



FINANCIAL AUDIT

15 DECEMBER 2022

Planning and Environment 2022

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

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

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

Financial audits are designed to add credibility to financial statements, 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 examine whether an entity is carrying out its activities effectively and doing so economically and 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.

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



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In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**Planning and Environment 2022**'.

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

Margaret Crawford

Auditor-General for New South Wales
15 December 2022

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RECONCILIATION COMMITMENT STATEMENT

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

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

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

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Section one

Planning and Environment 2022

This report analyses the results of our audits of the Planning and Environment cluster agencies for the year ended 30 June 2022.

1. Introduction

This report provides Parliament and other users of the Planning and Environment cluster's financial statements with the results of our audits, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations.

1.1 Snapshot of the cluster

Planning and Environment

Responsible for the stewardship of the NSW Government's natural and built assets.

State outcomes



Create a strong and liveable NSW

Unlocking infrastructure and a diverse housing mix, and integrating environmental sustainability, good design, greener places, and safe and inclusive public spaces to bring communities together. Planning for great places that create the conditions for prosperity, economic development, innovation and jobs.



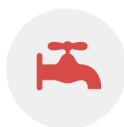
Maximise community benefit from government land and property

Delivering a coordinated and strategic approach to the use of government-owned property to maximise community benefits.



Connecting communities to resilient and sustainable local environments and heritage

Protecting and preserving the quality of environment and heritage to support a resilient and sustainable NSW.



Sustainable, secure and healthy water resources and services

Supporting sustainable and healthy environments, economies and communities across NSW through the transparent stewardship of water resources, provision of services and reforms.

Key agencies



Source: NSW Budget Papers 2022–23.

1.2 Changes to the cluster

Machinery of Government (MoG) refers to how the government organises the structures and functions of the public service. MoG changes occur when the government reorganises these structures and functions and those changes are usually given effect by Administrative Orders.

During 2021–22, the cluster was impacted by the following MoG changes:

- under the 'Water NSW Assets, Rights and Liabilities Transfer Order 2021', on 1 September 2021, all rights and liabilities in the contracts, undertakings, representations, deeds, agreements and legally enforceable arrangements relating to the following projects were transferred from Water NSW to the Department of Planning and Environment:
 - Wyangala dam wall raising
 - Dungowan dam and pipeline
 - Mole River dam
 - Western Weirs program
 - Macquarie River re-regulating storage
 - Lake Rowlands dam to Carcoar dam pipeline
 - Lstock dam to Glennies Creek dam two-way pipeline
 - Wilcannia Weir replacement.
- under the 'Administrative Arrangements (Second Perrottet Ministry—Transitional) Order 2021':
 - the Department of Planning, Industry and Environment was renamed the Department of Planning and Environment on 21 December 2021
 - effective from 1 April 2022, the persons employed in the heritage branch of the Department of Premier and Cabinet were transferred to the Department of Planning and Environment.

- under the 'Administrative Arrangements (Administrative Changes—Miscellaneous) Order (No 2) 2022', effective from 1 April 2022':
 - the persons employed in the cities group of the Department of Planning and Environment (the department) and the persons employed to enable the functions of the Centennial Park and Moore Park Trust, the Luna Park Reserve Trust, the Parramatta Park Trust, Place Management NSW, the Royal Botanic Gardens and Domain Trust and the Western Sydney Parklands Trust were transferred to the Department of Transport
 - the persons employed in the department who were principally involved in the administration of legislation allocated or providing support to the Minister for Energy were transferred to NSW Treasury.

The following graph summarises the financial impact of these MoG changes to the department:



Source: Department of Planning and Environment's audited 2021–22 financial statements.

The comparative information included in this report has been updated to reflect these changes.

2. Financial reporting

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

This chapter outlines our audit observations related to the financial reporting of agencies in the Planning and Environment cluster (the cluster) for 2022.

Section highlights

- Unqualified audit opinions were issued for all completed 30 June 2022 financial statements audits of cluster agencies. Seven audits are ongoing. The audit of the Catholic Metropolitan Cemeteries Trust has not been able to commence, despite repeated requests to do so.
- The audits of the Water Administration Ministerial Corporation's (WAMC) financial statements for the years ended 30 June 2011 to 30 June 2020 were completed in November 2022. These audits had been long outstanding due to insufficient records and evidence to support the transactions and balances of WAMC, particularly for the earlier years. In recent years, management commenced actions to improve WAMC's governance and financial management, and finalise the outstanding audits.

Disclaimed audit opinions were issued on the 2010–11 to 2015–16 financial statements as management was unable to certify that the financial statements exhibit a true and fair view of WAMC's financial position and financial performance.

Qualified audit opinions were issued for the 2016–17 and 2017–18 financial statements due to insufficient evidence to support the completeness and valuation of water meters infrastructure assets, the impairment of water meters, and the completeness of buildings at Nimmie Caira.

Unqualified audit opinions were issued for the 2018–19 and 2019–20 financial statements.

The 2020–21 and 2021–22 WAMC audits are in progress.

- The Department of Planning and Environment (the department) assessed 45 Category 2 Statutory Land Managers (SLMs) did not meet the reporting exemption criteria and therefore were required to prepare 2021–22 financial statements. None of these 45 Category 2 SLMs prepared and submitted their 30 June 2022 financial statements by the statutory reporting deadline.





All 119 Commons Trusts have never submitted their financial statements for audit as required by the *Government Sector Finance Act 2018* (GSF Act).





The department needs to do more to ensure Category 2 SLMs and Commons Trusts meet their statutory reporting obligations.

The department and Category 2 SLMs should finalise their reporting exemption assessments earlier to allow sufficient time for the non-exempted SLMs to prepare and submit annual financial statements by the statutory reporting deadline.

- NSW Treasury has met with the Catholic Metropolitan Cemeteries Trust (CMCT) to consider their perspective as part of confirming CMCT is a controlled entity of the State for the purposes of financial reporting. NSW Treasury has confirmed that the CMCT is a controlled entity of the State. This means that the CMCT is statutorily obliged under section 7.6 of the GSF Act to prepare financial statements in accordance with the GSF Act and Treasurer's Directions, and give them to the Auditor-General for audit pursuant to the *Government Sector Audit Act 1983* (GSA Act). Section 34 of the GSA Act requires the Auditor-General to furnish an audit report on these financial statements.
The department wrote to CMCT to request it work with, and offer full assistance to, the Auditor-General in the exercise of her duties. To date, the CMCT has not met its obligations to prepare financial statements under the GSF Act as it has not submitted its financial statements to the Auditor-General for audit despite repeated requests, and has not provided access to its books and records for the purposes of a financial audit. The CMCT contends that they are not a GSF agency as defined by the GSF Act and therefore not a controlled entity of the State.
- Six agencies required to perform early close procedures did not complete a total of 11 mandatory procedures. Incomplete procedures included the delayed resolution of matters raised in prior years and two agencies did not record movements in the fair value of physical assets in the financial statements.

2.1 Cluster financial information 2022

Agencies listed in Appendix A of TD21-02	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Principal department				
Department of Planning and Environment***	15,709	825	5,079	5,008
Crown lands and local government				
Lands Administration Ministerial Corporation	234	3	14	54
Environment and heritage				
Biodiversity Conservation Trust	366	178	125	126
Environment Protection Authority***	89	53	280	282
Environmental Trust	10	3	50	49
Taronga Conservation Society Australia	862	120	179	120
Homes				
Aboriginal Housing Office	2,856	27	268	165
NSW Land and Housing Corporation	63,132	748	1,238	1,479
Teacher Housing Authority of New South Wales	228	7	26	26

Agencies listed in Appendix A of TD21-02	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Planning				
Planning Ministerial Corporation	2,017	241	62	36
Natural Resources Commission***	2	2	9	7
Property and development				
Hunter and Central Coast Development Corporation	218	37	26	29
Independent Planning Commission***	3	1	7	6
Landcom	879	227	164	144
Property NSW	5,809	5,013	429	960
Sydney Olympic Park Authority	3,292	27	137	174
Waste Assets Management Corporation	81	55	12	4
Water				
Hunter Water Corporation	3,385	2,045	370	329
Natural Resources Access Regulator	7	4	28	27
Sydney Water Corporation	23,871	15,852	2,764	2,439
Water Administration Ministerial Corporation^	832	--	64	65
Water NSW***	3,493	2,558	412	434

* Include other gains.

** Include other losses.

*** Figures disclosed are for the consolidated entity.

^ 2020–21 Water Administration Ministerial Corporation audit is currently underway, and the 2021–22 audit has recently commenced.

Source: Agencies audited 2021–22 financial statements.

2.2 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued on agencies' financial statements

Unqualified audit opinions were issued on all completed cluster agencies' 2021–22 financial statements. Sufficient and appropriate audit evidence was obtained to conclude the financial statements were free of material misstatement.

Seven audits are ongoing, including:

- Biamanga National Park Board of Management
- Corporation Sole 'Minister Administering the *Heritage Act 1977*'
- Gulaga National Park Board of Management
- Mutawintji Board of Management
- Worimi Conservation Lands Board of Management
- Rookwood Necropolis Land Manager
- Water Administration Ministerial Corporation.

After the 2021–22 statutory reporting deadline had passed, the department assessed that 45 of the 596 Category 2 Statutory Land Managers (excluding Wentworth Park Sporting Complex Land Manager) did not meet the reporting exemption criteria and therefore were required to submit their 30 June 2022 financial statements under the GSF Act.

None of the 45 non-exempted Category 2 Statutory Land Managers and 119 Commons Trusts have submitted their 2021–22 financial statements for audit. Refer to section 2.3 'Timeliness of financial reporting' for more details.

Since the publication of 2021 Auditor-General's Report to Parliament '[Planning, Industry and Environment 2021](#)', unqualified audit opinions were issued on the Crown Reserves Improvement Fund and Worimi Conservation Lands Board of Management's 2020–21 financial statements.

The 30 June 2021 financial statements audits are ongoing for:

- Water Administration Ministerial Corporation – due to the timing of completion of the 2011–2020 audits
- Corporation Sole 'Minister Administering the *Heritage Act 1977*' – management and the audit team are assessing the financial reporting implications of the non-compliance with aspects of *Heritage Act 1977*.

