labour to senior executives including costs tenure and supplier performance. In addition, strategic priorities should be assessed to determine the capabilities the agency will need, compare to the existing workforce, and identify any gaps.

At one agency there were deficiencies in the oversight of a contract for a worker on a long-term project, who was previously employed by the agency.

Case study – Contingent worker oversight

A manager resigned from a permanent Clerk 11/12 role effective on 5 April 2022 and was re-engaged as a contingent worker from 6 April 2022 to perform substantially the same duties.

The former employee had requested conversion to a contingent worker role to continue performing existing duties on a critical IT project. The agency assessed that delays in replacing the officer could result in significant project disruption and additional costs due to recruitment lead times and onboarding requirements.

After a recruitment process the former employee was appointed to a contingent worker position in April 2022. The agency initially anticipated the role to conclude by the end of the 2022 calendar year with a budgeted cost of \$200,000, with no ongoing requirement for the role for subsequent phases. However, the former employee was initially engaged for 12 months but was approved for multiple reappointments spanning an additional two years and ultimately costing \$2,000,000.

Some agencies do have robust systems for contingent workforce management and have sophisticated dashboards that allow managers to track agency hire costs against budgets in real time. Others generate multiple reports for executives, detailing spending, headcounts and timesheets.

Case study – Well managed contingent workforce

At one agency, rates for contingent workers are determined at the time of the initial engagement, with offers being facilitated by the Talent Acquisition team and reviewed and approved by the remuneration and benefits team. Rate assessment includes a review against the remuneration framework of the agency and external assessment against market conditions.

A monthly report is produced that shows evidence of management monitoring of tenure. This report is provided to HR Business Partners for monitoring and actioning.

Despite having 100 individual contractors at the agency during 2025, only 30 were employed as at the end of September 2025, showing evidence of short-term usage, management review and assessment.

Lessons for the sector

Agencies should assess their current practices against the [Contingent Workforce Management Guidelines](#) issued by the PSC.

Key recommendations included within the guidelines are as follows.

Recommendation	Details
Strategic planning	Strategic business priorities should be assessed to determine the capabilities the agency will need. This should then be compared to existing workforce capabilities, and gaps identified. One of the possible responses could be contingent labour, however, other options for filling gaps should be explored.
Review usage	Agencies should regularly analyse contingent labour use by role, location, remuneration and duration to inform workforce planning.
Assess for inappropriate use	Avoid using contingent labour to bypass recruitment, increase headcount or due to lack of planning. Long-term arrangements should be reviewed (as a guide more than six months), as well as continual re-engagements. Workers who have received substantial payments or who have high hourly rates should also be reviewed.
Alternative strategies	Consider building internal capability, activating talent pools, supporting mobility and enhancing recruitment campaigns.
Procurement	Use suppliers from the Contingent Workforce Scheme and follow best practice in candidate selection and onboarding.
Onboarding/offboarding	Provide formal induction, clarify expectations and ensure proper exit processes.
Performance	Set clear expectations; performance issues should be managed via the supplier.
Knowledge management	Capture and transfer knowledge from contingent workers where possible.
Reporting	Agencies must regularly report on contingent labour to senior leadership, including costs, tenure and supplier performance.

7. Software assets

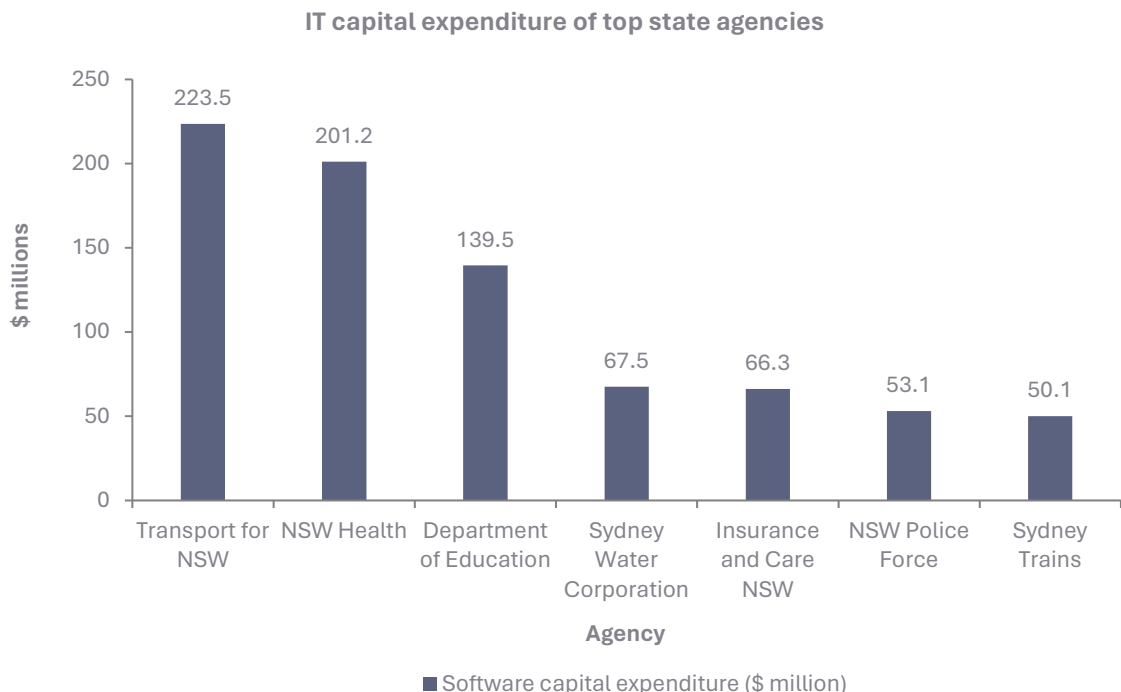
This chapter presents key insights from analysis of seven selected state agencies' accounting and management of software assets.

