

AUDITOR-GENERAL'S REPORT FINANCIAL AUDITS

Volume Six 2010



The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Six of my 2010 Report.

Peter Achterstraat
Auditor-General

Sydney
November 2010

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Significant Items

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New South Wales Aboriginal Land Council	
The Council has developed strategies, supported by the Minister for Aboriginal Affairs, to control expenditure and maintain the capital value of its investment fund. The value of the investment fund increased to \$541 million at 30 June 2010.	5
Two Local Area Land Councils, under administration, were dissolved by the Minister. Their net assets were transferred to the Council, allowing it to extinguish debts of \$9.2 million.	5
The Council's rural properties continue to incur losses (\$599,751 in 2009-10). As a result, it is considering how to mitigate the financial risks associated with farming activities and how to reduce ongoing losses.	7
Home Care Service	
Almost 34 per cent of Home care's employees are aged over 55, and 55 per cent are over 50. Many are likely to retire over the next five to ten years, increasing the risk of loss of corporate knowledge and skills.	17
Total assessments of eligibility for home care services declined by 17.3 per cent; total hours of service provided to clients decreased by 4.8 per cent; and average hours of service per client dropped by 7.0 hours compared to the previous year.	20
The number of clients receiving more than 60 hours of personal care per four week period increased to 482 from 390.	20
Building Insurer's Guarantee Corporation	
The Corporation has paid \$200 million for home warranty claims under the Government's HIH rescue package and further claims, totalling \$167 million, are expected.	29
Department of Services, Technology and Administration	
The number of licence records administered by the Government Licence System has increased from 940,000 in 2007 to 3.4 million in July 2010.	33
Twenty five percent of the Department's employees are aged over 55, and 43 per cent are over 50. Many are likely to retire over the next five to ten years, increasing the risk of loss of corporate knowledge and skills.	37
The Department has significantly reduced excessive annual leave balances, with less than five per cent of employees having more than 40 days accrued at 30 June 2010.	37
State Records Authority	
The Authority is unable to archive digital records despite growing reliance on the use of digital records by New South Wales Government agencies.	45

Department of Human Services

Community Services does not have sufficient caseworkers to perform its functions effectively. At 30 June 2010, 20.0 per cent (18.4 per cent at 30 June 2009) of caseworker positions were unfilled. 54

Placement reviews for children in Out-of-Home Care are not always performed at appropriate intervals that meet statutory requirements. 55

There are risks of fraudulent activity occurring within Community Services' service providers. 55

The department wrote off \$5.2 million in relation to a Community Services IT project. 56

Indigenous children continue to be over represented in the child protection system. 59

Out-of-Home Care was provided to 17,400 children at an average cost of \$36,869 per child for the year ended 30 June 2010. 60

Bed blocks in respite care facilities operated by Ageing and Disability reduced significantly in 2009-10. 61

The average daily cost per juvenile in custody was \$589 in 2009-10 (\$543 in 2008-09). 63

NSW Businesslink Pty Ltd

The company had 264 contract employees at 30 June 2010, 34 of whom had been engaged for more than five years and another 53 for more than three years. 75

NSW Land and Housing Corporation

The Government has approved the transfer of up to 7,000 properties to non government community housing providers subject to a number of conditions. 95

Recommendations

	Page
New South Wales Aboriginal Land Council	
I again recommend the Council consider dissolving the remaining Local Aboriginal Land Councils that are underperforming, particularly those under administration.	5
Home Care Service of New South Wales	
I recommend:	
▪ Home Care develop and implement effective policies to address and manage its ageing workforce.	17
▪ Home Care develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by staff.	18
▪ Home Care address, as a priority, the matters I have reported for at least the past two years.	18
Building Insurers' Guarantee Corporation	
I recommend the Corporation continue to closely monitor the claims liability.	29
Rental Bond Board	
I recommend the Board continue pursuing appropriate changes to legislation to clarify responsibilities and enable resolution if a shortfall in the Trust Fund eventuates.	43
State Records Authority of New South Wales	
I recommend the Authority address the breach of its enabling legislation by establishing a government digital archiving solution.	45
Department of Human Services	
I recommend:	
▪ the Department make concerted efforts to fill vacant Community Services caseworker positions.	54
▪ the Department adhere to statutory requirements by ensuring Community Services placement reviews for children and young persons in Out-of-Home Care are undertaken at appropriate intervals.	55
▪ the acquittal process for Community Services' grants, which are made to service providers, be re-examined and strengthened. The Department should consider a range of options including:	
▫ the need to engage its own independent auditor or specialist audit resources to cyclically audit grants based on a risk rating for service providers	
▫ ensuring that training is available and undertaken by service providers in governance and accountability, or requiring them to undertake such training	
▫ providing information or training for service providers and Community Services staff on acquittal procedures.	55

- the Department implement formal project governance structures and project management procedures for all Community Services' major IT projects. I also recommend the Department conduct benefit realisation reviews when major IT projects are implemented. 56
- the Department address, as a priority, matters relating to Community Services and ADHC that I have been reporting for at least the past two years. 56
- the Department review the effectiveness of its policies in managing excessive annual leave balances. 67
- the Department develop mechanisms to centrally review flex time records to help ensure excessive flex time is not being accrued and forfeited by staff. 68
- the Department periodically review the roles and responsibilities of all contract employees to help ensure:
 - reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Department for an extended period of time
 - use of contract employees continues to represent value for money. 69

NSW Businesslink Pty Ltd

I recommend:

- the company periodically review the roles and responsibilities of all contract employees to ensure:
 - reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the company for an extended period of time
 - use of contract employees continues to represent value for money
 - it does not contravene established policies, tax legislation and industrial relation matters relating to employment arrangements. 75
- the company develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by staff. 76
- that management address, as a priority, the matter of verification of financial delegations that I have reported for at least the past two years. 76
- the company implement effective policies to address and manage its ageing workforce. 78

NSW Land and Housing Corporation

I recommend the Corporation periodically review the roles and responsibilities of all its contractors to help ensure:

- its reliance on contractors is not excessive
- use of a contractor instead of a permanent employee is appropriate
- contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
- use of a contractor continues to represent good value for money.

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Section One



Commentary on Government Agencies

Minister for Aboriginal Affairs

New South Wales Aboriginal Land Council

New South Wales Aboriginal Land Council

AUDIT OPINION

The audit of the Council's financial report for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Investment balance and expenditure

Last year, I recommended the Council review its ability to maintain its current levels of expenditure. This followed a \$181 million fall in the value of the Council's investments over the two years to 30 June 2009.

Financial conditions were more favourable in 2009-10 and the value of the Council's financial investments increased to \$541 million (\$513 million in 2008-09), including unrealised gains of \$16.3 million (unrealised loss \$89.6 million).

Under legislative requirements, the Council has to maintain its capital value of \$485 million. The Council monitors its return on investments and operating expenditure to maintain its capital value. It has developed two key strategies - a Strategic Asset Allocation and a Drawdown Rule for its capital management. The Minister for Aboriginal Affairs supported the Drawdown Rule developed by the Council and approved the Council's budget which incorporates the key strategies adopted by the Council. These strategies have been implemented and are closely monitored by the Council to maintain the capital value.

Local Aboriginal Land Councils (Repeat Issue)

I again recommend the Council consider dissolving the remaining Local Aboriginal Land Councils that are underperforming, particularly those under administration.

Last year, I recommended that the Council stop funding underperforming Local Aboriginal Land Councils (LALCs). This was due to the escalation in LALC debt to \$23.1 million at 30 June 2009 of which \$17.4 million was impaired.