The audits of the 2010–11 to 2019–20 financial statements of the Water Administration Ministerial Corporation were completed

The Water Administration Ministerial Corporation (WAMC) is a NSW Government entity constituted under the *Water Management Act 2000*. WAMC is a controlled entity of the Department of Planning and Environment (the department) and it is under the responsibilities of the Minister for Lands and Water. Its functions are carried out under delegation by the water delivery group within the department.

The following audit opinions were issued on the WAMC financial statements for each of the years ended 30 June 2011 to 30 June 2020:

Year(s) ended	Audit opinion	Basis for audit opinion
30 June 2011 to 30 June 2015	Disclaimer	Significant breakdown in governance and internal controls materially and pervasively impacted the completeness and reliability of financial reporting and record keeping of WAMC. As a result, management was unable to certify that the financial statements exhibit a true and fair view of WAMC's financial position and financial performance. Sufficient and appropriate audit evidence could not be obtained. The possible effects of undetected misstatements in the financial statements were both material and pervasive.
30 June 2016	Disclaimer	Sufficient and appropriate audit evidence could not be obtained: <ul style="list-style-type: none"> • due to the disclaimer of opinion for the year ended 30 June 2015 which impacted the opening balances for 2015–16 • to support the completeness and valuation of the water meters infrastructure assets and the completeness of WAMC's buildings at Nimmie Caira.
30 June 2017	Qualified	Sufficient and appropriate audit evidence could be obtained, except for: <ul style="list-style-type: none"> • the completeness and valuation of the water meters infrastructure assets and their subsequent impairment prior to being transferred to Water NSW at 1 July 2016 • the completeness of building assets at Nimmie Caira.

Year(s) ended	Audit opinion	Basis for audit opinion
30 June 2018	Qualified	Sufficient and appropriate audit evidence could be obtained, except for: <ul style="list-style-type: none"> the completeness of WAMC's buildings at Nimmie Caira associated impairment prior to the sale of the Nimmie Caira properties.
30 June 2019 to 30 June 2020	Unqualified	Sufficient and appropriate audit evidence could be obtained to conclude that the financial statements did not contain any material uncorrected misstatements, and presented fairly WAMC's financial position, financial performance and cash flows. Management resolved the issues relating to the completeness and valuation of property, plant and equipment identified in the previous years.

A disclaimer audit opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and concludes that the possible effects of undetected misstatements in the financial statements could be both material and pervasive.

A qualified audit opinion is issued when the auditor:

- having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material but not pervasive to the financial statements
- is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the possible effects of undetected misstatements on the financial statements are material but not pervasive.

In recent years, management has commenced actions to improve WAMC's governance and financial management. The 2020–21 audit is currently underway. The 30 June 2022 financial statements were submitted on time, and the 2021–22 audit has recently commenced. The results of these audits will be included in the 2023 Auditor-General's Report to Parliament focusing on the Planning and Environment cluster.

Unqualified audit opinions were issued on three acquittal audits

The following acquittal audits were completed during 2021–22:

- Department of Planning and Environment – an audit was conducted to determine if the Statement of Payments, which comprises the Financial Assistance Grant payments made by the department, was prepared in accordance with section 15(b)(i) of the *Commonwealth Local Government (Financial Assistance) Act 1995*
- Lord Howe Island Board – an audit was performed to assess if the Part 1 - Chief Executive Officer's financial statements for the Roads to Recovery program were prepared in accordance with section 90 of the *National Land Transport Act 2014* and the Roads to Recovery Funding Conditions 2019
- Lord Howe Island Board – an audit was conducted to determine if the financial statements for the Local Roads and Community Infrastructure program were prepared in accordance with the COVID-19 Local Roads and Community Infrastructure Program Guidelines for Phases 1 and 2 of the program.

The number of identified monetary misstatements increased in 2021–22

The number of monetary misstatements identified during the audits of cluster agencies' financial statements increased from 39 in 2020–21 to 59 in 2021–22. A monetary misstatement is an error in amount recognised in the financial statements initially submitted for audit.

Reported corrected misstatements increased from 27 in 2020–21 to 46 with a gross value of \$73.0 million in 2021–22. Reported uncorrected misstatements increased from 12 in 2020–21 to 13 with a gross value of \$26.7 million in 2021–22.

The table below shows the number and quantum of monetary misstatements for the past two years. This table excludes the prior period errors that have been adjusted retrospectively. Refer to section 2.4 'Key accounting issues' for details.

Year ended 30 June	2022		2021	
	✓	!	✓	!
Less than \$50,000	6	1	2	--
\$50,000 to \$249,999	9	2	6	5
\$250,000 to \$999,999	16	5	7	3
\$1 million to \$4,999,999	11	3	7	2
\$5 million and greater	4	2	5	2
Total number of misstatements	46	13	27	12
Key	✓ Corrected misstatements	! Uncorrected misstatements		

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

Refer to Appendix one for details of corrected and uncorrected monetary misstatements by agency.

Of the 46 corrected monetary misstatements in 2021–22, four had a gross value of greater than \$5 million and related to the following:

Agency	Description of corrected misstatements > \$5 million
Department of Planning and Environment	The department understated its Crown land assets by \$9.6 million due to inaccuracies in the underlying land information.
Lord Howe Island Board (LHIB)	LHIB understated its property, plant and equipment by \$5.9 million due to the incorrect application of indices to reflect the fair value of general infrastructure assets.
Northern Metropolitan Cemeteries Land Manager	TCorp investment was incorrectly classified at fair value through other comprehensive income instead of fair value through profit and loss. Management subsequently corrected this error by transferring the unrealised fair value loss of \$14 million from other comprehensive income to the net result.
Sydney Water Corporation (SWC)	SWC incorrectly recognised a \$5.8 million receivable from the Department of Planning and Environment and this was subsequently reversed.

Of the 13 uncorrected monetary misstatements, two had a gross value of greater than \$5 million and related to the following:

Agency	Description of uncorrected misstatements > \$5 million
Sydney Water Corporation (SWC)	SWC had two uncorrected misstatements above \$5 million: <ul style="list-style-type: none"> \$6.5 million overstatement of right-of-use asset and \$6.2 million overstatement of its lease liability from applying an incorrect discount rate when remeasuring the Parramatta office lease \$10.7 million under accrual of capital expenditure.

In the instances highlighted above, SWC concluded that the effect of not correcting the misstatements was immaterial, individually and in aggregate to its financial statements as a whole.

2.3 Timeliness of financial reporting


Early close procedures


Early close mandatory procedures were submitted on time for all cluster agencies

NSW Treasury introduced early close procedures to improve the quality and timeliness of year-end financial statements. In April 2022, NSW Treasury reissued Treasurer's Direction TD19-02 'Mandatory Early Close as at 31 March each year' (TD19-02) and released Treasury Policy and Guidelines TPG22-11 'Agency Direction for the 2021–22 Mandatory Early Close'. These pronouncements require the GSF agencies listed in Appendix A of TD19-02 to perform the mandatory early close procedures and provide the outcomes to the audit team by 27 April 2022. The 17 mandatory procedures are listed in Appendix two.

Agencies need to improve their completion of early close procedures

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

Cluster agencies	Not completed 	Description of incomplete early close procedures
Principal department		
Department of Planning and Environment	3	<p>Inter and intra (cluster) agency transactions and balances</p> <p>The department did not formally respond to Water NSW's confirmation requests for inter-agency transactions and balances. Whilst there was no formal confirmation, the department reconciled the data received from Water NSW to its internal records to ensure these transactions were complete and accurate.</p> <p>Accounting treatment for restructures and discontinued/abolished agencies</p> <p>The department did not finalise its assessment of the impact of the Water NSW Assets, Rights and Liabilities Transfer Order 2021 on the department's financial statements.</p> <p>Prior year Management Letter and Engagement Closing Report issues</p> <p>The department did not address or fully address prior year management letter issues in the following areas:</p> <ul style="list-style-type: none"> • IT general controls and security • corporate services catalogues and service level agreements • Crown lands accounting and records.
Other agencies listed in Appendix A of TD19-02		
Biodiversity Conservation Trust	1	<p>Significant management judgements and assumptions</p> <p>The Biodiversity Conservation Trust (BCT) did not promptly finalise its accounting paper on the use of the new Biodiversity Conservation Fund charge system to remeasure the provision for developer payment offset obligations and perform impairment assessment of the inventory balance. The BCT submitted the relevant accounting paper over one month after the initial early close deadline.</p>

Cluster agencies	Not completed 	Description of incomplete early close procedures
Property NSW	2	<p>Revaluation of property, plant and equipment</p> <p>Property NSW revalued its land and buildings at 31 March 2022. However, management did not review and endorse the revaluation and indexation of police housing properties and include the valuation movements in the fixed asset register and general ledger.</p> <p>Prior year Management Letter and Engagement Closing Report issues</p> <p>Management did not address prior year management letter issue relating to the lack of review of third-party service provider reports. This issue has been reported as a repeat issue in Property NSW's 2022 management letter. Refer to section 3.3 'Findings reported to management' for details.</p>
Sydney Olympic Park Authority	3	<p>Fair value assessment of property, plant and equipment</p> <p>The Sydney Olympic Park Authority (SOPA) performed and documented an annual fair value assessment of its assets. However, management did not record the indexation movements for buildings, which did not comply with SOPA's accounting policy requirement.</p> <p>Finalise assessment of all revenue contracts</p> <p>SOPA did not perform and document a comprehensive review of its new and existing revenue contracts and arrangements.</p> <p>Management provided an initial assessment on the revenue recognition for individual revenue line item in the financial statements which was not sufficiently robust.</p> <p>Correction of material prior period errors</p> <p>During early close, SOPA proposed to correct a material prior period error relating to three land parcels that were compulsorily acquired by Sydney Metro in 2020–21.</p> <p>However, SOPA incorrectly recorded the adjustment to the opening retained earnings in its 31 March 2022 proforma financial statements. The disclosure did not comply with the requirements of AASB 108 'Accounting Policies, Changes in Accounting Estimates and Error'.</p> <p>The prior period error was removed from the financial statements at year end as it was not considered an error.</p>
Teacher Housing Authority of NSW	1	<p>Prior year Management Letter and Engagement Closing Report issues</p> <p>Management did not address prior year management letter issue relating to the lack of review of third-party service provider reports. This issue has been resolved during 2021–22.</p>
Waste Assets Management Corporation	1	<p>Prior year Management Letter and Engagement Closing Report issues</p> <p>Management did not address prior year management letter issue relating to the lack of review of third-party service provider reports. This issue has been reported as a repeat issue in the Waste Assets Management Corporation's 2022 management letter. Refer to section 3.3 'Findings reported to management' for details.</p>

Source: Reports on early close procedures 2022 issued by the Audit Office of New South Wales.