Chapter highlights

- In 2024–25, state agencies expensed over \$95 million in software costs due to incorrect capitalisation of expenses and project cancellations.
- The monitoring and oversight of IT project delivery varies across the sector.
- A major IT initiative is currently being undertaken in the health sector, the Single Digital Patient Record (SDPR). The business case did not capture all relevant project costs and the estimated operational costs were not supported by sufficient or reliable evidence.

Software assets form a substantial part of the NSW Government's asset portfolio. As at 30 June 2025, software assets had a carrying amount of \$5.0 billion, reflecting an increase of \$1.0 billion since 30 June 2021.

Software assets comprise both internally developed and externally acquired IT systems and applications. Despite their non-physical nature, these assets support public service delivery, digital transformation and operational efficiency across government agencies. The following figure details state agencies with software capital expenditure greater than \$50 million in 2024–25.



Source: Agency financial statements for the year ending 30 June 2025.

IT capital expenditure has been incurred primarily by agencies in 2024–25 within the Transport, Health and Education portfolios.

In recent years, the adoption of cloud-based software by agencies has also seen IT operating expenditure grow significantly. These solutions are typically acquired through hosting arrangements and classified as service contracts, commonly referred to as Software as a Service (SaaS). Under this model, ongoing payments are typically recorded as operating expenses because these arrangements do not provide any contractual or legal ownership of a specific asset.

7.1. Accounting for software assets

The sector wrote down the value of software asset balances resulting from incorrect capitalisation of expenses and project cancellations

The total value of these adjustments reported across the sector was \$95 million. These adjustments included:

- corrections to software balances for cloud computing costs that, upon review, did not meet the criteria for capitalisation
- write-off of IT projects that had been discontinued or were no longer progressing and were assessed as unlikely to deliver future economic benefits.

During the 2024–25 financial year, four of the seven agencies included in this chapter reported that they expensed or wrote-off amounts related to software projects and IT expenditure.

Agencies are not consistently performing annual impairment testing or confirming the continued use of software assets

Agencies are required to assess at each reporting date whether there is any indication that an asset, including software, may be impaired. Software assets that are no longer in use or no longer provide economic benefit must be derecognised to avoid overstating asset balances.

Six of seven sampled agencies reported conducting annual impairment testing. However, one agency indicated it does not perform formal impairment assessments for software assets, relying instead on the assumption that digital investments remain fit for purpose unless advised otherwise.

The following case study highlights how software asset values can be overstated when software applications no longer in use are retained on the balance sheet.

Case study – Software asset balance overstated by assets no longer in use

After the rollout of a new IT system, a number of legacy assets were still recorded as intangible assets. Management undertook a review, and eight assets, originally valued at \$213 million, with a net carrying amount of \$34 million, were impaired in 2024–25.

In response, the agency conducted a broader internal review of its software assets. This review identified an additional 16 software assets, primarily developed between 2020 and 2021, with a net carrying amount of \$21.2 million no longer in use. These assets lacked confirmed ownership, substantiated usage or adequate supporting documentation. Management assessed that these assets did not meet recognition criteria and derecognised these assets in 2024–25.

Agencies are reviewing the ageing of their software work-in-progress (WiP) balances, but the timing and frequency of these reviews vary

Reviewing the ageing of intangible software WiP balances is a key control activity that helps agencies identify idle or abandoned IT projects and supports timely capitalisation or impairment decisions.

All seven sampled agencies conduct ageing reviews of their software WiP balances. However, the frequency differs as follows:

- three agencies perform reviews on a monthly basis
- two agencies review ageing annually as part of their impairment assessment
- one agency conducts reviews twice a year
- one agency has not reviewed ageing since 2024.

The following case study highlights the types of errors that can arise when software WiP balances are not reviewed in a timely manner.

Case study – Review of aged software WiP balance identifies material prior period errors

In 2024–25, an agency conducted a review of material IT WiP projects managed by its Information Technology Division, focusing on a material balance as at 30 June 2024. The review identified multiple issues:

- delayed capitalisation of completed projects, resulting in assets not being recognised in the fixed asset register in a timely manner
- misclassification of assets, where some projects capitalised as intangible software assets should have been classified as property, plant and equipment (PPE)
- capitalisation of ineligible costs, with operating expenses incorrectly recorded as capital
- delayed depreciation and amortisation, due to unrecognised completed assets, leading to understated expenses in prior years.

As a result, the agency reclassified \$438 million from software assets work-in-progress to PPE and completed software assets (with no financial impact), expensed \$85 million, and recognised \$113 million in depreciation and amortisation across the 2022–23 and 2023–24 financial years. These issues stemmed from inadequate controls and oversight in the capitalisation process for software WiP.