During 2009-10, two LALCs under administration were dissolved by the Minister and their net assets were transferred to the Council allowing it to extinguish debts of \$9.2 million. The assets mainly comprised freehold land.

Measures adopted by the Council to address the high levels of impaired LALC debt include:

- the development of the LALC Management Support System (LMSS). The Council advised that the LMSS is now used to assess the performance of LALCs so that those that do not meet a minimum threshold are not funded. The Council also has a policy of deducting 30 per cent or more of the LALC's annual funding allocation for repayment of debt
- the intended adoption of a new Debtors Management Policy which is currently subject to Council approval.

For the purpose of financial reporting, each LALC is a separate reporting entity. As I have reported in previous years, some LALCs have failed to comply with the reporting requirements of the *Aboriginal Land Rights Act 1983* (the Act). The number of LALCs that do not submit 30 June 2010 financial statements or submit financial statements that are unsatisfactory is expected to reduce. LALCs are not required to submit their annual audited statements until 30 October each year.

The Council determined LALCs' 2009-10 funding based on the audit results of LALCs' 2008-09 financial statements. An analysis of the audit results for the five years from 2005 to 2009 is:

Financial Reporting by LALCs for Year ended 30 June	2009	2008	2007	2006	2005
Satisfactory	108	93	91	90	93
Unsatisfactory	5	10	14	7	10
Not received	8	18	16	24	18
Total	121	121	121	121	121

The table shows that 11 per cent of LALC's financial reports for 2008-09 (23 per cent in 2007-08) were unsatisfactory or not received. The eight LALCs for which no financial statements were received include four LALCs which are not operating.

Two LALCs were under administration at 30 June 2010, down from seven in the previous year. The reasons for appointment of an administrator vary and include failure to comply with statutory reporting requirements, possible disposal of land without proper approval, possible fraudulent activity and unsatisfactory audit reports.

Water and sewerage services

The Council, in partnership with the New South Wales Government, maintained its commitment to a major program to deliver better water and sewerage services to discrete Aboriginal communities across the State. Together they will invest more than \$200 million over the next 25 years to improve these services. The roll out of the program began in 2008-09.

OTHER INFORMATION

We identified areas for the Council to improve its internal controls which we reported to management. The Council's response was generally favourable and the Council advised that many of our recommendations have either been or are in the process of being implemented.

Rural Properties

Rural properties were transferred to the Council when Regional Aboriginal Land Councils were abolished in 1990. Since 2004, the Council has engaged Riverina F.A.R.M. Pty Limited and Riverina Farm Services Pty Ltd as sub managers, to manage the Council's rural properties. The rural properties managed by Riverina F.A.R.M. are:

Name of Property	Location	Size (ha)
Appin Station	Menindee	31,704
Barooga-Karra	Euabalong	9,890
Calooma/Nulty Springs	Bourke	35,609
Kaituna-Uno	Coonamble	5,184
Total		82,387

Source: New South Wales Aboriginal Land Council Annual Report

The Council's rural properties incurred losses of \$599,751 in 2009-10 (\$584,000 loss). Council has advised that it is reconsidering its strategy regarding rural properties in order to mitigate the financial risks associated with farming activities and to reduce ongoing losses.

Attempts to lease a number of the rural properties in 2009-10 have met with limited success. The Council is considering disposing of the rural properties and has, as required by the Act, advised the LALC in the area in which the properties are located of this decision. The Council must provide notice and give 28 days for a response from the respective LALC before the final decision can be made. Prior to 31 March 2010, the Council required the approval of the respective LALC before the Council could deal with the land.

Endowment Fund

In 2007-08, the Council established a \$30.0 million Education Endowment Fund, which aims to help fund up to 200 education scholarships a year. The scholarships are available for primary schools, secondary schools, universities, vocational and TAFE courses. No government grants were received for this program. The intention is that the interest earned on the Fund, which is invested in a short-term deposit, will be sufficient to cover the cost of the scholarship program. Council spent \$200,000 (\$1.2 million) on scholarship grants in 2009-10. Applications for scholarship grants are reviewed and paid on an ongoing basis.

In March 2008, the Council retained the services of Charities Australia Foundation (CAF) to help assess applications, make recommendations and administer the scheme on a day to day basis. CAF is an international not-for-profit organisation operating in Australia since 1999.

Human Resources

This year we reviewed the following areas relating to human resources:

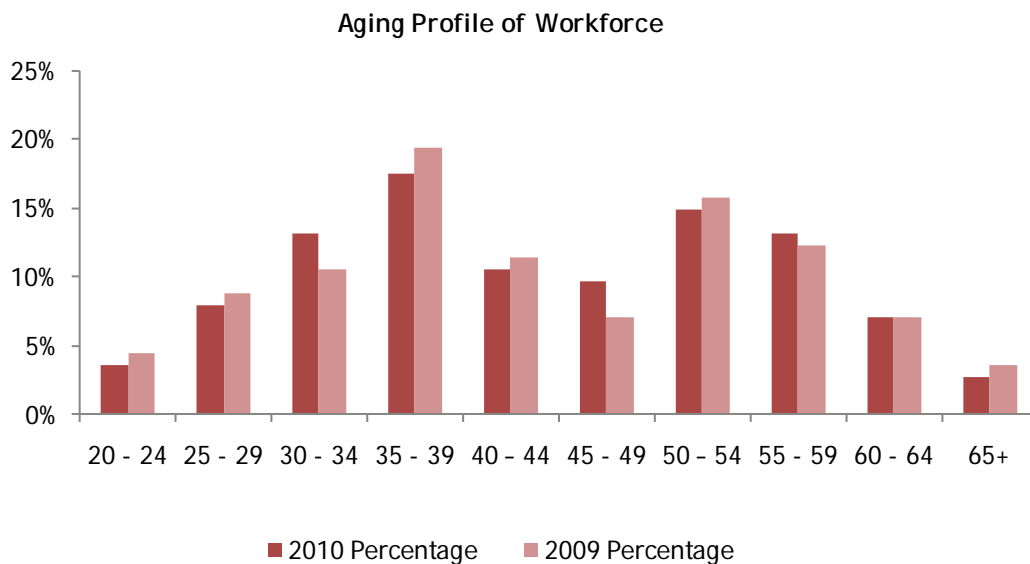
- the employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- the trend in long service leave liabilities and actions taken to ensure funds will be available to pay these liabilities
- the management of annual leave balances in excess of threshold policies
- the management of excessive flex leave balances
- the extent of overtime
- the extent of use of contract staff.

No significant issues were identified from our review.

Employee Age Profile

Twenty three per cent of the Council's employees are older than 55 years of age and 38 per cent are older than 50. This represents a large number of employees who are likely to retire over the next five to ten years. This potential loss of knowledge and skills may be a risk for the Council.

The age profile of the Council employees is shown below:



At 30 June Age Group	2010		2009	
	No. of Employees	%	No. of Employees	%
Up to 39	48	42	49	43
40-44	12	11	13	11
45-49	11	10	8	7
50-54	17	15	18	16
55-59	15	13	14	12
60-64	8	7	8	7
65+	3	3	4	4
Total	114	100	114	100

Source: Information provided by the Council (unaudited)

To minimise this risk, the Council is:

- streamlining the processes with established policies and procedures, including proper documentation and a record management system to ensure key information is retained and accessible
- continuing the policy of developing employees of both Aboriginal and non Aboriginal origin by providing necessary funding for them to obtain the necessary academic qualification or relevant vocational training. These employees are expected to gradually takeover more responsibilities and obtain necessary job training
- embarking on a process of identifying key positions where succession planning processes would include the transfer of critical and unique knowledge.