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

- address prior year Management Letter and Engagement Closing Report issues in a timely manner
- ensure the outcomes of comprehensive revaluation and fair value assessment of the property, plant and equipment are properly recorded in the fixed asset register and financial statements.

Year-end financial reporting

NSW Treasury required all agencies to submit their financial statements by 1 August 2022

In June 2022, NSW Treasury issued a suite of Treasurer's Directions and Treasury Policy and Guidelines for 2021–22 financial reporting requirements and timetables:

- Treasurer's Direction TD21-02 'Mandatory Annual Returns to Treasury' (TD21-02) and Treasury Policy and Guidelines TPG22-16 'Agency Direction for the 2021–22 Mandatory Annual Returns to Treasury' require agencies listed in the Appendix A of TD21-02 to submit their 2021–22 financial statements to both NSW Treasury and the Audit Office of New South Wales by 1 August 2022
- Treasury Policy and Guidelines TPG22-17 'Agency guidelines for the 2021–22 Mandatory Annual Returns to Treasury for NSW public sector agencies that are not included in TD21-02' requires NSW public sector agencies not listed in Appendix A of TD21-02 to submit their draft 2021–22 financial statements to NSW Treasury by 1 August 2022
- Treasurer's Direction TD21-03 'Submission of Annual GSF Financial Statements to the Auditor-General' (TD21-03) requires reporting GSF agencies that are not listed in Appendix A of TD21-02 to submit their annual financial statements for audit within six weeks after the year end.

The following agencies obtained NSW Treasury's approval to extend submission of their 30 June 2022 financial statements:

Cluster agencies	Revised deadline	Reason
Biamanga National Park Board of Management	8 August 2022	These are immaterial agencies that do not need to submit financial data to NSW Treasury. Management resourced and planned for the preparation of these financial statements to be finalised at the same time as previous years, which is six weeks after year end.
Dams Safety NSW	8 August 2022	
Gulaga National Park Board of Management	8 August 2022	
Jenolan Caves Reserve Trust	8 August 2022	
Mutawintji Board of Management	8 August 2022	
Worimi Conservation Lands Board of Management	8 August 2022	

Financial statements were submitted on time for all cluster agencies except Category 2 Statutory Land Managers, Commons Trusts, Catholic Metropolitan Cemeteries Trust and Corporation Sole 'Minister Administering the *Heritage Act 1977*'

Cluster agencies, except Category 2 Statutory Land Managers (SLMs), Commons Trusts, Catholic Metropolitan Cemeteries Trust and Corporation Sole 'Minister Administering the *Heritage Act 1977*', met the reporting deadlines for submitting their 2021–22 year-end financial statements.

The *Government Sector Audit Act 1983* (GSA Act) does not specify the statutory deadline for issuing the audit reports. At the date of this report, the audits of seven cluster agencies financial statements are ongoing.

The table in Appendix three shows the timeliness of the year-end financial reporting for cluster agencies.

Forty-five Category 2 Statutory Land Managers did not submit their 2021–22 financial statements for audit

Category 2 SLM is a type of Crown Land Manager (CLM) that is controlled by the State. It excludes Category 1 SLMs such as the metro cemeteries, Catholic Metropolitan Cemeteries Trust and Crown Holiday Parks land manager. CLMs are persons or entities appointed by the Minister to be responsible for the care, control and management of Crown reserves on behalf of the people of New South Wales.

The GSF Act requires Category 2 SLMs to prepare annual financial statements. Treasurer's Direction TD 21-03 requires these land managers to submit financial statements for audit within six weeks following the end of the annual reporting period.

During 2019–20, NSW Treasury established reporting exemption criteria for the CLMs. These criteria are outlined in Division 2, Part 3A of the Government Sector Finance Regulation 2018 (GSF Regulation). The department did not finalise the 2021–22 reporting exemption assessment for the 596 Category 2 SLMs (excluding Wentworth Park Sporting Complex Land Manager) by the statutory reporting deadline. The Wentworth Park Sporting Complex Land Manager currently prepares and submits financial statements for audit every year.

After the statutory reporting deadline to submit 30 June 2022 financial statements had passed, the department assessed 551 Category 2 SLMs met the reporting exemption criteria, and would therefore not be required to prepare 2021–22 financial statements. To date, none of the 45 non-exempted Category 2 SLMs have submitted their 30 June 2022 financial statements for audit.

None of the Commons Trusts have submitted their financial statements for audit

Commons Trusts are responsible for the care, control and management of commons for which the trust is established. A common is a parcel of land that has been set aside by the Governor or the Minister for specific use in a certain locality, such as grazing, camping or bushwalking. The Commons Trusts are considered to be controlled entities of the Minister who administers the *Commons Management Act 1989*. Commons Trusts are not CLMs.

Whilst NSW Treasury established specific reporting exemption criteria for CLMs, no such criteria were established for the Commons Trusts.

Currently there are 119 Commons Trusts in New South Wales. None of these trusts have prepared and submitted financial statements as required under the GSF Act.

Recommendation (repeat issue)

The department should ensure Category 2 SLMs and Commons Trusts meet their statutory reporting obligations.

The department and Category 2 SLMs should finalise their reporting exemption assessments earlier to allow sufficient time for the non-exempted SLMs to prepare and submit annual financial statements by the statutory reporting deadline.

NSW Treasury has commenced a process to review the exemption criteria prescribed in Division 2, of Part 3 of the GSF Regulation to ensure the criteria are effective, and that the desired outcomes are being achieved. As required by section 7.3(5) of the GSF Act, NSW Treasury is consulting with the Auditor-General.

Catholic Metropolitan Cemeteries Trust did not submit financial statements to the Audit Office

In response to our recommendation in the '[State Finances 2021](#)', NSW Treasury confirmed that the Catholic Metropolitan Cemeteries Trust (CMCT) is a controlled entity of the State for financial reporting purposes. This means CMCT is a GSF agency under the provisions of the GSF Act. Section 7.6 of the GSF Act places a statutory obligation on CMCT to prepare financial statements and give them to the Auditor-General for audit. Further, section 34 of the GSA Act requires the Auditor-General to furnish an audit report on these financial statements.

To date, CMCT has not met its statutory obligations to prepare financial statements under the GSF Act. CMCT has not submitted its financial statements to the Auditor-General for audit despite repeated requests, and has not provided access to its books and records for the purposes of a financial audit. There was extensive correspondence between the Audit Office of New South Wales, CMCT, NSW Treasury and the department in 2022 regarding this matter.

In addition, on 10 December 2021, the then Minister for Water, Property and Housing wrote to the Auditor-General requesting a financial and performance audit be performed pursuant to section 27B(3)(c) of the GSA Act. The audit would cover the financial affairs of CMCT, including whether funds have been used for the proper purpose. The Audit Office of New South Wales has written to CMCT on a number of occasions to request the provision of documentation and access to management in order to conduct the performance audit. CMCT has not provided the Audit Office of New South Wales access to its management, books and records for the purpose of the required performance audit.

NSW Treasury has met with and considered CMCT's perspectives. NSW Treasury's position remains that CMCT is a controlled entity of the State for financial reporting purposes. Consequently, CMCT did not meet its statutory obligations as a controlled entity to submit its financial statements for audit and provide access to its books and records. Therefore, the Audit Office was unable to obtain sufficient appropriate audit evidence about the carrying amount of assets and liabilities consolidated into the Total State Sector Accounts as at 30 June 2022 and of the amount of income and expenses for the year then ended. Accordingly a modified audit opinion was issued on the NSW Government's 2021–22 consolidated financial statements.

Recommendation

The department should ensure the Catholic Metropolitan Cemeteries Trust meets its statutory reporting obligations.

Nine agencies and 551 Category 2 Statutory Land Managers were exempted from financial reporting in 2021–22

Part 3A Division 2 of the GSF Regulation prescribes certain kinds of GSF agencies not to be a reporting GSF agency. For 2021–22, the following cluster agencies have assessed and determined they met the reporting exemption criteria under the GSF Regulation, and therefore were not required to prepare annual financial statements:

Exempted agencies	GSF Regulation reference	Basis for reporting exemption
Special purpose staff agencies		
Environment Protection Authority Staff Agency	Part 3A, Division 2, Section 9F of the GSF Regulation	GSF Regulation prescribes a GSF agency that comprises solely of persons who are employed to enable another particular GSF agency to exercise its function not to be a reporting GSF agency.
Natural Resources Commission Staff Agency		
Office of the Independent Planning Commission		
Small agencies		
Central Coast Water Corporation	Part 3A, Division 2, Section 9D of the GSF Regulation	GSF Regulation prescribes a GSF agency meeting all the following requirements not to be a reporting GSF agency:
Gaagal Wanggaan (South Beach) Board of Management		<ul style="list-style-type: none">the assets, liabilities, income, expense, commitments and contingent liabilities of the agency are each less than \$5 million
Hunter Water Ministerial Corporation		<ul style="list-style-type: none">the total cash or cash equivalent held by the agency is less than \$2.5 million
Ministerial Development Corporation		<ul style="list-style-type: none">at least 95% of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies
Mt Grenfell Historic Site Board of Management		<ul style="list-style-type: none">the agency does not administer legislation for a minister by or under which members of the public are regulated.
National Parks and Wildlife Conservation Trust of New South Wales		
		The department has assessed these agencies against the above criteria, and concluded that they have met all the requirements. Therefore they were not required to prepare financial statements in 2021–22.

Exempted agencies	GSF Regulation reference	Basis for reporting exemption
Crown land managers		
551 Category 2 SLMs (a type of Crown land manager) based on the department's assessment	Part 3A, Division 2, Section 9E of the GSF Regulation	<p>GSF Regulation prescribes a GSF agency meeting all the following requirements not to be a reporting GSF agency:</p> <ul style="list-style-type: none"> the agency is a Crown land manager the assets, liabilities, income, expense, commitments and contingent liabilities of the agency are each less than \$5.0 million the total cash or cash equivalent held by the agency is less than \$2.5 million the income of the agency, derived from sources other than money paid out of the Consolidated Fund or money provided by other GSF agencies, is less than \$100 thousand the agency does not administer legislation for a Minister by or under which members of the public are regulated. <p>The department has assessed the Category 2 SLMs against the above criteria, and concluded that 551 of these land managers have met all the requirements. Therefore, they were not required to prepare financial statements in 2021–22.</p>

In 2020–21, seven cluster agencies and 549 Category 2 SLMs were exempted from financial reporting under Part 3A, Division 2 of the GSF Regulation.