Agencies should establish a consistent and timely review process for ageing software WiP balances, preferably monthly, to promptly identify stalled projects, support accurate capitalisation or impairment decisions, and strengthen financial controls.

Six of the seven sampled agencies have long outstanding work-in-progress balances

Six of the seven agencies have software WiP balances of three years or older. Periodic reviews of the software WiP ledgers are required to assess the viability of each project and determine whether continued capitalisation remains appropriate. Projects that are inactive, abandoned or unlikely to deliver future economic benefits should be impaired or derecognised in accordance with relevant accounting standards and asset management policies.

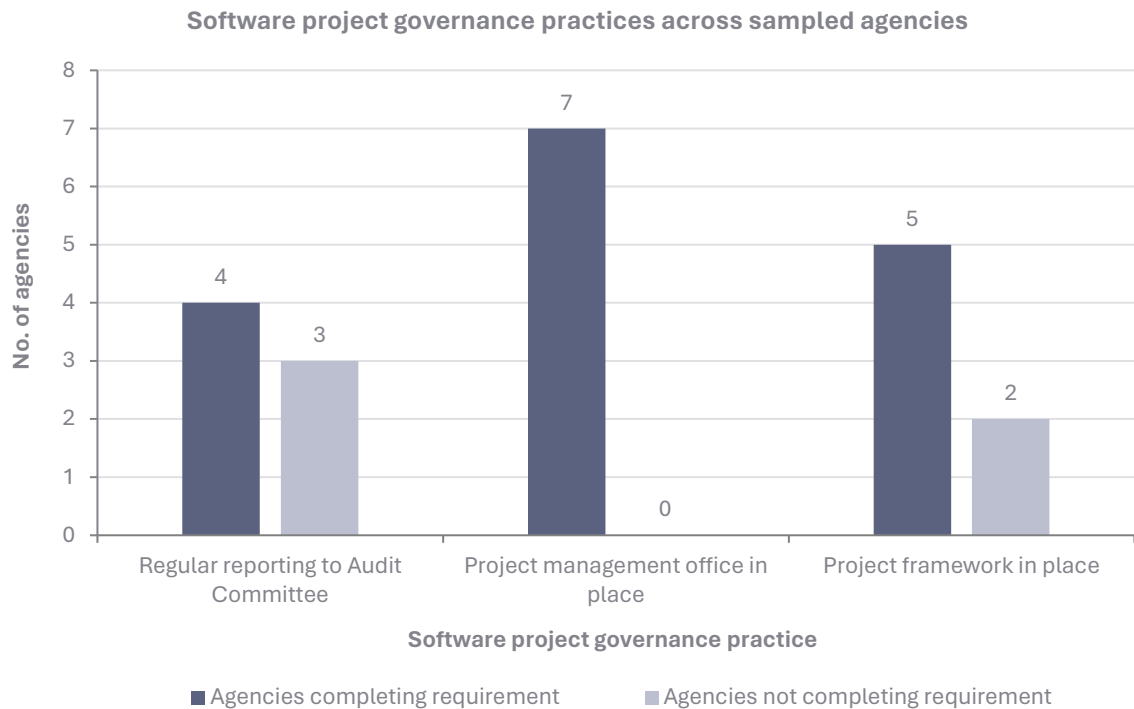
7.2. Software project management oversight and governance

For agencies undertaking software projects, project assurance requirements are governed primarily by the [NSW Gateway Policy](#) and the [Digital Assurance Framework \(DAF\)](#). These frameworks aim to ensure that ICT and digital projects are delivered effectively, securely and in alignment with government objectives.

The DAF is a risk-based, independent assurance model administered by the Department of Customer Service, applying to projects valued at \$5 million or more, or those deemed high risk or strategically significant. It mandates a series of Gateway Reviews at key decision points (Gates 0–6) throughout the project lifecycle, assessing readiness, risk and alignment with strategic outcomes. Projects are classified into tiers based on cost and complexity, which determine the level of assurance required. Agencies must prepare a Project Assurance Plan, undergo Health Checks and Deep Dive Reviews, and report regularly via the ICT Assurance Portal.

Governance and oversight of software development projects is not consistently applied across the sampled agencies

The figure below illustrates the extent to which agencies have established governance structures and oversight mechanisms for software development and project management.