The Council also recognises that a key factor in minimising the loss of knowledge is the retention of employees who are approaching retirement. This can be achieved by the provision and accessibility of a range of flexible work practices and conditions. This will allow those employees to have work life balance and transition to retirement. Part-time work, work from home, increased flexible leave arrangements, and purchased leave, are some of the initiatives that will assist in retaining employees who may have considered retirement as their only option.

Long Service Leave Liability

The Council's liability for long service leave entitlements at 30 June 2010 amounted to \$591,000 (\$528,000).

Annual Leave Balances

The Council has actively managed employees with excessive annual leave balances in recent years. The number of employees with annual leave balances in excess of 40 days has declined from 14 employees at 30 June 2009 to 10 employees at 30 June 2010. The Council's strategies have reduced the number of employees with annual leave balances in excess of 40 days to nine per cent (12 per cent) of total employees at 30 June 2010.

The Council advised that all staff are regularly advised of their leave balances and reminded of the need to reduce their entitlements.

Flex Leave

The Council's flex leave policy entitles staff members to one flex leave day per month and a maximum of 10 hours can be carried forward at the end of each month. This policy ensures that employees do not accumulate large balances of flex leave.

Overtime

Overtime payments were made to 12 staff in 2009-10 (six in 2008-09) at a total cost of \$30,592 (\$15,048).

Use of Contract Staff

During 2009-10, the Council used six contract staff (12) with a total cost of \$98,900 (\$367,145). The Council regularly reviews the use of contract staff to ensure it is appropriate and represents value for money.

FINANCIAL INFORMATION**Abridged Statement of Comprehensive Income**

Year ended 30 June	2010 \$'000	2009 \$'000
Investment income	47,335	43,505
Other income	16,031	3,995
OPERATING REVENUE	63,366	47,500
Employee expenses	11,643	10,814
Funding of local Aboriginal Land Councils	13,690	14,317
Net (increment)/decrement on investment revaluation	(16,271)	89,591
Other expenses	19,786	15,602
OPERATING EXPENSES	28,848	130,324
SURPLUS/(DEFICIT)	34,518	(82,824)
OTHER COMPREHENSIVE INCOME		
Net assets transferred from dissolved Local Aboriginal Land Councils	5,856	--
Net increment on revaluation of assets	236	1,377
Other comprehensive loss	(241)	(216)
TOTAL COMPREHENSIVE INCOME (EXPENSE)	40,369	(81,663)

Investment income of \$47.3 million (\$43.5 million) comprises the income distribution from the Council's managed fund of \$36.1 million (\$40.4 million), interest of \$2.5 million (\$3.1 million) and realised investment gains of \$8.8 million (nil).

Other income of \$16.0 million (\$4.0 million) includes Commonwealth Government grants of \$4.3 million (\$400,000) and the reversal of the prior year's LALC receivables impairment provision of \$6.7 million (nil).

The Council received grants from the Australian Government by entering into a Program Funding Agreement with the Department of Families, Housing, Community Services and Indigenous Affairs to undertake a repairs and maintenance project on seventy homes owned by the Walgett Local Aboriginal Land Council.

Other expenses include \$3.8 million (nil) spent on the above-mentioned repairs and maintenance project. The project is expected to be completed in 2010-11.

Grants paid

In addition to the annual allocation of funds to LALCs, the Council provided major grants of \$207,665 (\$1.3 million) and minor grants of \$736,830 (\$941,410) to community organisations and individuals. The grants are included in 'Other expenses' in the previous table, and comprise:

Major Grants (more than \$5000)

Payee	Purpose	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$
University of Newcastle	Education Scholarship Grant	31,365	--
Riverina Crane Services Pty Ltd	Grant for Wagga Wagga LALC to help comply with Environment Planning and Assessment Act 1979	19,950	--
Arts Mid North Coast	Sponsorship for Dinner with Elders	10,000	--
CAF AUSTRALIA	Education Scholarship Grant	101,000	1,090,202
Newington College	Education Scholarship Grant	--	6,199
Presbyterian Ladies College	Education Scholarship Grant	5,350	13,600
Australian Indigenous Leadership Centre	Education Scholarship Grant	40,000	90,909
Total Major Grants		207,665	1,315,910

Minor Grants (\$5000 or less)

Category	Year ended 30 June 2010 Number	Year ended 30 June 2010 \$	Year ended 30 June 2009 Number	Year ended 30 June 2009 \$
Education Scholarship Grant	1	3,850	--	--
Discretionary	2	6,000	71	390,812
Funeral	444	726,980	399	550,598
Total	447	736,830	470	941,410

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	551,822	523,181
Non-current assets	49,599	37,692
TOTAL ASSETS	601,421	560,873
Current liabilities	8,648	8,590
Non-current liabilities	309	188
TOTAL LIABILITIES	8,957	8,778
NET ASSETS	592,464	552,095

Non-current assets increased to \$49.6 million at 30 June 2010 primarily because of the transfer of land from dissolved LALCs to the Council of \$14.4 million during 2009-10.

Investment Portfolio

The Council has largely retained the investment strategy adopted in 1998-99 following the cessation of land tax funding. The strategy's objectives are mainly achieved by placing funds with various fund managers to obtain capital growth over the long-term and provide funds for the Council's operations.

The portfolio incurred an average return of 12.1 per cent in 2009-10 (8.3 per cent loss). Investment data for the last four years is summarised below.

Year	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Opening balance	513,259	600,061	682,319	622,203	573,066
Closing balance	540,884	513,259	600,061	682,319	622,203
Net (loss)/income	63,606	(46,086)	(43,981)	88,643	74,356
Average fund balance	527,072	556,660	641,190	652,261	597,635
Average (loss)/earning (%)	12.07	(8.28)	(6.86)	13.59	12.44

When considering the investment performance, it must be noted that Council draws down on its investments each year to meet operational requirements. The Council drew down \$38.5 million in 2009-10.

The net investment income in 2009-10 of \$63.6 million (loss of \$46.1 million) comprises investment income of \$47.3 million (\$43.5 million) and a gain in the fair value of investments held for trading of \$16.3 million (loss of \$89.6 million).

COUNCIL ACTIVITIES

The Council was constituted under the *Aboriginal Land Rights Act 1983* (the Act), which was amended in 2007 to substantially increase the scope and range of responsibilities and functions of the Council. The Council comprises nine members, each elected by voting members of the LALCs within the nine regions of New South Wales. The functions of the Council include the following:

- administering the New South Wales Aboriginal Land Council Account and the Mining Royalties Account established under the Act
- acquiring and managing land on its own behalf, on behalf of, or to be vested in a LALC
- making claims to Crown lands, either on its own behalf, or on behalf of a LALC if requested
- purchasing, leasing or holding any property, or acquiring property by gift, devise or bequest
- exploring for and exploiting mineral or other natural resources
- considering applications from LALCs to purchase, sell, exchange, mortgage or otherwise dispose of land
- paying rating authorities in certain situations where rates are unpaid by LALCs
- compiling and maintaining a register of all land held by LALCs
- managing the affairs of a LALC, with the agreement of that LALC
- advising the Minister on matters relating to Aboriginal Land Rights
- preparing and implementing policies relating to its functions under the Act and the functions of LALCs
- exercising certain functions conferred or imposed by the *Commonwealth Native Title Act 1994*
- protecting and promoting Aboriginal culture and heritage
- preparing and implementing policies relating to the community, land and business plans required to be adopted by LALCs
- managing the investment of any assets of the Council
- granting funds for the payment of costs and expenses of LALCs
- providing community benefits under relevant schemes, and approving and supervising those of LALCs (including social housing schemes)
- making grants, lending money to, or investing money for or on behalf of Aboriginal persons
- providing, acquiring, constructing, upgrading, or extending residential accommodation for Aboriginal persons in the State
- increasing the total number of voting members of LALCs in the State by not less than three per cent per annum for the five year period commencing 1 July 2007.