2.4 Key accounting issues

Intra-government property leases managed by Property NSW

The changes in office accommodation arrangement with Property NSW resulted in derecognition of right-of-use assets and lease liabilities

Property NSW (PNSW) is responsible for managing most of the state government agencies leased real estate property portfolio. During 2021–22, PNSW made some changes to its intra-government lease arrangements, including rewriting the standard Client Acceptance Letter (CAL) to include a 'Relocation and substitution right' clause. This clause allows PNSW to relocate agencies to other locations and remove the agency's right to control the use of the identified accommodations. As a result, the new CALs no longer constitute a lease under AASB 16 'Leases'. The changes became effective from 30 June 2022.

Six cluster agencies accepted the changes to their office accommodation arrangements with PNSW. This has resulted in:

- the derecognition of \$367 million of Right-Of-Use assets (ROU assets)
- the derecognition of \$472 million of lease liabilities
- \$104 million of gains on derecognition recognised in the Statement of Comprehensive Income.

Going forward, these agencies will recognise the office accommodation payments as expenses in the Statement of Comprehensive Income. Agreements between the agencies and PNSW mean agencies will continue to recognise the leasehold improvement (or fit-outs) assets and liabilities for the makegood of premises.

In total, 47 state agencies, including the six cluster agencies mentioned above, chose to accept the changes to their office accommodation arrangements with PNSW. As a result, PNSW:

- derecognised finance lease receivables of \$3.3 billion which related to the pre-30 June 2022 sub-leasing arrangements
- recognised ROU assets of \$2.8 billion and incentives receivable of \$31.6 million
- recognised a total net loss of \$547 million.

Agencies have included appropriate disclosures in their year-end financial statements, detailing the accounting policies, significant judgments made and impact of the derecognition of the ROU assets and lease liabilities at 30 June 2022.

Implementation of the new Biodiversity Conservation Fund charge system

The new charge system has contributed to a \$68 million loss relating to the remeasurement of developer payment offset obligations

The department developed the Biodiversity Offsets Payment Calculator (BOPC) in 2017. The calculator was used by developers to determine how much they needed to pay into the Biodiversity Conservation Fund (BCF) to acquit their obligation under section 6.30 of the *Biodiversity Conservation Act 2016* (BC Act). Under section 6.31 of the BC Act, the Biodiversity Conservation Trust (BCT) is required to apply the amount paid into the BCF by the developers towards securing the relevant biodiversity offsets.

In 2020, the department commissioned an expert to conduct a review of the BOPC. The review found that the current BOPC was not fit for purpose, largely due to very limited trade data for the biodiversity offset credits. The BCF charge system was developed in response to the recommendations from the review. The new system considered three decision-support tools: an econometric (statistical credit trade-based) model, a cost structure model, and market soundings.

During 2021–22, the BCT decided to use the new BCF charge system to remeasure the provision for developer payment offset obligations and perform impairment assessment of the inventory balance. This is because management believes the new system is the best tool available to estimate the developer payment offset obligation and form the basis for impairment assessment of the inventory balance.

This change has contributed to a \$68 million loss from remeasurement of the developer payment offset provision in BCT's 30 June 2022 financial statements. The change from BOPC to BCF charge system is considered to be a change in accounting estimate under AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. Therefore the corresponding change to the value of the provision was adjusted prospectively in BCT's financial statements.

The Minister for Environment and Heritage approved the implementation of the BCF charge system in August 2022. The new system commenced operation on 17 October 2022.

Going forward, management plans to continuously improve the BCF charge system including the underlying data. However, management should consider developing a formal policy and framework for conducting periodic review of the system/model to ensure it remains fit for purpose.

The recently tabled performance audit on '[Effectiveness of the Biodiversity Offsets Scheme](#)' also highlighted the issues with BOPC and the implementation of BCF charge system. This audit examined whether the department and the BCT have effectively designed and implemented the Biodiversity Offsets Scheme to compensate for the loss of biodiversity due to development.

Prior period errors adjustments

Three agencies processed prior period errors retrospectively

The following material prior period errors were adjusted in agencies' 30 June 2022 financial statements.



Agency	Description of prior period errors
Northern Metropolitan Cemeteries Land Manager	<p>Management adjusted the following prior period errors retrospectively:</p> <p>Property, plant and equipment</p> <p>The valuation process identified unrecorded assets acquired or constructed in previous years. This correction increased property, plant and equipment by \$8.3 million at 1 July 2020 and \$8.2 million at 30 June 2021.</p> <p>During 2020–21, construction costs for the Mausoleum at Macquarie Park Cemetery of \$8.2 million were recorded as property, plant and equipment. This asset was held for sale in the ordinary course of business and was reclassified as inventory at 30 June 2021.</p> <p>Inventories</p> <p>All non-current inventories were reclassified to current inventories at 1 July 2020 (\$7.9 million) and 30 June 2021 (\$8.6 million) as they were held primarily for trading purpose.</p> <p>Contract liabilities</p> <p>All non-current contract liabilities were reclassified as current liabilities at 1 July 2020 (\$34.7 million) and 30 June 2021 (\$38.2 million), as there was no unconditional right to defer settlement of the contract liabilities for at least 12 months after the reporting period.</p>
Southern Metropolitan Cemeteries Land Manager	<p>Management retrospectively adjusted the following two prior period errors:</p> <p>Contract liabilities</p> <p>The financing component was removed, which reduced contract liabilities by \$3 million at 1 July 2020 and \$3.5 million at 30 June 2021, with corresponding adjustments to the accumulated funds.</p> <p>Inventories</p> <p>All non-current inventories were reclassified to current inventories at 1 July 2020 (\$15.7 million) and 30 June 2021 (\$15.3 million) as they were held primarily for trading purpose.</p>
Taronga Conservation Society Australia (Taronga)	<p>Taronga received grant funding from NSW Treasury for the construction of Wildlife Hospital.</p> <p>At 30 June 2021, Taronga recognised a liability for the unspent grant of \$8 million, on the basis that the funding was used to acquire or construct a recognisable non-financial asset to be controlled by Taronga under paragraphs 15 and 16 of AASB 1058 'Income of Not-for-Profit Entities' (AASB 1058).</p> <p>However, for paragraphs 15 and 16 of AASB 1058 to apply, there needs to be an enforceable agreement. Management confirmed there was no signed agreement in place with NSW Treasury for the grant funding. Therefore, paragraphs 15 and 16 of AASB 1058 do not apply, and Taronga should recognise the grant as income upon receipt.</p> <p>Management considered this prior period error to be material, and hence adjusted it retrospectively in Taronga's 30 June 2022 financial statements.</p>

2.5 Key financial statement risks

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



Department of Planning and Environment

The Department of Planning and Environment aims to make the lives of people in New South Wales better by developing well-connected communities, preserving the environment, supporting industries and contributing to a strong economy.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment - \$14 billion</p>	<p>The department's property, plant and equipment consists of specialised and unique assets, including Crown lands, national parks and reserves, and roads and other access infrastructure. These assets collectively account for 95.5% of the department's total property, plant and equipment.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are financially significant to the financial statements of the department, and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • testing the accuracy and completeness of the asset register • reviewing the appropriateness of the valuation methods, assumptions and judgements applied • reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.
 <p>Crown land - \$6.4 billion</p>	<p>Historically, there were issues with the department's recognition of Crown land assets.</p> <p>Our audit risk rating for Crown land is higher because there have been historical deficiencies in the accuracy and completeness of the recording of Crown land assets in the Crown Land Information Database (CLID) and the general ledger. Crown land assets are considered to be financially significant to the department.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • understanding the department's processes to manage and record Crown land assets • reviewing the reconciliation between CLID and the general ledger including assessing the completeness and accuracy of CLID data • testing the Crown land asset movements during the financial year.


Landcom

Landcom is the NSW Government's land and property development organisation. It is a State Owned Corporation that works with government and the private and not-for-profit sectors to address housing affordability issue by improving the supply, diversity and affordability of new housing in Sydney and New South Wales.

	Key financial statement risk	Audit response
 Inventory - \$480.3 million	<p>Landcom has a portfolio of long-term land development projects, classified as inventory, that are being developed for future sale. The inventory is measured at the lower of cost and net realisable value, which is assessed at each reporting date.</p> <p>Our audit risk rating for inventory is higher because these assets are financially significant to Landcom's financial statements, and the measurement of net realisable value involves significant judgements and estimates.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • reviewing and assessing the recoverability of recorded inventories at reporting date • understanding the current status of selected projects, key project risks and opportunities • reviewing the reasonableness of the significant judgements and estimates applied • testing a sample of new inventory costs to ensure they were qualified for capitalisation and allocated to the relevant project • assessing whether any write down was required.
 Provision for costs to complete projects - \$93.1 million	<p>Landcom recognises a provision to capture future development costs, which are based on the original land development schedule and estimates of other known obligations expected to be incurred when the land is ready for settlement.</p> <p>Our audit risk rating for this provision is higher because the provision is financially significant to Landcom's financial statements, and its measurement requires the use of significant judgements and estimates.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • reviewing the nature and value of the provision and any changes from the prior year to determine the reasonableness of the current year provision • reviewing the reasonableness of the significant judgments and estimates applied, testing a sample of payments to ensure they were attributable to the relevant project provision • reviewing the appropriateness of the rate used to index future cost estimates and discount the provision, and the accuracy of the calculation.
 Defined benefit superannuation liability - \$6.3 million	<p>Landcom reports defined benefit superannuation liabilities at each balance date. The administrator of the superannuation schemes determined this liability balance based on independent actuarial assessments.</p> <p>Our audit risk rating for the defined benefit superannuation liability is higher because the liability is financially significant to Landcom's financial statements, the underlying liability valuation model is complex due to the significant degree of judgement involved, and the total value of the liability is sensitive to minor changes in valuation inputs.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • understanding the processes and key controls in place to support the inputs into the model and the calculation • assessing the completeness and accuracy of the membership data used in the model • reviewing the reasonableness of the methodology and key assumptions • reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.