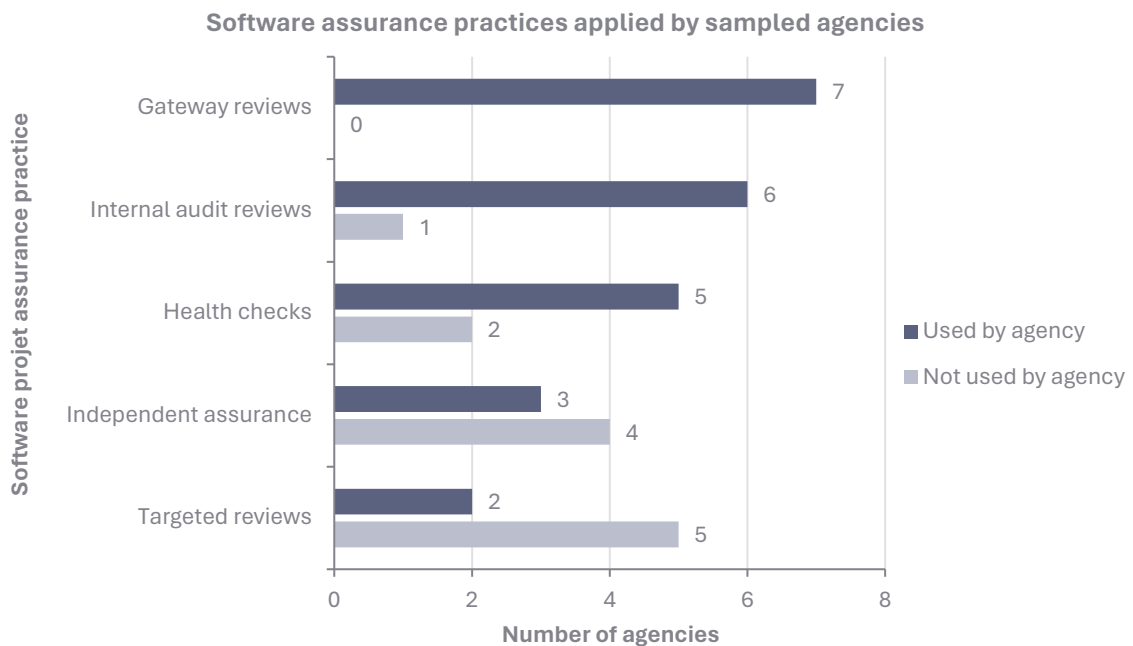


Three of the seven sampled agencies do not report the status of software projects to their audit committee or those charged with governance. Additionally, two agencies lack a project management framework or policy specifically addressing software projects. The absence of consistent governance and oversight increases the risk of poor project outcomes, limits accountability and misses opportunities to evaluate whether public investments in technology are delivering value.

Agencies should implement and maintain robust governance frameworks, including regular reporting to governance bodies, to ensure software projects are effectively managed and aligned with strategic objectives.

Software project assurance practices differ in scope and nature across the sampled agencies

While all sampled agencies participate in Gateway Assurance Reviews, the extent to which agencies implement additional software project assurance processes varies across the sample group. As illustrated in the figure below, five of the seven agencies do not conduct targeted or rapid assurance reviews, mechanisms designed to assess high-risk areas or critical success factors for project delivery. Four agencies do not embed independent assurance teams within their software project delivery processes, and project health checks, which are essential for identifying emerging issues between Gateway Reviews, are not always completed by agencies.



7.3. Single Digital Patient Record

The SDPR is one of the NSW Government’s largest technology initiatives, aiming to provide a secure, holistic and integrated view of a patient’s care across the NSW health system. It is designed to enable clinicians to access a patient’s medical information in real time from a single source.

The business case was initially developed in 2021.

In May 2024, the Single Digital Patient Record Implementation Authority was established as a division of the Health Administration Corporation to oversee delivery and implementation of this project.

The business case did not capture all relevant project costs, and the estimated operational costs were not supported by sufficient or reliable evidence

The business case did not consider the estimated cost of integrating the SDPR system with legacy systems that will remain in use. This integration process is crucial for the successful implementation of the SDPR system and early indicators suggest that these integration costs will be significant. Unsupported or unapproved cost estimates increases the risk of budget overruns and misinformed decisions.

The operational costs include an estimate to cover implementation-related expenses for the local health districts and in-scope health entities. This estimate was not supported by robust documentation due to limited cost information available at the time. Project costs may be understated by not assessing and identifying all implementation costs during project planning.

A performance audit planned for 2026–27 will assess the efficiency and effectiveness of the procurement, governance and project management of the SDPR project.

8. Climate reporting

The NSW Government legislated its commitment to achieving net zero emissions by 2050 in the *Climate Change (Net Zero Future) Act 2023*. This Act establishes principles, targets and a commission to monitor the State's climate progress.

NSW Treasury issued [TPG24-33: Reporting Framework for Climate-Related Financial Disclosures](#) (TPG24-33) to provide transparency over entities' exposure to and management of climate-related risks and opportunities, and to support enhanced decision making. Climate related-financial disclosures also support the objectives of the Act.

TPG24-33 aligns with the Australian Accounting Standards Board's (AASB) sustainability reporting standard, AASB S2 'Climate-related Disclosures' and has been tailored by NSW Treasury to reflect the specific circumstances and capabilities of state agencies.

In Phase 1 of climate reporting, in 2024–25, a total of 27 state agencies were required to include climate disclosures in their annual reports, or in a stand-alone climate report. It will be mandatory for these agencies to have these disclosures assured from 2025–26.

A list of Phase 2 climate reporting state agencies was recently published by NSW Treasury, with mandatory disclosures for these entities required for 2025–26. Phase 1 and Phase 2 reporting agencies are listed in [Appendix 3](#) of this report.

In July 2025, the Treasurer requested the Auditor-General to provide assurance over climate-related financial disclosures. The request included:

- assurance on the climate-related financial disclosures of four Phase 1 pilot entities in 2024–25
- assurance of 2025–26 disclosures of all Phase 1 entities, including a review of their disclosures prepared for 2024–25 by the end of this calendar year.