For further information on the Council, refer to www.alc.org.au.

Minister for Ageing

Home Care Service of New South Wales

Home Care Service of New South Wales

AUDIT OPINION

The audits of Home Care Service of New South Wales (Home Care) and its controlled entity's financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Ageing of Staff

I recommend Home Care develop and implement effective policies to address and manage its ageing workforce.

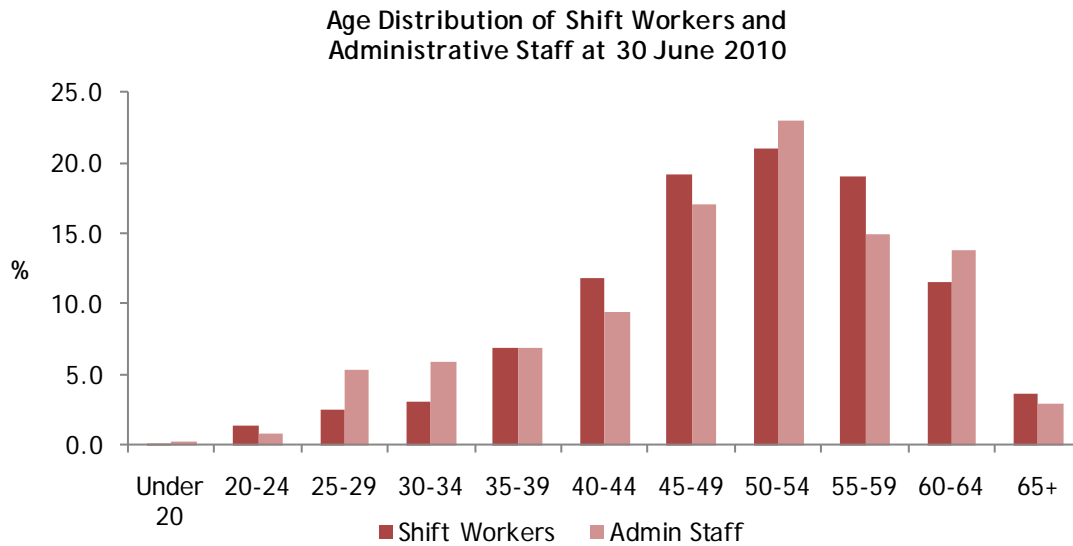
Home Care has 33.8 per cent of its employees over 55 years of age, and 55.1 per cent are over 50. Many are likely to retire over the next five to ten years, increasing the risk of loss of knowledge and skills unless an appropriate plan is developed to address the risk.

At 30 June Age Group	2010			
	No. of Shift Workers*	%	No. of Administration Staff*	%
Up to 39	339	13.9	94	19.0
40 - 44	290	11.9	47	9.5
45 - 49	467	19.1	84	17.0
50 - 54	513	21.0	113	22.9
55 - 59	465	19.0	74	15.0
60 - 64	282	11.5	68	13.8
65+	89	3.6	14	2.8
Total	2,445	100	494	100

Source: Home Care Service (unaudited)

* The number of shift workers and administration staff are Full Time Equivalent (FTE) numbers.

The age profile of Home Care’s employees, split between administration staff and shift workers is shown below:



Source: Home Care Service (unaudited).

For shift workers, 34.1 per cent are over 55 years of age, and 55.2 per cent are over 50.

To ensure an adequate supply of staff in the future, it is essential for Home Care to monitor its workforce age profile and ensure strategies are in place to develop, attract and retain staff whose skills are aligned with the strategic direction of Home Care. Home Care advised it is addressing this issue.

Flex Time Balances

I recommend Home Care develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by staff.

Home Care does not know the extent to which flex time is being accrued and forfeited by staff, as it does not keep central records of flex time. If not effectively managed, employees may be accruing and/or forfeiting large amounts of flex time. Records are manually maintained by each business unit.

Home Care advised that flex time is only available to admin staff, who represent 20.0 per cent of its workforce, and provisions exist for employees to meet with their supervisors if there is potential for flex time to be forfeited.

Repeat Management Letter Issues

I recommend Home Care address, as a priority, the matters I have reported for at least the past two years.

Purchase Order Details

Manual purchase orders raised in branch offices continue to lack sufficient appropriate details. This issue has been reported for the past five years. Management advised that branch offices are now using the Smartbuy online ordering system. Home Care management and its service provider continue to progress the implementation of the SAP purchase order system for subcontracting services, which represent the majority of purchase orders raised. Home Care reinforced this matter to Regional Management in August 2010.

Service Agreements with Clients

Home Care's policies and procedures require new client service agreements be prepared for clients whose service duration, service type, etc change. We found this process is not always being followed. In addition, some clients were billed at rates which differed to those specified in their service agreements. In one instance a client was billed a monthly fee of \$40 despite there being a cap of \$20 per month. Home Care advised that resources are being applied to improve controls in this area.

Review of Aged Debtors

Aged debtor reports are not always produced and reviewed at branch offices in a timely manner. This suggests some branches may not be actively following up outstanding debtors. Management advised that although it regularly communicates with regional and branch staff the requirement to comply, some exceptions continue to be experienced. Home Care again communicated this issue to regional management during September 2010.

Customer Master File Changes

Changes made to customer details in the Client Information System are not always supported by an authorised written request. In most instances notifications received are verbal and changes are not reviewed by a second officer to ensure accuracy and validity. Management advised that corrective actions have been delayed as system changes required to enable production of relevant audit reports were not completed until April 2010. We understand management has now issued instructions on the use of the audit report and recording of customer detail changes.

Historical Edits

Adjustments can be made in the Workforce Management and Client Information Systems to service hours already billed to clients. The adjustments are not, in most instances, approved by management prior to being made, nor are they reviewed by a second officer to ensure accuracy and validity. Home Care advised that an audit report which allows the review of changes has been developed and instructions communicated to staff for its use.

Review of Customer Master File

Customer master file data in SAP is not periodically reviewed by management for accuracy and ongoing pertinence. Management advised this is due to relevant reports not being in a usable format. Management is working with the service provider to resolve this issue.

Workforce Management System Disaster Recovery Plan

The Workforce Management (WFM) System is currently at tier one of a seven tier disaster recovery model. A tier one system has its system backups kept off site, but does not have a specific formal disaster recovery plan or dedicated recovery hardware. The length of time for recovery is currently more than a week. Management should reassess the disaster recovery requirements for WFM in conjunction with its service provider, to ensure it meets business needs and recovery timeframes in a disaster situation. We understand Home Care's service provider plans to bring WFM to an acceptable disaster recovery level by the end of December 2010.

PERFORMANCE INFORMATION

Home Care did not meet most of its performance targets in 2010, as detailed in the table below.

Year ended 30 June	Target	Actual				
	2010	2010	2009	2008	2007	2006
Total number of assessments*	16,600	12,987	15,703	20,760	17,693	17,906
Total hours of service provided ('000s)	3,950	3,853	4,048	3,903	3,872	3,626
Total number of clients serviced ('000s)	52	52	50	55	54	53
Average hours per client per annum	76	74	81	71	71	69
Direct average staffing (FTE)	3,000	2,939	3,038	2,972	2,937	2,862

Source: Home Care (unaudited)

* An assessment involves ascertaining a client's eligibility based on: program guidelines, the client's support needs, and developing a care plan.

In 2009-10, the total number of actual assessments undertaken by Home Care declined by 17.3 per cent; total hours of service provided to clients decreased by 4.8 per cent; and the average hours per client dropped by 7.0 hours when compared to the previous year.