NSW Land and Housing Corporation


NSW Land and Housing Corporation (LAHC) addresses the need for social housing across New South Wales. Social housing is provided by the NSW Government for some of the most vulnerable people in our communities. LAHC builds and manages the largest social housing portfolio in Australia.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment - \$62 billion</p>	<p>LAHC has a large social housing portfolio with property assets being acquired, sold, redeveloped or refurbished on an ongoing basis. The most significant asset class is residential land and buildings, which account for 98% of LAHC's total property, plant and equipment.</p> <p>These assets are measured at fair value based on their market value.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are financially significant to LAHC's financial statements and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • testing the accuracy and completeness of the asset register • reviewing the appropriateness of the valuation methods, assumptions and judgements applied • reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.

Property NSW


Property NSW is responsible for the management and delivery of large-scale or complex real estate projects, transactions, workplace strategy, design and delivery, and manages the State's significant property portfolio.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment - \$1.2 billion</p>	<p>Property NSW's property, plant and equipment mainly consists of land and buildings, which account for 91% of the total property, plant and equipment.</p> <p>These assets are measured at fair value based on their market value.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are financially significant to the financial statements of Property NSW and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • testing the accuracy and completeness of the asset register • reviewing the appropriateness of the valuation methods, assumptions and judgements applied • reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.

	Key financial statement risk	Audit response
 <p>Lease Accounting - \$290.9 million of finance lease receivables \$4 billion of right-of-use assets \$4.7 billion of lease liabilities</p>	<p>Property NSW manages the NSW Government's owned and leased properties. It utilises the Lease Accelerator (LA) system to calculate and generate lease accounting information for the financial statements of Property NSW, other NSW Government agencies and Total State Sector Accounts (TSSA).</p> <p>Our audit risk rating for lease accounting is higher because the lease related balances are financially significant to Property NSW's financial statements. The lease calculation also involves significant management judgements and estimates. These judgements and estimates require assistance from the relevant agencies to ensure accuracy and completeness of the inputs.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> evaluating the design, implementation and operating effectiveness of controls over lease data administration and master file maintenance process assessing the validity, completeness and accuracy of the lease balances verifying the accuracy of lease data incorporated into the systems performing recalculation of lease related balances.



Sydney Olympic Park Authority

Sydney Olympic Park Authority (SOPA) is responsible for the management and development of 640 hectares of land that comprise Sydney Olympic Park and maintaining this precinct as a lasting legacy for the people of New South Wales.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment - \$3.1 billion</p>	<p>SOPA's property, plant and equipment mainly consists of land and buildings, which account for 85% of the total property, plant and equipment.</p> <p>These assets are measured at fair value based on their market value.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are financially significant to SOPA's financial statements and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> testing the accuracy and completeness of the asset register reviewing the appropriateness of the valuation methods, assumptions and judgements applied reviewing the reasonableness of management's impairment assessment reviewing the fair value of ageing in progress projects reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.



Sydney Water Corporation

Sydney Water Corporation (SWC) is a State Owned Corporation that supplies customers in Greater Sydney and Illawarra with safe drinking water. SWC is also a custodian of wastewater, recycled water and some stormwater services, ensuring the communities can enjoy healthy rivers and clean beaches.

	Key financial statement risk	Audit response
 <p>System assets - \$18.8 billion</p>	<p>SWC's system assets are highly specialised assets, which comprise infrastructure used to deliver water, wastewater and stormwater services to customers through an integrated network. They account for 83% of SWC's total property, plant and equipment. These assets are measured at fair value using an income approach.</p> <p>Our audit risk rating for system assets is higher because these assets are financially significant to SWC's financial statements and the Discounted Cash Flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> understanding SWC's approach to estimating the fair value of system assets reviewing the reasonableness of the valuation methods, assumptions and judgements applied in the DCF model reviewing the model's mathematical accuracy assessing the competence, capability and objectivity of management's independent experts reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.
 <p>Defined benefit superannuation liability - \$442 million</p>	<p>SWC reports defined benefit superannuation liabilities at each balance date. The administrator of the superannuation schemes determined this liability balance based on independent actuarial assessments.</p> <p>Our audit risk rating for the defined benefit superannuation liability is higher because:</p> <ul style="list-style-type: none"> this liability is financially significant to SWC's financial statements the underlying liability valuation model is complex due to the significant degree of judgement involved the total value of the liability is sensitive to minor changes in valuation inputs. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> understanding the processes and key controls in place to support the inputs into the model and the calculation assessing the completeness and accuracy of the membership data used in the model reviewing the reasonableness of the methodology and key assumptions reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.
 <p>Accrued unbilled water usage charges - \$182 million</p>	<p>SWC records accrued revenue from unread meters for customers' water usage. This is an estimate where meter data is not known at balance date.</p> <p>Our audit risk rating for accrued revenue is higher because significant judgement and uncertainty is involved in calculating the accrual.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> understanding the processes and key controls in place to determine the estimated unbilled water usage charges reviewing the reasonableness of the key assumptions testing the accuracy of the calculation assessing the historical accuracy of the estimate against subsequent billings.

Water NSW

Water NSW is a State Owned Corporation that supplies two-thirds of water used in New South Wales to regional towns, irrigators, SWC and local water utilities. Water NSW also owns and operates the largest surface and groundwater monitoring network in the southern hemisphere and builds, maintains and operates essential infrastructure.

	Key financial statement risk	Audit response
 <p>System assets - \$2.8 billion</p>	<p>Water NSW's system assets are highly specialised assets, which comprise infrastructure, water meters and buildings. They account for 85% of Water NSW's total property, plant and equipment. These assets are measured at fair value using an income approach.</p> <p>Our audit risk rating for system assets is higher because these assets are financially significant to Water NSW's financial statements, and the DCF model used to value the system assets is complex and involves significant judgements and assumptions.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • understanding Water NSW's approach to estimating the fair value of system assets • reviewing the reasonableness of the valuation methods, assumptions and judgements applied in the DCF model • reviewing the model's mathematical accuracy • reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.
 <p>Defined benefit superannuation liability - \$55.1 million</p>	<p>Water NSW reports defined benefit superannuation liabilities at each balance date. The administrator of the superannuation schemes determined this liability balance based on independent actuarial assessments.</p> <p>Our audit risk rating for the defined benefit superannuation liability is higher because:</p> <ul style="list-style-type: none"> • this liability is financially significant to Water NSW's financial statements • the underlying liability valuation model is complex due to the significant degree of judgement involved • the total value of the liability is sensitive to minor changes in valuation inputs. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • understanding the processes and key controls in place to support the inputs into the model and the calculation • assessing the completeness and accuracy of the membership data used in the model • reviewing the reasonableness of the methodology and key assumptions • reviewing the presentation in the financial statements to ensure compliance with Australian Accounting Standards.

3. Audit observations

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

This chapter outlines our observations and insights from our financial statement audits of agencies in the Planning and Environment cluster.

Section highlights

- Since 2017, the Audit Office of New South Wales has recommended that the Department of Planning and Environment (the department) address the different practices across the local government sector in accounting for rural firefighting equipment. Despite repeated recommendations, the department did little to resolve this issue, and in 2022, 32 of 118 completed audits of councils received qualified audit opinions on their 2022 financial statements.
Consistent with the department's role to assess councils' compliance with legislative responsibilities, standards or guidelines, the department should intervene where councils do not recognise rural firefighting equipment.
- There continues to be significant deficiencies in Crown land records. The department should implement an action plan to ensure the Crown land database is complete and accurate.
- The number of findings reported to management decreased from 161 in 2020–21 to 132 in 2021–22. Eight high-risk findings were identified during 2021–22, of which six were repeat issues. One new high-risk finding related to deficiencies in governance processes and internal controls identified as a part of the Water Administration Ministerial Corporation's 2011–2020 financial statements audits.
- The department and NSW Treasury did not comply with section 35 of the *Energy and Utilities Administration Act 1987* (EUA Act). However, complying with the EUA Act could create non-compliance with other pieces of legislation. Amendments to the EUA Act have been made to resolve this inconsistency. The amendment took effect from April 1999.

3.1 Regulatory intervention relating to rural firefighting equipment

The financial statements of the NSW Total State Sector and the NSW Rural Fire Service do not recognise rural firefighting equipment, as the State is of the view that rural firefighting equipment vested to councils under section 119(2) of the *Rural Fires Act 1997* is not controlled by the State. In reaching this conclusion, the State argued that councils control the rural firefighting equipment that has been vested to them. It is important to note that there are only two parties to the agreements that govern the use of vested rural firefighting equipment, leaving only two parties who would be considered to control this equipment – the NSW Rural Fire Service in the state sector, or councils in the local government sector.

The department (inclusive of the Office of Local Government) confirmed in the '[Report on Local Government 2020](#)' (tabled in NSW Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service.

The Local Government Code of Accounting Practice and Financial Reporting confirms the State's view that it does not control these assets but provides that 'Councils need to assess whether they control any rural firefighting equipment in accordance with Australian Accounting Standards'. Given the State's view that it does not control these assets, they can only be controlled and therefore recognised by councils in the local government sector.

Despite this, many councils did not report these critical assets in their 30 June 2022 financial statements, nor did they perform procedures to establish their existence and condition. Confirming existence and condition is important for the proper reporting of rural firefighting equipment and to ensure these critical assets are locatable and operational in the event of an emergency.

The department should intervene to assess councils' compliance with legislative responsibilities, standards and guidelines

The department's role includes assessing whether intervention is appropriate with respect to councils' compliance with and performance against legislative responsibilities, standards or guidelines. Given the State's clear position, councils not recognising this equipment are non-compliant with the relevant accounting standards.

Since 2017, the Audit Office has recommended that the Office of Local Government (OLG) and then the department address the different practices across the local government sector in accounting for rural firefighting equipment. In doing so, the Audit Office recommended that OLG should work with NSW Treasury to ensure there is a whole-of-government approach.

In 2021, having again considered the accounting position papers prepared by the respective stakeholders, the Audit Office of New South Wales advised councils and the department that any council not recognising this equipment is not complying with the requirements of the Australian Accounting Standards.

Despite these repeated recommendations, the department did little to resolve this issue, and 32 of 118 completed audits of councils received qualified audit opinions on their 2022 financial statements. Refer to Appendix five for a list of councils that have received qualified audit opinions. Sufficient time and engagement have been afforded to avoid these qualified audit opinions. This situation is unlikely to be resolved in the absence of regulatory intervention.

The department should now intervene to address this matter as a priority.