Chapter highlights

- Unmodified limited assurance opinions were issued for three completed 2024–25 climate pilot assurance engagements.
- The Audit Office of New South Wales 2024–25 climate assurance pilot identified areas of improvement where agencies can strengthen their climate disclosure practices and readiness for climate assurance. Key recommendations included ensuring agencies:
 - complete gap analysis against TPG24-33 requirements to ensure all disclosure requirements are being addressed
 - develop and implement a climate disclosure preparation plan
 - define reporting boundary and materiality to guide climate disclosure preparation
 - complete and document their climate risks and opportunities assessment
 - embed climate risks and opportunities into their enterprise-wide risk management process
 - develop an emissions inventory covering all material emissions sources within their operational boundary, including plans for closing any gaps over time
 - develop emissions reporting processes supported by informed emissions accounting policies

- develop plans to address reported gaps in governance, climate risk identification and emissions reporting to ensure disclosure requirements are enhanced in future reporting periods.
- Agencies are using different systems and processes to calculate emissions, which could affect the consistency and reliability of emissions reporting across the sector.
- Agencies used different methods and formats when preparing 2024–25 climate disclosure.

8.1. Agency readiness for climate disclosures and assurance

Pilot readiness assessment results

NSW Treasury called for expressions of interest from state agencies to identify those that would like to participate in having their 2024–25 climate disclosures assured in a pilot program. Expressions of interest were received from 11 agencies willing to be part of the pilot assurance process. Rather than commencing assurance from the onset, readiness assessments were undertaken to determine those agencies that were prepared for disclosures and assurance, and which could support a positive assurance outcome.

Six pilot agencies were assessed as being ready for climate assurance

The Audit Office identified six pilot agencies that were sufficiently progressed with climate disclosure preparation and were suitably positioned for climate assurance. These agencies had:

- identified relevant governance arrangements in place to support oversight over climate risks and opportunities
- undertaken a climate risk and opportunities assessment relevant to its reporting boundary
- developed processes to identify, capture, calculate and report on emissions-related metrics data
- considered timeframes, responsibilities and dependencies for drafting disclosures
- a higher level of climate reporting maturity as some had previously prepared climate disclosures under previous reporting frameworks (such as the ‘Task Force on Climate-related Financial Disclosures’).

All volunteering agencies have subsequently prepared climate disclosures for the 2024–25 financial year.

Two agencies assessed as being ready for assurance withdrew from the pilot to focus on the preparation of first year climate disclosures. A fourth pilot assurance engagement is currently being finalised.

Audit Office pilot readiness assessments identified improvement opportunities across agencies

The pilot program identified areas where agencies can strengthen their readiness for climate-related financial disclosures reporting, particularly in risk identification, data collection and analysis, and disclosure preparation practices. These findings underscore the importance of commencing planning and risk assessment activities early to ensure agencies are fully equipped to meet climate reporting requirements. The findings were communicated to all participating pilot agencies, which will help them enhance next year’s climate reporting process.

The following table outlines the key areas of improvements that can be applied by all agencies to enhance readiness for climate disclosure reporting.

Climate reporting area	Areas for improvement
Gap analysis	<ul style="list-style-type: none"> completing gap analysis against TPG24-33 requirements to ensure all disclosures are addressed
Disclosure preparation plans	<ul style="list-style-type: none"> developing a detailed implementation plan that outlines key steps, responsibilities and timelines to support timely preparation and delivery of climate disclosures
Materiality assessment	<ul style="list-style-type: none"> completing and documenting a materiality assessment that identifies the significant matters, including relevant climate risks and opportunities, that may impact the prospects of the entity
Boundary assessment	<ul style="list-style-type: none"> formally determining reporting boundaries to guide climate disclosure preparations
Governance	<ul style="list-style-type: none"> establishing and documenting climate governance processes and decision-making to support climate disclosure reporting on governance
Strategy – Climate risks and opportunities	<ul style="list-style-type: none"> conducting climate risk and opportunity assessments, with a focus on evaluating potential impacts from both transition and physical risks associated with climate change using criteria assessment to rank material climate risks and opportunities for disclosure and risk management purposes
Emissions reporting	<ul style="list-style-type: none"> completing a full inventory of Scope 1 and Scope 2 emissions sources in line with operational boundaries, including engaging with all relevant business units and controlled entities to ensure data accuracy and completeness identifying and rectifying gaps in existing data systems and exploring investment in technologies or systems that support effective data capture and emissions calculation establishing policies and procedures that define methodologies for calculating and reporting emissions, aligned with TPG24-33 and the NSW Government Greenhouse Gas Emissions Accounting and Reporting Guidelines.

8.2. Climate reporting pilot assurance learnings

Pilot assurance results

Unmodified limited assurance opinions were issued for three pilot engagements

Unmodified limited assurance opinions were issued for the 2024–25 climate disclosures of three pilot agencies. This meant that sufficient and appropriate audit evidence was obtained to conclude that nothing had come to the attention of the Audit Office that suggested that the in-scope climate disclosures were not prepared and fairly presented in accordance with TPG24-33.

The table below outlines the TPG24-33 disclosures within the scope of the limited assurance engagements for 2024–25.