Home Care advised that the decline in hours of service provided and average hours per client in 2009-10 when compared to 2008-09 was primarily due to an over-delivery of 113,000 service hours in 2008-09. This led to fewer service vacancies in early 2009-10, which in turn triggered fewer assessments.

High Needs Pool

The High Needs Pool sets aside funds for clients requiring more than 15 hours per week of personal care. The guidelines for the pool include a cap on services of 140 hours per four-week period, and intake being determined by priority rather than in chronological order. The table below summarises High Needs information for the past five years.

Year ended 30 June	Actual				
	2010	2009	2008	2007	2006
Funds set aside for High Needs Pool (\$'000)	23,187	22,643	21,920	21,200	20,500
Number of clients waiting for High Needs services	362	273	517	409	470
Number of new clients approved	174	36	121	105	90
Number of clients receiving more than 60 hours of personal care and assistance per four-week period	482	390	475	472	428

Source: Home Care (unaudited).

In 2009-10, both the number of clients waiting for, and those approved for High Needs services, increased by 32.6 per cent and 383.3 per cent respectively when compared to 2008-09. Home Care advised that the significant increase in clients waiting for High Needs services reflects the number of clients who have applied, been assessed as eligible and then registered for assistance. The increase in the number of clients approved for service is due to the direct replacement of clients who have exited the High Needs Pool program to more appropriate programs.

OTHER INFORMATION

Human Resources

Home Care does not have any employees. It receives personnel services from its controlled entity, the Home Care Service Division (the Division). Management of the Division's staff, however, is the responsibility of Home Care. This year we reviewed the following areas relating to human resources:

- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- management of flex balances
- extent of use of contract staff
- trend in long service leave liabilities and actions taken to ensure funds will be available to pay these liabilities
- management of annual leave balances in excess of threshold policies
- extent of overtime.

Issues identified from our review will be reported in a management letter to Home Care. A summary of the results of the employee age profile and flex balances review were reported earlier under the 'Key Issues' section. A summary of the results of our review of contract staff, long service leave liabilities, annual leave balances and overtime follows.

Employment of Contract Employees

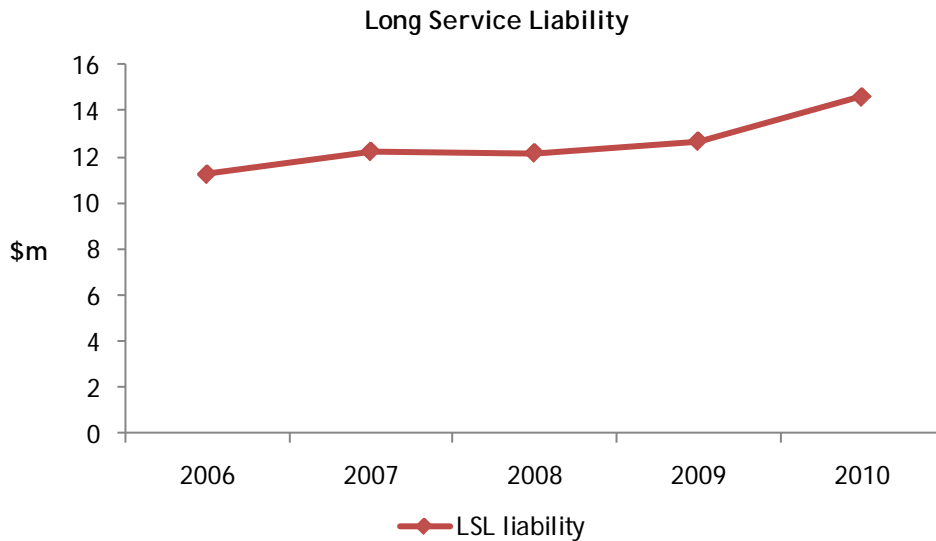
Home Care did not maintain a register of hired contractors and was unable to provide the number of contractors it employed at 30 June 2010, or the duration of their employment contracts.

Home Care advised that:

- there is a practical issue with maintaining a central register of contract employees, because most contracted services are frontline and delivered through a range of contracted agencies
- the appropriateness of the use of contractors is monitored through expenditure on contractors by business area, and that data is centrally available
- in 2009-10, expenditure on contracted employees was less than 1.0 per cent of total employee related costs
- for the provision of in-home care services, contracts are with organisations registered on an approved panel of agencies and not with individual contracted employees
- non-frontline staff are subject to a recruitment freeze on permanent appointments. The recruitment of contractors in these roles, or the extension of their contracts, requires a business case approved by the Chief Executive.†

Long Service Leave Liability

Home Care's liability for long service leave (LSL) entitlements at 30 June 2010 amounted to \$14.6 million (\$12.7 million). This liability has increased by 30.1 per cent since 2006.



Source: Home Care Service financial statements (audited)

In 2010, LSL liabilities were recognised for all staff, as opposed to only those staff with five or more years of service. This explains the increase in the LSL liability in 2010 when compared to 2009.

Home Care will need to ensure it has an adequate plan to fund these liabilities, which generally increase over time with increases in employee remuneration levels. This will be compounded as other liabilities increase with the retirement of a significant portion of the ageing workforce.

Excessive Annual Leave Balances

At 30 June 2010, 81 staff (127 staff) or 2.1 per cent (3.2 per cent) of all staff had an annual leave balance in excess of 40 days. The highest annual leave balance was 95 days (116 days), with the next highest being 74 days (75 days).

Home Care advised it has active procedures in place for managing annual leave including:

- monthly monitoring and reporting to the Executive
- periodically contacting staff with annual leave balances over 30 days and asking them to make arrangements to take leave. Staff with more than 40 days are asked to put leave plans in place to reduce their leave balances
- the human resources system has recently been modified so that automated reminders are sent to staff asking them to review and reduce their annual leave balances. The system also automatically advises the employees' line manager of the need to develop leave plans for staff with more than 40 days accrued leave.

Overtime

Overtime payments in 2009-10 amounted to \$578,000 (\$801,000) which was less than 1.0 per cent (less than 1.0 per cent) of base salary expenses for the year.

Vacant Permanent Staff FTE Positions

Year Ended	Shift Workers		Administration Staff	
	2010	2009	2010	2009
Average number of vacant FTE positions	329	449	61	81
Average number of available FTE positions	2,359	2,359	598	628

Source: Home Care (unaudited).

Improvements have been made in filling vacant positions in 2009-10. For shift workers, 13.9 per cent (19.0 per cent) of available FTE positions were vacant, and for administrative staff, 10.2 per cent (12.9 per cent) were vacant.

FINANCIAL INFORMATION

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Government grants and contributions	185,124	179,877	185,124	179,877
Other revenue	48,113	40,501	33,299	34,271
OPERATING REVENUE	233,237	220,378	218,423	214,148
Employee related	158,675	158,573	--	--
Personnel services	--	--	147,223	158,939
Other expenses	54,972	59,980	54,972	59,980
OPERATING EXPENSES	213,647	218,553	202,195	218,919
Other gains/ (losses)	704	(566)	818	(566)
SURPLUS/(DEFICIT)	20,294	1,259	17,046	(5,337)
OTHER COMPREHENSIVE INCOME				
Superannuation actuarial losses	(3,248)	(6,596)	--	--
Other income	--	161	--	161
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)	(3,248)	(6,435)	--	161
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	17,046	(5,176)	17,046	(5,176)

The rise in other revenue was mainly due to a workers' compensation hindsight premium adjustment refund of \$14.8 million (excluding GST). In 2008-09, the refund was \$6.2 million.