Recommendation

Consistent with the department's role to assess councils' compliance with legislative responsibilities, standards or guidelines, the department should intervene where councils do not recognise rural firefighting equipment.

3.2 Recognition of Crown land

The department is responsible for oversight of the management of Crown land in New South Wales, which it estimates to cover approximately 34 million hectares or 42% of the State. Crown land includes parks, reserves, roads and cemeteries. Parcels of Crown land are managed and controlled by numerous public and private sector organisations, including corporations, statutory bodies and local councils.

There continues to be significant deficiencies in Crown land records

The department maintains the Crown Land Information Database (CLID), which records various details about the Crown land in New South Wales managed and controlled by the department and Crown Land Managers (CLMs). For many years, we reported deficiencies in the recording of Crown land assets in CLID.

While the department implemented a number of initiatives to remediate the system over the past few years, the audit process continued to identify deficiencies in Crown land records. Examples include:

- incorrect entity shown as the manager of some Crown land
- incorrect status of Crown land
- incorrect records relating to Crown land, such as land size and use
- delays in updating changes to CLID.

Auditor-General's Reports to Parliament since 2017 have recommended the department ensure the Crown land database is complete and accurate. This would enable the department and other CLMs to confirm:

- all Crown land that should be recognised in their financial statements
- that different organisations are not recognising the same parcel of Crown land.

The CLID replacement project has not achieved its intended outcome

In November 2018, the department commenced the implementation of CrownTracker as a replacement system for CLID. CrownTracker is a case management system. The department advised the end-to-end business processes in CrownTracker system intended to remove deficiencies in workflow management within CLID that can lead to reconciling items.

The CrownTracker project was finalised in June 2022 with a total project cost of \$11.7 million. The department advised the CrownTracker system does not include all the functionalities originally scoped in 2018. Management estimated only 30% of the functionality previously delivered by CLID has transitioned in full to CrownTracker.

The first release of CrownTracker system went live in April 2020, and includes functionality for:

- reserves administration, including reserve creation and updates, appointment of reserve managers and board appointments
- Aboriginal land claims assessments, search and request management
- compliance case management
- land status searches, spatial, request management and a reserve manager portal.

CrownTracker Release 2 (CTR2) includes functionality for Crown land licences and landowners' consent. It was initially scheduled for release in November 2021. CrownTracker Release 3 (CTR3) includes functionality for leases, Crown land valuations, roads and land disposals, and SAP integration. It was originally due for completion by 30 June 2021. Both CTR2 and CTR3 functionalities have been developed, but were not deployed into production.

The department advised the original CrownTracker program did not consider the rising expectations and step changes in digitisation and online capability, and the program has been amended accordingly. The department also decided that the CrownTracker program would not be proceeding with the SAP integration project. This may impact the department's ability to address the deficiencies in Crown land records in a timely manner.

The department advised it:

- is investigating alternative system solutions that are aligned with the current and future business and customer service requirements
- is drafting a Crown Lands Data Strategy Action Plan to identify initiatives to improve data accessibility for staff and customers
- has commenced a CLID remediation program to upgrade CLID's end of life functions and support platform. The program is due to be completed in April 2023 and is intended to increase the sustainability, stability and security of CLID whilst alternative whole-of-government digital solutions are sought for functions such as grants management.

Recommendation (repeat issue)

The department should prioritise action to ensure the Crown land database is complete and accurate. In doing so, the department should urgently implement an action plan which outlines the key deliverables, responsible persons and timeline, and regularly report on its progress against the plan.

3.3 Findings reported to management

The number of findings reported to management has decreased

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

In 2021–22, there were 132 findings raised across the cluster (161 in 2020–21). Thirty-four per cent of all issues were repeat issues (42% in 2020–21).

The most common repeat issues related to information technology user access controls and monitoring, and internal control deficiencies in payroll controls.

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

Recommendation (repeat issue)

Cluster agencies should prioritise and action recommendations to address internal control deficiencies, with a focus on addressing high-risk and repeat issues.

Eight high-risk findings were reported in 2021–22, of which six were repeat issues. One new high-risk finding was related to Water Administration Ministerial Corporation's 2011–2020 financial statements audits.




Agency	Description
2021–22 findings	
Department of Planning and Environment (Four repeat findings, two new findings)	<p>Access to key SAP transactions were not properly restricted and segregated</p> <p>The department maintains three separate SAP application systems: SAP DPE, SAP OEH and SAP MyHQ. Control deficiencies were identified relating to user access to HR and payroll management, vendor master data management and finance journal processing.</p> <p><i>HR and payroll management</i></p> <ul style="list-style-type: none"> Access to change employee master data and payroll processing in SAP DPE and SAP MyHQ were not properly restricted. Users with access to change employee master data in SAP DPE and SAP MyHQ also have access to run payroll process (segregation of duties conflict). <p>Management has implemented several mitigating controls to detect whether the control weaknesses have been exploited. Part of these controls were performed by those individuals with the conflicting access.</p> <p><i>Vendor master data management</i></p> <ul style="list-style-type: none"> Access to approve vendor master data changes in SAP OEH was not properly restricted. User with access to initiate vendor creation/changes in SAP DPE can manually remove the vendor block status prior to approval. Block status aims to prevent a vendor to be used before the vendor details are reviewed and approved. <p><i>Finance</i></p> <ul style="list-style-type: none"> SAP OEH does not have system enforced functionality to prevent the preparers of the manual journals to post the journals in the system. There is no formally documented periodic review of manual journal to mitigate the risk. <p>This matter was reported as a high-risk finding because these issues increase the risk of inappropriate or unauthorised transactions and changes to the systems. Furthermore, some of these issues were first identified and reported in 2017–18 but have not yet been satisfactorily addressed.</p> <p>User access review requires improvement</p> <p>The department did not complete a comprehensive SAP user access review in 2021–22 to validate all user accounts and the appropriateness of user access rights. The user access review was initiated in May 2022, but it was not completed by 30 June 2022.</p> <p>This matter was reported as a high-risk issue because the lack of periodic user access review increases the risk of unauthorised access and breakdowns in segregation of duties controls and creates opportunities for fraud.</p> <p>Some of these issues were first identified and reported in 2018–19, but have not yet been satisfactorily addressed. The lack of timeliness in resolving the issues may indicate systemic issues or poor governance practices.</p> <p>Third-party service provider management process requires improvement</p> <p>The department did not review their third-party service provider's assurance reports or the review was not performed in a timely manner. The latest reports for SAP MyHQ highlighted some control deficiencies. An example of the control deficiency includes delayed removal of application access for the terminated and transferred employees.</p>


Agency	Description
2021–22 findings	<p>This matter was reported as a high-risk finding because without proper monitoring of process and controls operated by third-party service providers, there is an increased risk of unresolved or unidentified issues in their environment which may impact the department and cluster agencies.</p> <p>This issue was initially identified and reported in 2019–20 with an agreed resolution date of 31 December 2020.</p> <p>Crown land related issues</p> <p>The audit process continued to identify significant deficiencies in Crown land records. These issues remain unresolved for more than five years.</p> <p>Refer to section 3.2 'Recognition of Crown land' for details.</p> <p>The department should intervene to assess councils' compliance with legislative responsibilities, standards and guidelines.</p> <p>There have been different practices across the local government sector in accounting for rural firefighting equipment.</p> <p>Since 2017, the Audit Office has recommended that the OLG and then the department should address these differing practices. Despite repeated recommendations, the department did little to resolve this issue.</p> <p>Refer to section 3.1 'Regulatory intervention relating to rural firefighting equipment' for details.</p> <p>Financial reporting of Crown Land Managers and Commons Trusts</p> <p>The department did not finalise the 2021–22 reporting exemption assessment for the Category 2 SLMs by the reporting deadline. The department assessed that 45 Category 2 SLMs did not meet the reporting exemption criteria and were therefore required to prepare and submit their 30 June 2022 financial statements for audit.</p> <p>All 119 Commons Trusts have never submitted their financial statements for audit as required by the <i>Government Sector Finance Act 2018</i>.</p> <p>NSW Treasury confirms that Catholic Metropolitan Cemeteries Trust (CMCT) is a controlled entity of the State. However, CMCT continues to maintain they are not controlled by the State. Consequently, their financial statements have not been provided to the Audit Office for audit.</p> <p>The department needs to do more to ensure the Category 2 SLMs, Commons Trusts and CMCT meet their statutory reporting obligations.</p>
Lord Howe Island Board (LHIB) (One repeat finding)	<p>Information technology environment and controls</p> <p>For several years, control deficiencies were identified in the LHIB's information technology environment and controls. These included:</p> <ul style="list-style-type: none"> • inadequate controls over privileged users • the lack of an information technology strategy which aligns with LHIB's organisational strategic plan • a documented framework to monitor and manage patch management has not been implemented and effectively monitored • information technology business continuity plan requires further development and regular testing • all existing technology policies and procedures should be reviewed and updated. <p>Inadequate information technology environment and controls increase the risk of unauthorised access, data corruption or loss. Most of these issues were first identified and reported in 2018–19.</p>

Agency	Description
2021–22 findings	
Water Administration Ministerial Corporation (One new finding)	<p>Deficiencies in governance processes and internal controls</p> <p>Significant deficiencies were identified in a number of the Water Administration Ministerial Corporation's (WAMC) key governance processes and internal controls, particularly for the years ended 30 June 2011 to 30 June 2015. WAMC did not have:</p> <ul style="list-style-type: none"> • an internal audit function • a complete contracts register • a compliance register • a risk register recording the key risks and proposed treatment of those risks • adequate or complete records of major decisions made by management, key financial information and contractual arrangements • evidence to support completeness and accuracy of property, plant and equipment and other assets • appropriate supporting documentation for asset valuation movements and operating expenses incurred. <p>These deficiencies and control breakdowns resulted in disclaimed audit opinions for WAMC's financial statements for the years ended 30 June 2011 to 30 June 2016, as the possible effects of undetected misstatements can be both material and pervasive.</p> <p>In recent years, management has commenced actions to improve WAMC's governance and financial management.</p>
Wentworth Park Sporting Complex Land Manager (One repeat finding)	<p>Indeterminable loan with Greyhound Racing NSW</p> <p>The Wentworth Park Sporting Complex Land Manager (land manager) has a \$6.5 million loan with Greyhound Racing NSW (GRNSW). GRNSW requested the land manager to repay the loan. However, the land manager subsequently requested GRNSW to convert the status of the loan to a grant.</p> <p>Should the loan become payable, the land manager would not be able to continue as a going concern without financial support. This matter has been raised as a repeat high-risk issue for many years and remains unresolved.</p>

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

The table below describes the common issues identified in 2021–22 across the cluster by category and risk rating.