Climate-related disclosures	Requirements assured against in TPG 24-33
Governance	G1 – G3
Strategy – Risks and opportunities	S1 – S2
Metrics and targets – Emissions	MT1 – MT4

[Appendix 4](#) of this report specifies in detail the applicable disclosure requirements of TPG24-33 that the Audit Office assured as part of 2024–25 pilot assurance engagements.

Pilot assurance learnings

Audit Office pilot assurance engagements identified opportunities to strengthen reporting on climate governance, risk identification and emissions

Pilot agencies that progressed to assurance demonstrated varying levels of reporting maturity, reflecting differences in prior experience with climate reporting under previous frameworks. Overall, these agencies were able to demonstrate compliance with TPG 24-33 and produce climate disclosures ready for assurance. This effort deserves acknowledgement considering it was the first year in which climate disclosures were prepared and made available for assurance. Areas for improvement recommended to the pilot agencies are summarised in the table below for sector-wide consideration.

TPG24-33 disclosure pillar	Areas for improvement
Governance	<ul style="list-style-type: none"> ensuring there is sufficient level of evidence supporting all disclosures relating to climate governance and any gaps are clearly disclosed ensuring climate disclosures address all TPG24-33 governance requirements, and include clear references to: <ul style="list-style-type: none"> how responsibilities for climate-related risks and opportunities are reflected in governance terms, charters and role descriptions how the governance body evaluates whether appropriate skills and competencies are available or need to be developed to respond to climate-related risks and opportunities how the governance body considers climate-related risks and opportunities when overseeing strategy and major transaction decision-making whether targets relating to climate risks and opportunities have been set.
Strategy – Risks and opportunities	<ul style="list-style-type: none"> ensuring that climate risks and opportunities disclosed are substantiated by thorough climate risk identification and scoring assessments, with their materiality appropriately justified ensuring disclosures capture material climate risks and opportunities relating to all business units and subsidiaries embedding and integrating climate-related risks and opportunities into enterprise-level risk management frameworks.
Metrics and targets – Emissions	<ul style="list-style-type: none"> ensuring all key scope 1 and scope 2 emissions sources are identified for reporting purposes ensuring any gaps in emissions calculations are disclosed improving support for underlying emissions activity data, including evidence of quality review checks of emissions data sets.
Proportionality	<ul style="list-style-type: none"> ensuring practical expedients applied and evident gaps in climate governance, risk identification and emissions estimation are included in the climate disclosure ensuring reported gaps include the agency’s plans to address these in the future.

Pilot agencies completed formal climate risks and opportunities identification assessments to support disclosures

While improvement opportunities were reported, most pilot agencies progressing to assurance undertook detailed climate risk assessments to support their identification and disclosure of climate risks and opportunities in 2024–25.

Documenting a climate risk assessment is a foundational step needed to support the disclosure of climate-related risks and opportunities. Without this, agencies risk overlooking material exposures to climate-related physical and transitional events, which can lead to misinformed strategic decisions and unanticipated gaps in climate-related financial disclosures.

The following case study summarises the structured approach applied by one pilot agency to identify climate risks and opportunities for disclosure and risk management purposes.

Case study – Process for assessing climate risk and opportunities by a pilot agency

To support the preparation of disclosures on climate risks and opportunities, a pilot agency implemented a structured process to assess climate risks and opportunities, endorsed by the Secretary and Executive Leadership Team (ELT), with input from the Audit and Risk Committee. Using its existing enterprise risk management framework, the agency applied established criteria to evaluate risk consequences and likelihoods, aligning with the Climate Risk Ready Guide.

To address uncertainty over long time horizons, risks and opportunities were assessed across short (2030), medium (2050) and long-term (2070+) periods. Two climate scenarios, one low impact and the other high impact, were used to model potential outcomes and inform residual risk ratings.

The assessment involved senior management and all agency groups within its clearly defined reporting boundary, resulting in individual and consolidated risk registers. This enabled a comprehensive top-down and bottom-up view of material climate risks and opportunities.

Materiality was determined through agreed principles and a dedicated workshop with senior leaders, considering both qualitative and quantitative factors. Risks rated as high or very high were flagged as potentially material. Final decisions were documented and formally endorsed by the ELT, forming the basis for relevant climate disclosures.

Pilot agencies developed processes and procedures to calculate climate emissions

Agencies must ensure that systems and processes are implemented to enable accurate calculation of emissions within their operational boundaries. This is essential for supporting climate reporting and broader sustainability objectives. In the absence of robust systems, agencies risk inaccurately calculating emissions data, which can compromise the credibility of climate disclosures and reporting against metrics and targets. The following case study illustrates how one pilot agency successfully implemented emissions estimation techniques and reporting processes.

Case study – Implementing emissions estimation and reporting by a pilot agency

To support reporting of emissions, a pilot agency established procedures for collecting source data from suppliers and internal systems to calculate relevant emissions within its operational boundary. The approach was aligned with the principles outlined in the Greenhouse Gas Emissions Accounting and Reporting Guidelines.

In preparing its disclosures, the agency articulated the basis of preparation for the metrics and targets component. This included outlining the key consumption or input data, the emissions factors applied, and the specific calculation or estimation methodologies used for each class of emissions. The agency demonstrated a clear understanding of the data sources used to estimate emissions. These details were incorporated into the disclosures to provide transparency on key judgements and estimates that informed the reported emissions.