Home Care reported a \$3.2 million loss in the defined benefit superannuation scheme during the year, based on an actuarial assessment (\$6.6 million loss).

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets	60,868	42,537	60,470	41,938
Non-current assets	22,061	20,788	22,061	20,788
TOTAL ASSETS	82,929	63,325	82,531	62,726
Current liabilities	34,261	34,785	33,863	34,186
Non-current liabilities	11,942	8,860	11,942	8,860
TOTAL LIABILITIES	46,203	43,645	45,805	43,046
NET ASSETS	36,726	19,680	36,726	19,680

Total assets increased primarily due to:

- the workers' compensation hindsight premium adjustment refund, as mentioned above, being recognised as a receivable by Home Care at 30 June 2010.
- the global financial crisis' \$875,000 negative impact on the value of Home Care's investments in 2008-09. This year, Home Care's investments increased in value by \$1.4 million as economic conditions improved.

The superannuation liability for defined benefit plans increased from \$7.2 million in 2008-09 to \$9.4 million in 2009-10.

HOME CARE ACTIVITIES

The *Home Care Service Act 1988* established Home Care as a Statutory Authority. Home Care provides housekeeping, personal care and a range of ancillary services for individuals and families within their own homes. Its operations are conducted through state wide branches and service outlets.

For further information on Home Care, refer to www.humanservices.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	
Home Care Service Division	*

* This entity does not have a website.

Minister for Commerce

Australian Centre for Advanced Computing and Communications Pty Limited

Department of Services, Technology and Administration

State Records Authority of New South Wales

Teacher Housing Authority of New South Wales

Minister for Commerce and Minister for Fair Trading

Building Insurers' Guarantee Corporation

Rental Bond Board

Refer to Appendix 1 for:

Fair Trading Administration Corporation

Motor Vehicle Repair Industry Authority

NSW Architects Registration Board

Australian Centre for Advanced Computing and Communications Pty Limited

AUDIT OPINION

The audit of the Company's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Accumulated losses

Last year, I recommended the Board continue to closely monitor future budgets and cash flow projections to ensure the Company's viability is maintained. Monitoring has continued.

The Company's financial performance has improved significantly over the past four years with a profit after income tax expense of \$146,000 for 2009-10. Prior to 2006-07, the Company had recorded losses each year since its incorporation.

At 30 June 2010, accumulated losses were \$12.4 million, remaining capital was \$2.5 million and the Company showed positive working capital. The Company has budgeted for a profit of \$445,000 in 2010-11.

Approval for finance lease credit facility

Last year, I recommended the Company obtain the necessary approval under the *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act) for its finance lease credit facility. The Company obtained this approval during the year. Under the PAFA Act, New South Wales Government agencies require approval to borrow funds.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
TOTAL REVENUE	11,408	9,107
Employee benefits	4,626	3,915
Depreciation	1,320	970
Other	5,370	4,159
TOTAL EXPENSES	11,316	9,044
PROFIT BEFORE TAX	92	63
Income tax benefit	54	50
PROFIT	146	113
TOTAL COMPREHENSIVE INCOME	146	113

The Company is subject to income tax, but has never paid income tax due to losses incurred in previous years.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	3,911	3,419
Non-current assets	4,976	3,271
TOTAL ASSETS	8,887	6,690
Current liabilities	3,288	2,342
Non-current liabilities	3,120	2,015
TOTAL LIABILITIES	6,408	4,357
Issued capital	14,920	14,920
Accumulated losses	12,441	12,587
NET ASSETS	2,479	2,333

Notwithstanding the accumulated losses, the Company has positive working capital at 30 June 2010.

The Company has \$11.7 million of income tax losses. These are not reflected within the financial position figures above.

COMPANY ACTIVITIES

The Company provides professional management of computers for other organisations, including New South Wales Government agencies, universities and private sector companies. The Company aims to make a profit.

The Company was registered in 2000 as a proprietary company limited by shares under the *Corporations Act 2001*. The Government and eight New South Wales universities financed the establishment of the Company. The Government provided \$12.0 million giving it a 57 per cent shareholding. The universities hold the remaining shares and provided cash and in kind contributions. The New South Wales Government Telecommunications Authority holds the Government's investment.

For further information on the Company refer to www.ac3.com.au.

Building Insurers' Guarantee Corporation

AUDIT OPINION

The audit of the Corporation's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report. However, the Independent Auditor's Report drew attention to significant uncertainty in the valuation of the Corporation's outstanding claims liability.

The Corporation administers one of the Government's rescue packages created in response to the collapse of the HIH Insurance Group (HIH). The Corporation recognises a liability in respect of home warranty insurance claims on policies issued by HIH. The Treasury provides funding to the Corporation for all approved claim payments.

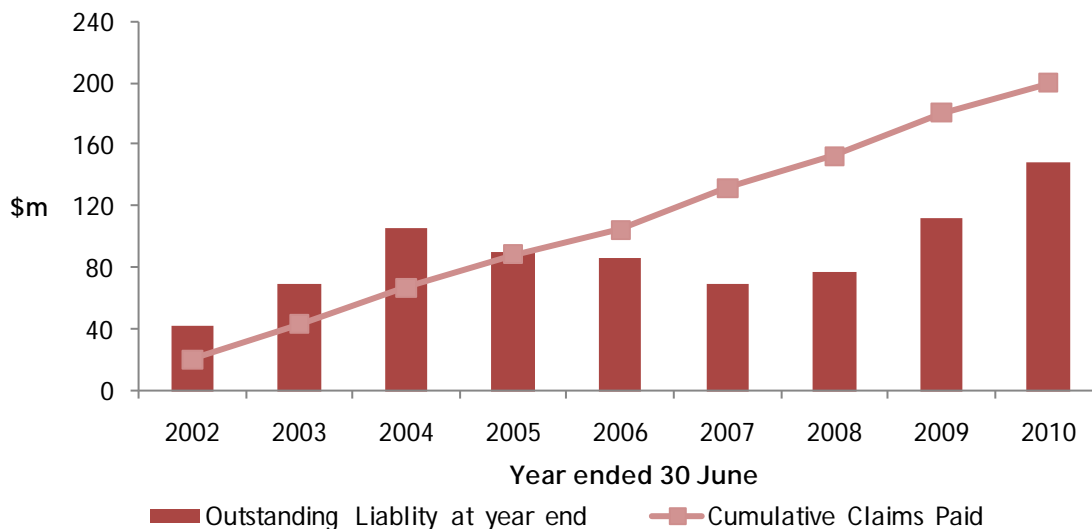
The liability is expected to reduce over time as claims are settled. However, the estimated liability has increased significantly in 2010 due to variability of claims costs during the period. This indicates a significant uncertainty exists with the estimation of the liability at 30 June 2010.

KEY ISSUE

I recommend the Corporation continue to closely monitor the claims liability.

The Corporation has paid a total of \$200 million for claims made against HIH insurance policies up to 30 June 2010. Offsetting this, the Authority has received a total of \$91.1 million in recoveries from the HIH liquidators and reinsurers.

On top of the \$200 million paid to date, a further \$167 million in claims payments are expected.



After initial growth in the estimate of claims, the claims liability was expected to decrease as claims were settled. However, the estimated claims liability has significantly increased in 2009 and 2010.

The increase in the liability is mainly due to a significant deterioration in claim estimates. Payments made in recent years for open and settled claims were significantly higher than expected. The expected cost of the claims remaining has increased based on this experience.