Risk rating	Issue
Information technology	
 High: 0 new, 4 repeat	<p>The financial audits identified significant deficiencies in information technology processes and controls that support the integrity of financial data used to prepare agencies' financial statements. Of particular concern are issues associated with:</p> <ul style="list-style-type: none"> • user access to HR and payroll management, vendor master data management and journal processing • user access reviews • third-party service provider management • information technology environment and controls, including controls over privileged users.
 Moderate: 10 new, 6 repeat	
 Low: 2 new, 3 repeat	

Risk rating	Issue
Internal control deficiencies or improvements	
 High: 0 new, 0 repeat  Moderate: 30 new, 11 repeat  Low: 9 new, 3 repeat	<p>The financial audits identified internal control deficiencies across key business processes, including:</p> <ul style="list-style-type: none"> lack of review of third-party service provider reports and masterfile data segregation of duties outdated policies and procedures.
Financial reporting	
 High: 0 new, 2 repeat  Moderate: 10 new, 6 repeat  Low: 7 new, 2 repeat	<p>The financial audits identified significant issues in financial reporting, including:</p> <ul style="list-style-type: none"> significant deficiencies in the Crown land records and related controls potential going concerns issue due to delays in finalising a loan arrangement not using compliant method or appropriate probability factors in long service leave provision calculations late recognition of expenses due to untimely communication between business units and finance teams.
Governance and oversight	
 High: 0 new, 0 repeat  Moderate: 0 new, 3 repeat  Low: 3 new, 0 repeat	<p>The financial audits identified deficiencies in governance and oversight processes, including:</p> <ul style="list-style-type: none"> not maintaining a formal register of related parties and related party transactions outdated or unsigned service level agreements.
Non-compliance with key legislation and/or central agency policies	
 High: 2 new, 0 repeat  Moderate: 9 new, 5 repeat  Low: 5 new, 0 repeat	<p>The financial audits identified significant deficiencies in agencies' compliance with key legislation and central agency policies, including:</p> <ul style="list-style-type: none"> lack of regulatory intervention relating to the recognition of rural firefighting equipment non-compliance with statutory reporting obligations non-compliance with NSW Cyber Security Policy.
 High risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.  Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.  Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.	
<p>Note: Management letter findings are based either on final management letters issued to agencies, or draft letters where findings have been agreed with management.</p>	

The number of moderate risk findings decreased from prior year

Ninety moderate risk findings were reported in 2021–22, representing a 20% decrease from 2020–21. Of these, 31 were repeat findings, and 59 were new issues.

Moderate risk findings mainly related to:

- weakness in user access management and privileged user controls and monitoring
- inappropriate segregation of duties for user profiles
- reviewing and documentation of comprehensive revaluation and fair value assessment of property, plant and equipment, including data, assumptions and methodology used
- deficiencies in payroll process controls where certain employee data was not reviewed in a timely manner, and there was no periodic reconciliation of payroll reports to the general ledger
- the lack of proper procedures which resulted in expense/liability transactions being recorded in incorrect accounting period
- not using compliant method or appropriate probability factors in long service leave provision calculations
- outdated key policies, procedures and delegation documents.

3.4 Non-compliance with legislation

The department did not comply with section 35 of the *Energy and Utilities Administration Act 1987*

The Energy Administration Account (the account) is a Special Deposit Account (SDA) established under section 35 of the *Energy and Utilities Administration Act 1987* (the EUA Act). Section 35 of the EUA Act requires:

- all moneys received by the Energy Corporation of NSW (the corporation) and the department shall be paid into the account
- all amounts required to meet expenditure incurred in connection with the functions of the corporation and the department under the EUA Act or any other Act shall be paid out of the account.

Effective from 1 April 2022, under the 'Administrative Arrangement (Administrative Changes–Miscellaneous) Order (No 2) 2022', the persons employed in the department principally involved in the administration of legislation allocated, or providing support, to the Minister for Energy were transferred to NSW Treasury. This also meant that the account was transferred from the department to NSW Treasury on 1 April 2022. As a result, the department referred to in section 35 of the EUA Act changed from the Department of Planning and Environment to NSW Treasury from 1 April 2022.

The department and NSW Treasury did not comply with section 35 of the EUA Act as they did not pay all their moneys into or out of the account. The EUA Act does not specify which agency has the control or responsibility for the account.

While there is a non-compliance with the EUA Act, both the department and NSW Treasury advised that complying with the EUA Act could create non-compliance with other pieces of legislation, which require the moneys of these agencies to be applied for particular purposes or to other statutory SDAs. Therefore, this inconsistency requires legislative resolution.

To address the above inconsistency, NSW Treasury implemented a legislative solution. The *Treasury and Energy Legislation Amendment Act 2022* amends section 35 of the EUA Act to provide that money received by the corporation, and not the department, must be paid into the account. The amendment took effect from April 1999.

Given this is not a non-compliance with fundamental legislation, it did not impact the audit opinions of the department and NSW Treasury's 30 June 2022 financial statements.

Section two

Appendices

Appendix one – Misstatements in financial statements submitted for audit

	2021–22			2020–21		
	Uncorrected**	Corrected	Total	Uncorrected**	Corrected	Total
Principal department						
Department of Planning and Environment	--	2	2	--	2	2
Crown lands and local government						
Cemeteries and Crematoria NSW	--	1	1	--	--	--
Lands Administration Ministerial Corporation	--	1	1	--	--	--
Northern Metropolitan Cemeteries Land Manager	3	5	8	--	--	--
NSW Crown Holiday Parks Land Manager	1	2	3	--	--	--
Rookwood General Cemeteries Reserve Land Manager	--	--	--	1	1	2
Rookwood Necropolis Land Manager^	--	1	1	--	--	--
Southern Metropolitan Cemeteries Land Manager	2	2	4	3	1	4
Wentworth Park Sporting Complex Land Manager	1	--	1	--	--	--
45 non-exempted Category 2 Statutory Land Managers - based on the department's assessment	#	#	#	#	#	#
119 Commons Trusts	#	#	#	#	#	#
Environment and heritage						
Biamanga National Park Board of Management^	^	^	^	--	--	--
Biodiversity Conservation Trust	--	--	--	--	--	--

	2021–22			2020–21		
	Uncorrected**	Corrected	Total	Uncorrected**	Corrected	Total
Corporation Sole 'Minister Administering the <i>Heritage Act 1977</i> ^	*	*	*	*	*	*
Environment Protection Authority	--	2	2	--	--	--
Environmental Trust	--	--	--	--	--	--
Gulaga National Park Board of Management^	--	2	2	N/A	N/A	N/A
Jenolan Caves Reserve Trust	--	4	4	--	4	4
Lord Howe Island Board	--	3	3	1	4	5
Mt Grenfell Site Historic Board of Management	N/A	N/A	N/A	--	--	--
Mutawintji Board of Management^	--	1	1	--	1	1
Taronga Conservation Society Australia	--	--	--	--	--	--
Worimi Conservation Lands Board of Management^	--	--	--	--	--	--
Homes						
Aboriginal Housing Office	2	--	2	2	1	3
NSW Land and Housing Corporation	--	--	--	--	--	--
Teacher Housing Authority of New South Wales	--	4	4	--	1	1
Planning						
Planning Ministerial Corporation	--	--	--	--	1	1
Natural Resources Commission	--	--	--	--	--	--
Property and development						
Hunter and Central Coast Development Corporation	--	2	2	2	--	2
Independent Planning Commission	--	1	1	--	1	1
Landcom	--	--	--	--	1	1
Property NSW	1	1	2	1	2	3
Sydney Olympic Park Authority	1	1	2	--	3	3

	2021–22			2020–21		
	Uncorrected**	Corrected	Total	Uncorrected**	Corrected	Total
Waste Assets Management Corporation	--	1	1	--	1	1
Special deposit account						
Crown Reserves Improvement Fund	--	1	1	--	--	--
Water						
Cobar Water Board	--	--	--	--	--	--
Dams Safety NSW	--	1	1	--	--	--
Hunter Water Corporation	--	--	--	--	--	--
Natural Resources Access Regulator	--	1	1	--	1	1
Sydney Water Corporation	2	3	5	2	--	2
WaterNSW Infrastructure Pty Ltd	--	--	--	--	--	--
Water NSW	--	4	4	--	2	2
Water Administration Ministerial Corporation^	^	^	^	^	^	^
Total	13	46	59	12	27	39

N/A Exempted from financial reporting.

^ Audits for these agencies are ongoing.

* The 2020–21 audit of the Corporation Sole 'Minister Administering the *Heritage Act 1977*' is ongoing, and the 2021–22 audit has not commenced.

** Agencies concluded the effect of not correcting the misstatements was immaterial, individually and in aggregate to their financial statements as a whole.

To date, none of the 45 non-exempted Category 2 Statutory Land Managers have submitted their 30 June 2022 financial statements for audit. All 119 Commons Trusts have never submitted financial statements for audit.

Source: Engagement Closing Reports issued to cluster agencies.

Appendix two – Early close procedures

No.	Procedure	Description
1	Proforma financial statements	Complete proforma financial statements and ensure management has reviewed the statements and the supporting working papers.
2	Fair value assessment of property, plant and equipment	Perform and document an annual assessment of the fair value of property, plant and equipment, their useful lives and residual values, and the reasons why the carrying value was not materially different to the fair value. This assessment is performed between comprehensive revaluations.
3	Revaluation of property, plant and equipment	Complete the comprehensive revaluation of property, plant and equipment by early close.
4	Update employee annual leave provisions	Reconcile and calculate annual leave provisions. The balances calculated for the early close 31 March financial statements must be rolled forward with adjustments for monthly accruals and actual payments as part of the 30 June financial statements.
5	Inter and intra (cluster) agency transactions and balances	Agree and confirm all inter and intra (cluster) agency balances and transactions with the counterparty agency.
6	Significant management judgements and assumptions	Document all significant management judgements and assumptions made when estimating transactions and balances.
7	Reconciliation of key account balances	Reconcile all key account balances (including annual leave provisions) and clear reconciling items.
8	Reconcile March 2022 month-end Prime submission to the proforma financial statements	Reconcile the March 2022 month-end Prime submission to the proforma financial statements and provide explanations for variances above \$5 million.
9	Changes in accounting policy	Review and agree changes in accounting policy with the principal cluster agency.
10	Finalise right-of-use assets and lease liability balances	Ensure that all lease arrangements are accurate and complete.
11	Finalise assessment of all revenue contracts	Ensure revenue is accurate and complete and has been correctly accounted for under AASB 15 'Revenue from Contracts with Customers' or AASB 1058 'Income of Not-for-Profit Entities'.
12	Correction of material prior period errors	Confirm there are no changes to the 2020–21 closing balances. Proposed changes are accompanied by journals, explanations and proposed disclosures.
13	Monthly management reports	Perform variance analysis with meaningful explanations for actuals versus budget, and year-to-date actuals for the previous year.
14	Accounting treatment for restructures and discontinued/abolished agencies	Identify and document the accounting treatment for changes to agency structures resulting from legislative or other changes.