To ensure completeness of reported emissions, the agency compiled an emissions inventory. This process involved assessing whether emissions associated with various aspects of its operations fell within its operational control and could be considered material. Management gathered supporting evidence by examining activities at each site the agency leased or listed on its asset register, including identifying potential emissions sources at those locations. While some sources were not quantified, the process enabled the agency to identify material emissions sources and report these as gaps in reporting.

8.3. Net Zero Accelerator tool

Not all agencies are using NZA to calculate emissions for disclosure purposes

The Net Zero Accelerator (NZA) tool is a centralised digital platform developed by the Department of Climate Change, Energy, the Environment and Water (DCCEEW). It is designed to help government agencies monitor, calculate, and report their emissions and sustainability performance. The NZA draws whole-of-government contracts consumption data from CASPER, a government data platform, and converts this into emissions measured in tonnes of CO₂ equivalent (tCO₂e).

The tool was created to support agencies in preparing emissions data in line with the Greenhouse Gas Emissions Accounting and Reporting Guidance, enabling compliance with NZGO reporting obligations and adherence to TPG 24-33 requirements. Currently the use of this system is not mandatory for agencies preparing climate disclosures.

Despite being available through DCCEEW, some agencies rely on alternative systems or spreadsheets to track and calculate emissions. This inconsistent uptake, particularly among agencies outside the General Government Sector, may reduce the comparability and completeness of reported data and may pose a challenge when aggregating climate data for whole-of-government emissions reporting.

NSW Treasury should consider whether sector wide adoption of the NZA is appropriate to help ensure consistency in reported emissions figures and better support the collection of state-wide emissions data.

8.4. Whole of Government climate disclosure reporting

Further guidance by NSW Treasury can help improve the comparability of climate disclosures across agencies

A key step in meeting the information needs of users is the ability to disclose climate risks and opportunities and emissions data at an aggregate whole of government level. More comparable information within disclosures, and consistency of emissions reporting approach will more readily support this.

Inconsistency in climate reporting across agencies may impact the ability to effectively aggregate data when preparing state level climate disclosures

Although NSW Treasury, with support from DCCEEW, provides prescriptive guidance to assist agencies in developing disclosures through a bottom-up approach, there is evidence of variations in how agencies report governance, climate risks and opportunities, and emissions. These inconsistencies may increase the risk of gaps, duplications and errors in any future NSW Government consolidated climate disclosures.

To address this, NSW Treasury should implement measures to promote consistent climate disclosure reporting practices across the sector, including:

- providing additional guidance to agencies when drafting their climate reports including proformas and/or best practice guidance
- completing and communicating a state-wide assessment of climate risks and opportunities to support consistent reporting of climate risk across agencies
- centralising emissions calculations for shared service functions to reduce duplication in reporting of similar emissions sources
- considering the use of a centralised emissions reporting system, such as NZA, to streamline the aggregation of agency emissions for whole-of-government reporting purposes.

Appendix 1 – Audits still in progress

The following 2024–25 or earlier audits are still in progress at the date of this report.

Agency	Financial year
Agricultural Scientific Collections Trust	2024–25
Bathurst Showground Land Manager	2024–25
Biamanga Board of Management	2024–25
CB Alexander Foundation	2024–25
Digital Restart Fund (SDA Account)	2024–25
Fisheries Trust Funds	2024–25
First Australian Mortgage Acceptance Corporation (FANMAC) Master Trust	2024–25, 2023–24
First Australian Mortgage Acceptance Corporation (FANMAC) Pooled Super Trust	2024–25, 2023–24
Generator Property Management Pty Limited	2024–25
Home Purchase Assistance Fund	2024–25, 2023–24, 2022–23, 2021–22
Jobs for NSW (SDA Account)	2024–25
NSW Rent Buy Pty Limited	2024–25, 2023–24, 2022–23, 2021–22
NSW Trustee and Guardian Common Funds – Financial Management	2024–25
NSW Trustee and Guardian Common Funds – Trustee	2024–25
Worimi Board of Management	2024–25

Appendix 2 – Agencies included in report

The following 40 largest agencies have been included in this report. Their inclusion reflects a representative cross-section of NSW Government entities, chosen based on relevance to the subject matter and operational significant to the State of NSW.

Chapter 4 – Financial audit results, includes the results of all completed state agency audits.

The agencies included for analysis in Chapter 5 – Key findings, are shown below.

Agency

Department of Climate Change, Energy, the Environment and Water

Department of Creative Industries, Tourism, Hospitality and Sport

Department of Communities and Justice

Department of Customer Service

Department of Education

Department of Planning, Housing and Infrastructure
--

Department of Primary Industries and Regional Development

Destination NSW

Environment Protection Authority

Essential Energy

Fire and Rescue NSW

Forestry Corporation of New South Wales

Hunter Water Corporation

Infrastructure NSW

Landcom

Legal Aid Commission of New South Wales

Local Land Services

Ministry of Health

New South Wales Land and Housing Corporation
--

New South Wales Treasury Corporation

NSW Childcare and Economic Opportunity Funds
--

NSW Police Force

NSW Reconstruction Authority

NSW Rural Fire Service

NSW Self Insurance Corporation

NSW Trains

Office of Sport

Place Management NSW

Premier's Department

Property and Development NSW

Agency

Service NSW

Sydney Metro

Sydney Trains

Sydney Water Corporation

TAFE Commission

The Treasury

Transport Asset Manager

Transport for NSW

Venues NSW

Water NSW

Appendix 3 – Climate reporting agencies

Climate reporting Phase 1 agencies

Treasurer’s Direction TD25-04: Climate-related Financial Disclosures required climate disclosures to be included in the annual reporting information of the 27 state agencies listed in the table below.