In 2009, I recommended that the Corporation closely monitor the claims liability and take any practicable steps to obtain better data on claims to help improve the accuracy of claims liability estimates. Since then, the Corporation has made changes to its estimation processes and implemented regular monitoring practices.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Government contributions	22,400	33,900
Other	375	126
TOTAL REVENUE	22,775	34,026
Net insurance claims and provisions	54,255	62,755
Administrative services	3,007	3,418
Other operating expenses	2,152	3,966
TOTAL EXPENSES	59,414	70,139
DEFICIT	36,639	36,113
TOTAL COMPREHENSIVE INCOME	36,639	36,113

Government contributions are payments from The Treasury to meet claims on the home insurance policies of insolvent insurers and other costs of the Corporation. The amount of contribution received each year is largely dependent upon the amount of claims paid during the period.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
TOTAL ASSETS	1,372	1,791
TOTAL LIABILITIES	148,031	111,811
NET LIABILITIES	146,659	110,020

The estimated outstanding claims liability increased to \$148 million (\$112 million). This creates a net liability position of \$147 million (\$110 million) at 30 June 2010. The Corporation relies on payments from The Treasury from the Building Insurer's Guarantee Fund to meet claims costs and administration expenses.

CORPORATION ACTIVITIES

The Corporation's principal role is to administer the Building Insurers' Guarantee Fund. The Fund is established under the *Home Building Act 1989* as a consequence of the collapse of the HIH Insurance Group in March 2001. This collapse created a range of serious home warranty insurance difficulties for consumers, builders and developers in New South Wales. The Fund provides indemnity for homeowners to the same extent that would have applied under home warranty policies issued by the HIH Insurance Group.

The Corporation is managed and controlled by the Minister for Commerce jointly with the Minister for Fair Trading.

Department of Services, Technology and Administration

AUDIT OPINION

The audits of the Department and its controlled entities' financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

PERFORMANCE INFORMATION

People First - New South Wales Government ICT Strategic Plan

People First - New South Wales Government ICT Strategic Plan was released in July 2006 and covered the period to June 2010. It set priorities for government spending on ICT resources.

A key outcome of People First is anticipated savings and benefits of \$565 million over four years to July 2010. I previously reported that an independent review commissioned by the Department confirmed savings and economic benefits of \$176 million up to 30 June 2008 could be validated and that \$565 million was achievable by July 2010. The Department advises that a further independent review of the final outcome is in progress.

A process to develop a new Government ICT strategy is underway.

Electronic Information Security

In 2010, I conducted a performance audit that examined the extent to which the Government can provide credible assurance that it is safeguarding its holdings of sensitive personal information. In October 2010, I concluded that Government could not provide this assurance. My findings included that the GCIO does not have current and reliable information on how well individual agencies are safeguarding private information.

The Government's current policy on electronic information security is within 'Ministerial Memorandum 2007-04 Security of Electronic Information'. This policy, among other things, requires that agencies report their security status at least annually to the Government Chief Information Office (GCIO).

Whilst the recommendations coming out of my performance audit were to the Department of Premier and Cabinet, implementing these recommendations may impact the GCIO. The report is available on our website www.audit.nsw.gov.au.

The GCIO has a leadership role in developing and driving information and communications technology whole-of-government initiatives.

Government Licensing Project

In 2009, I conducted a performance audit on the Government Licensing Project and found that it was running late and over budget and was expected to produce less savings than originally planned. My report included recommendations to the Department and these are supported by management.

The Government Licensing Project is an information technology project that crosses over a number of New South Wales licensing agencies. The outcome of the Project is a Government Licensing System (GLS) intended to standardise and simplify the licensing processes of all licensing agencies except for the Roads and Traffic Authority. The project started in 2001 and was expected to be running in all relevant agencies by 2005.

The number of licences administered by the GLS in recent years appears in the table below.

Year ended	Target	Actual			
	2010	2010	2009*	2008*	2007*
Government licences administered through the GLS ('000s)	2,400	2,100	1,600	1,160	940

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce

In July 2010, further licence records were transferred to the GLS. The Department advises the GLS currently administers 3.4 million records across 80 licence types. The Department expects full implementation by 2014.

The performance audit report is available on our website www.audit.nsw.gov.au.

Government Services

The Government Services Division was created in December 2009 and brought together previously discrete business units that focused on providing whole-of-government services. The division comprises NSW Procurement, ServiceFirst and StateFleet.

NSW Procurement

The State Contracts Control Board (SCCB) is responsible for arranging the supply of goods and services to New South Wales Government agencies. The Board was restructured during the year and now comprises a Chair independent of the Department and five members, all appointed by the Minister for Commerce. NSW Procurement supports the Board.

State contracts are standing offers by suppliers, which apply for a specific time. Premier's Memorandum 2006-11 'Procurement Reforms' requires all agencies, except State Owned Corporations, to use SCCB contracts. Expenditure through SCCB contracts in recent years, and estimated cost savings from their use, appears in the table below.

Year ended	Target	Actual				
	2010	2010	2009*	2008*	2007*	2006*
SCCB contracts (\$m)	3,900	3,675	3,578	3,640	3,600	3,410
Aggregated procurement cost savings from whole-of-government contracts (not including duplication avoidance savings) (\$m)	335	322.5	360	330	**	**

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce

** No comparative available due to changes in savings assessment

Premier's Memorandum 2006-11 'Procurement Reforms' required all major agencies to participate in the electronic marketplace by June 2007. At 30 June 2010, eight of the fourteen major agencies had implemented smartbuy® (seven at 30 June 2009). smartbuy® is an electronic procurement system for government agencies. Some of the performance indicators used by the Department to evaluate smartbuy® are included in the following table.

Year ended 30 June	Target	Actual				
	2010	2010	2009*	2008*	2007*	2006*
Value of purchase orders (\$m)	600	2,011	455	359	224	109
Number of purchase orders ('000s)	134	404	109	67	44	23

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce

The significant increase in utilisation of smartbuy® in 2010 occurred due to its adoption by NSW Health and the Department of Education for Building the Education Revolution purposes.

eTendering is an electronic tendering system for government agencies. One of the performance indicators used by the Department to evaluate eTendering is in the following table.

Year ended 30 June	Target	Actual			
	2010	2010	2009*	2008*	2007*
Number of Government tenders published on the eTendering system	3,000	2,216	3,083	3,281	1,841

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce

From 1 April 2009, the threshold over which agencies must seek tenders increased from \$150,000 to \$250,000 contributing to a reduction in the number of tenders in recent years. However, suppliers have increased their use of eTendering in 2009-10, with the Department reporting 71 per cent (46 per cent) of tender responses were lodged electronically.

All 46 agencies required to adopt eTendering by June 2007, under Premier's Memorandum 2006-11, have implemented the eTendering website (six agencies were outstanding in 2008-09).

I have previously recommended the Department of the Premier and Cabinet implement a review mechanism to ensure agencies comply with the Government's procurement reforms within Premier's Memorandum 2006-11. I support the restructure of the SCCB and its 2010-13 business plan, which includes a review of compliance mechanisms. I am currently reviewing compliance with the aspects of Premier's Memorandum at a selection of agencies and will report the results of that review later in 2010.

NSW FAIR TRADING

NSW Fair Trading promotes a fair marketplace for consumers and traders. Some of the performance indicators used by the Department to evaluate the division are included in the following table.

Year ended 30 June	Target	Actual				
	2010	2010	2009*	2008*	2007*	2006*
Fair marketplace						
Customers satisfied with service (%)	90	91	85	85	90	90
Successful prosecutions (%)	90	90	96	92	95	86

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce

The Department advises it has around seven million instances of contact with the public annually including 1.19 million telephone enquiries through its information centre.

NSW Industrial Relations

NSW Industrial Relations communicates and enforces workplace regulation to ensure the rights of workers and employers are protected and obligations met. Some of the performance indicators used by the Department to evaluate the division are included in the following table.