No.	Procedure	Description
15	Delegations	Ensure all material transactions are supported by appropriate delegations.
16	Prior year Management Letter and Engagement Closing Report issues	Agreed action plans are in place to address prior year Management Letter and Engagement Closing Report issues. Explanations are provided for any unresolved issues.
17	Complete Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements	Complete and return the 'Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements' for all new and amended Commonwealth Funding Agreements entered or amended during the 2021–22 financial year.

Appendix three – Timeliness of financial reporting

Cluster agencies	2021–22 Financial statements submission	Date audit report was issued
Principal department		
Department of Planning and Environment	✓	5 October 2022
Crown lands and local government		
Cemeteries and Crematoria NSW	✓	30 September 2022
Catholic Metropolitan Cemeteries Trust	!	**
Lands Administration Ministerial Corporation	✓	30 September 2022
Northern Metropolitan Cemeteries Land Manager	✓	3 November 2022
NSW Crown Holiday Parks Land Manager	✓	18 October 2022
Rookwood General Cemeteries Reserve Land Manager	✓	13 October 2022
Rookwood Necropolis Land Manager	✓	^
Southern Metropolitan Cemeteries Land Manager	✓	21 October 2022
Wentworth Park Sporting Complex Land Manager (Category 2 Statutory Land Manager)	!	23 November 2022
45 non-exempted Category 2 Statutory Land Managers - based on the department's assessment	!	#
119 Commons Trusts	!	#
Energy and heritage		
Biamanga National Park Board of Management	—	^
Biodiversity Conservation Trust	✓	7 November 2022
Corporation Sole 'Minister Administering the <i>Heritage Act 1977</i> '*	!	^
Environment Protection Authority	✓	21 October 2022
Environmental Trust	✓	12 October 2022
Gulaga National Park Board of Management	—	^
Jenolan Caves Reserve Trust	—	17 October 2022
Lord Howe Island Board	✓	26 October 2022
Mutawintji Board of Management	—	^
Taronga Conservation Society Australia	✓	23 September 2022
Worimi Conservation Lands Board of Management	—	^

Cluster agencies	2021–22 Financial statements submission	Date audit report was issued
Homes		
Aboriginal Housing Office	✓	13 October 2022
NSW Land and Housing Corporation	✓	5 October 2022
Teacher Housing Authority of New South Wales	✓	25 October 2022
Planning		
Planning Ministerial Corporation	✓	30 September 2022
Natural Resources Commission	✓	29 September 2022
Property and development		
Hunter and Central Coast Development Corporation	✓	18 October 2022
Independent Planning Commission	✓	30 September 2022
Landcom	✓	29 August 2022
Property NSW	✓	11 October 2022
Sydney Olympic Park Authority	✓	19 October 2022
Waste Assets Management Corporation	✓	11 October 2022
Special deposit account		
Crown Reserves Improvement Fund	✓	12 December 2022
Water		
Cobar Water Board	✓	14 October 2022
Dams Safety NSW	—	17 October 2022
Hunter Water Corporation	✓	31 August 2022
Natural Resources Access Regulator	✓	28 October 2022
Sydney Water Corporation	✓	1 September 2022
Water NSW	✓	15 September 2022
WaterNSW Infrastructure Pty Ltd	✓	13 September 2022
Water Administration Ministerial Corporation	✓	^



NSW Treasury's reporting deadline was met.



NSW Treasury's approved extension timeframe was met.



NSW Treasury's reporting deadline was not met.

^ Audits for these agencies are ongoing.

* The 2020–21 audit of the Corporation Sole 'Minister Administering the *Heritage Act 1977*' is ongoing, and the 2021–22 audit has not commenced.

** The Catholic Metropolitan Cemeteries Trust (CMCT) continues to maintain they are not controlled by the State. Consequently, their financial statements have not been provided to the Audit Office for audit.

To date, none of the 45 non-exempted Category 2 Statutory Land Managers have submitted their 30 June 2022 financial statements for audit. All 119 Commons Trusts have never submitted financial statements for audit.

Appendix four – Financial data

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Principal department								
Department of Planning and Environment***	15,709	15,498	825	1,304	5,079	4,777	5,008	5,094
Crown lands and local government								
Cemeteries and Crematoria NSW	2	2	--	--	3	3	3	3
Lands Administration Ministerial Corporation	234	241	3	3	14	4	54	10
Northern Metropolitan Cemeteries Land Manager	226	224	51	49	14	29	21	22
NSW Crown Holiday Parks Land Manager	397	358	32	32	63	67	62	60
Rookwood General Cemeteries Reserve Land Manager	235	238	6	4	12	54	20	18
Rookwood Necropolis Land Manager^	31	26	--	--	3	3	1	1
Southern Metropolitan Cemeteries Land Manager	205	205	10	9	19	46	25	24
Wentworth Park Sporting Complex Land Manager	68	63	7	7	1	2	4	3
Environment and heritage								
Biamanga National Park Board of Management^	3	2	--	--	1	--	--	--
Biodiversity Conservation Trust	366	242	178	54	125	99	126	31
Corporation Sole 'Minister Administering the <i>Heritage Act</i> 1977'^	#	#	#	#	#	#	#	#
Environment Protection Authority***	89	73	53	36	280	216	282	213
Environmental Trust	10	8	3	3	50	64	49	63
Gulaga National Park Board of Management^	1	1	--	--	--	--	--	--

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Jenolan Caves Reserve Trust	53	38	3	3	18	17	11	13
Lord Howe Island Board	116	104	14	8	14	14	15	14
Mt Grenfell Site Historic Board of Management	N/A	1	N/A	--	N/A	--	N/A	--
Mutawintji Board of Management^	3	3	--	--	1	1	--	--
Taronga Conservation Society Australia	862	723	120	93	179	150	120	129
Worimi Conservation Lands Board of Management^	13	10	--	--	3	3	1	1
Homes								
Aboriginal Housing Office	2,856	2,308	27	36	268	185	165	134
NSW Land and Housing Corporation	63,132	53,479	748	980	1,238	1,260	1,479	1,516
Teacher Housing Authority of New South Wales	228	198	7	12	26	42	26	43
Planning								
Planning Ministerial Corporation	2,017	1,906	241	213	62	34	36	38
Natural Resources Commission***	2	7	2	9	9	9	7	10
Property and development								
Hunter and Central Coast Development Corporation	218	248	37	73	26	79	29	77
Independent Planning Commission***	3	3	1	2	7	10	6	8
Landcom	879	864	227	223	164	163	144	146
Property NSW	5,809	5,706	5,013	4,447	429	400	960	413
Sydney Olympic Park Authority	3,292	3,043	27	27	137	150	174	179
Waste Assets Management Corporation	81	78	55	61	12	9	4	18

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Special deposit account								
Crown Reserves Improvement Fund	66	61	2	1	22	59	18	45
Water								
Cobar Water Board	81	77	--	1	7	7	7	7
Dams Safety NSW	1	1	--	--	4	4	4	4
Hunter Water Corporation	3,385	3,106	2,045	1,921	370	351	329	311
Natural Resources Access Regulator	7	10	4	9	28	29	27	29
Sydney Water Corporation	23,871	22,697	15,852	15,082	2,764	2,748	2,439	2,344
Water NSW***	3,493	3,401	2,558	2,532	412	452	434	446
WaterNSW Infrastructure Pty Ltd	423	432	318	330	26	26	22	22
Water Administration Ministerial Corporation^	832	775	--	--	64	58	65	63

* Include other gains.

** Include other losses and taxes, if applicable.

*** Figures disclosed are for the consolidated entity.

The 2020–21 audit of the Corporation Sole 'Minister Administering the *Heritage Act 1977*' is ongoing, and the 2021–22 audit has not commenced.

^ Audits for these agencies are ongoing.

N/A Exempted from financial reporting.

Source: Agencies audited 2021–22 financial statements.

Appendix five – Councils received qualified audit opinions

No.	Council	Qualification
1	Greater Hume Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
2	Leeton Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
3	Wagga Wagga City Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
4	Lockhart Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
5	Temora Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
6	Mid-Western Regional Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
7	Sutherland Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
8	Junee Shire Council	Non-recognition of rural firefighting equipment and buildings on council controlled land (and no evidence to support fair value)
9	Coolamon Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
10	Blayney Shire Council	Non recognition of rural firefighting equipment (and evidence to support fair value exceeds materiality set for the audit)
11	Federation Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
12	Bellingen Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
13	Carrathool Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
14	Bathurst Regional Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
15	Cessnock City Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
16	Tweed Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
17	Kempsey Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
18	Murrumbidgee Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
19	Wollondilly Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)

No.	Council	Qualification
20	Lachlan Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
21	Snowy Valleys Council	Non-recognition of rural firefighting equipment and buildings on council controlled land (and no evidence to support fair value)
22	Bland Shire Council	Non-recognition of rural firefighting equipment and buildings (and no evidence to support fair value) and Council determined to remove rural firefighting equipment from financial statements
23	Forbes Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
24	Tamworth Regional Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
25	Snowy Monaro Regional Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
26	Tenterfield Shire Council	Non recognition of rural firefighting equipment and buildings on council controlled land (and evidence to support fair value exceeds materiality set for the audit)
27	Byron Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
28	Warrumbungle Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value) and Council determined to remove rural firefighting equipment from financial statements
29	Moree Plains Shire Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
30	Queanbeyan-Palerang Regional Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
31	Murray River Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)
32	Cabonne Council	Non-recognition of rural firefighting equipment (and no evidence to support fair value)

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)

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