Agency
Department of Climate Change, Energy, the Environment and Water
Department of Communities and Justice
Department of Creative Industries, Tourism, Hospitality and Sport
Department of Customer Service
Department of Education
Department of Planning, Housing and Infrastructure
Department of Primary Industries and Regional Development
Environment Protection Authority
Essential Energy
Forestry Corporation of NSW
Hunter Water Corporation
Insurance and Care NSW
Landcom
Ministry of Health
New South Wales Land and Housing Corporation
New South Wales Treasury Corporation
NSW Police Force
Port Authority of New South Wales
Premier's Department
Sydney Metro
Sydney Trains
Sydney Water Corporation
The Cabinet Office
Transport Asset Manager
Transport for NSW
The Treasury
Water NSW

Climate reporting Phase 2 agencies

NSW Treasury recently published the list of Phase 2 climate reporting state agencies, which will be required to include mandatory climate disclosures in their 2025–26 annual reporting information. These state agencies are listed in the following table.

Agency
Aboriginal Housing Office
Art Gallery of New South Wales
Australian Museum
Corrective Services NSW
Energy Corporation of New South Wales
Infrastructure NSW
Legal Aid Commission of New South Wales
Local Land Services
Museums of History NSW
NSW Government Telecommunications Authority
NSW Reconstruction Authority
NSW Rural Fire Service
NSW Trains
Place Management NSW
Property and Development NSW
Royal Botanic Gardens and Domain Trust
Service NSW
State Library of New South Wales
Sydney Olympic Park Authority
Sydney Opera House Trust
TAFE Commission
Trustees of the Museum of Applied Arts and Sciences
Venues NSW
Zoological Parks Board of New South Wales

Appendix 4 – In-scope TPG24-33 disclosure requirements

The table below lists the disclosure requirements from TPG24-33: Reporting Framework for Climate-Related Financial Disclosures that were assured by the Audit Office during climate reporting pilot limited assurance engagements in 2024–25, and that will be assured as part of mandatory assurance in 2025–26.

TPG24-33 disclosure pillar	In-scope disclosure requirement
Governance	<p>An entity must disclose information about:</p> <p>G1. The governance body (or bodies) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body (or bodies) or individual(s) and disclose information about:</p> <ul style="list-style-type: none"> a. How responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body (or bodies) or individual(s) b. How the body (or bodies) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee actions designed to respond to climate-related risks and opportunities c. How and how often the body (or bodies) or individual(s) is informed about climate-related risks and opportunities d. How the body (or bodies) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity’s strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body (or bodies) or individual(s) has considered trade-offs associated with those risks and opportunities e. How the body (or bodies) or individual(s) oversees the setting of targets related to climate-related risks and opportunities (if any), and monitors progress towards those targets. <p>G2. Management’s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:</p> <ul style="list-style-type: none"> a. Whether the role is delegated to a specific management-level position or management level committee and how oversight is exercised over that position or committee b. Whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions. <p>G3. In preparing disclosures to fulfil the requirements in G1. and G2, an entity shall avoid unnecessary duplication. For example, if oversight is managed on an integrated basis, the entity would avoid duplication by providing integrated governance disclosures for requirements G1 (a) to (e) and/or other sustainability-related risks and opportunities.</p>
Strategy – Climate-related risks and opportunities	<p>S1. Describe climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.</p> <p>S2. Explain, for each climate-related risk and opportunity identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.</p>

**TPG24-33
disclosure pillar**

In-scope disclosure requirement

**Metrics and
Targets – Scope 1
and 2 emissions**

MT1. The following absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent:

- a. scope 1 GHG emissions
- b. scope 2 GHG emissions.

MT2. The approach it uses to measure its GHG emissions including:

- a. the measurement approach, inputs and assumptions the entity uses
- b. the reason the entity has chosen the measurement approach, inputs and assumptions it uses
- c. any changes the entity made to the measurement approach, inputs and assumptions under the relevant NSW Government methodology during the reporting period and the reasons for those changes.

MT3. For Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with disclosure requirement MT1, disaggregate emissions between:

- a. the consolidated accounting group (for example, for an entity applying Australian Accounting Standards, this group would comprise the parent and its consolidated subsidiaries)
- b. other investees excluded from disclosure requirement MT3a (for example, for an entity applying Australian Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries).

MT4. For scope 2 greenhouse gas emissions disclosed in accordance with MT1b, disclose its location-based Scope 2 greenhouse gas emissions.

OUR VISION

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

OUR PURPOSE

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

OUR VALUES

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



Audit Office of New South Wales

Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000 Australia

t +61 2 9275 7100

mail@audit.nsw.gov.au

Office hours: 8.30 am–5.00 pm

audit.nsw.gov.au