Year ended 30 June	Target	Actual				
	2010	2010	2009*	2008*	2007*	2006*
Fair and productive workplaces						
Enquiries and complaints satisfactorily resolved within targeted time frames (%)	85	89	87	89	92	90
Non-compliant employers who complied or were prosecuted within six months of notification (%)	85	91	88	87	87	87

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce

The Department advises it received in excess of 96,000 telephone enquiries and in excess of 4,000 email enquiries during the year, and that its website had 2.83 million visits. This level of activity is down from 2009. From 1 January 2010, many New South Wales employers and employees moved into the national workplace relations system administered by the federal government and this has impacted on the role of NSW Industrial Relations.

NSW Public Works

NSW Public Works helps other New South Wales Government agencies and local government plan, design, deliver and maintain building and infrastructure projects. NSW Public Works provides professional engineering, architectural and project management services.

The Department advises that it manages around \$1.0 billion of capital works and asset maintenance projects each year. Some of the performance indicators used by the Department to evaluate the division include:

Year ended 30 June	Target	Actual				
	2010	2010	2009*	2008*	2007*	2006*
Projects managed - completed on time (%)	85	92	93	92	89	93
Projects managed - completed within budget (%)	85	92	87	90	92	95
Satisfaction with asset solutions developed for clients (%)	80	83	85	89	88	83

Source: Department of Services, Technology and Administration (unaudited).

* Responsibility of the former Department of Commerce.

During the year, the Department provided services to the Department of Education and Training that were funded under the Building the Education Revolution program. These services were provided on a cost recovery basis.

Strategic Communications and Government Advertising

This division is responsible for the co-ordination and management of Government's advertising activity. The Department estimates savings to Government from the use of central placement contracts at \$65.5 million in 2009-10 (\$44.0 million).

OTHER INFORMATION

Shared Corporate Services

The Department provides corporate services to other government agencies via ServiceFirst. ServiceFirst was formed within the Department of Commerce in 2008 bringing together three separate shared service providers.

Our audit engagements to report on internal controls operating within ServiceFirst during the 2010 financial year resulted in unqualified independent auditors' reports.

Human Resources

This year I reviewed the following areas relating to the Department's human resources:

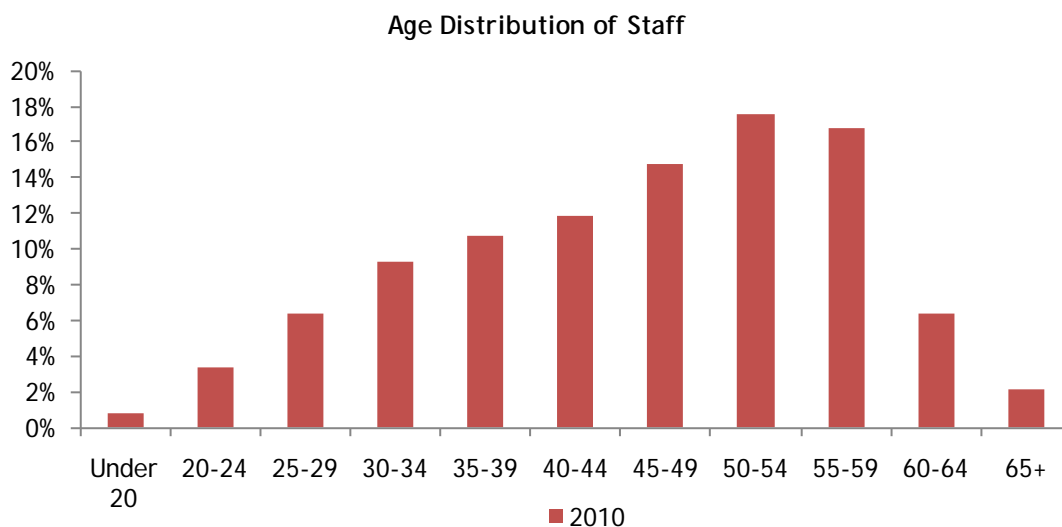
- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- extent of overtime
- management of annual leave balances in excess of threshold policies
- extent of contract staff.

Employee Age Profile

Twenty five per cent of the Department's employees are over 55 years of age and 43 per cent are over 50. This represents a large number of employees who are likely to retire over the next five to ten years. This potential loss of knowledge and skills is a risk for the Department.

To ensure an adequate supply of staff in the future and address the associated risks, the Department needs to monitor its workforce age profile and ensure strategies are in place to attract, develop and retain staff. The Department advises that it is developing a mature workforce strategy including better monitoring of employment policies for employees older than 50 years and more flexible approaches to training, working and retiring.

The age profile of the Department's employees is shown below:



Source: Information provided by Department of Services, Technology and Administration (unaudited)

Overtime

Overtime payments of \$2.9 million during the year represent less than one per cent of total employee related expenditure. Overtime was paid to approximately 25 per cent of all staff and most of these staff did not work significant quantities of overtime. However, there are isolated incidences of apparent excessive overtime that the Department needs to monitor:

- 19 employees worked more than 300 hours overtime and two of these worked more than 500 hours
- 24 employees earned in excess of \$20,000 in overtime payments, which represented between 19.2 per cent and 58.5 per cent of their base earnings.

Overtime expenditure is monitored monthly using the Department's dashboard reporting processes.

Annual Leave Balances

The Department has made significant progress in reducing excessive annual leave balances. At 30 June 2007, over 600 staff within the former Department of Commerce had in excess of 40 days annual leave accrued. At 30 June 2010, the Department of Services, Technology and Administration had 137 employees with in excess of 40 days accrued, which represents approximately four per cent of total employees.

The Department has set a target for all employees to have no more than 30 days annual leave accrued by 30 June 2011. Annual leave balances are monitored monthly using the Department's dashboard reporting processes.

Liabilities for excessive annual leave generally increase over time as salary rates increase, which impacts cash flow requirements. The health and welfare of staff can also be adversely affected if they do not take sufficient leave.

Contract Staff

The Department uses contract, temporary and casual staff to meet resourcing requirements. In 2010, the Department spent \$20.9 million on 388 contractors, which represents approximately six per cent of total staff costs.

The Department's approved full time positions exceed 3,500. The Department monitors the percentage of positions not filled by permanent employees on monthly basis using its dashboard reporting processes. The Department advises that all contractor appointments and extensions are approved by the Director-General. There are limited incidences of long term use of contractors. The Department needs to monitor total contract terms and costs.

Independent Commission Against Corruption Investigation

The Independent Commission Against Corruption (ICAC) is currently investigating allegations of corrupt conduct within Sydney Water Corporation's Plumbing Inspection and Assurance Service (PIAS). The PIAS is transferring to NSW Fair Trading and the Department is monitoring the ICAC investigation.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated	Department
	2010 \$'000	2010 \$'000
Employee related expenses	350,155	345,529
Depreciation and amortisation	190,335	189,015
Other operating expenses	179,593	174,449
Book value of motor vehicles sold	127,805	127,805
Finance costs	37,481	37,255
Government Radio Network expenses	23,124	23,124
OPERATING EXPENSES	908,493	897,177
Motor vehicle leasing	215,584	215,584
Project and asset management services	208,414	208,414
Other services	170,330	158,976
Proceeds from sales of motor vehicles	155,553	155,553
Retained taxes, fees and fines	44,979	44,979
Investment and other revenue	26,707	26,653
OPERATING REVENUES	821,567	810,159
Other losses	3,528	3,528
NET COST OF SERVICES	90,454	90,546
Government contributions	85,491	85,491
DEFICIT BEFORE TAX	4,963	5,055
Deferred tax benefit	54	--
DEFICIT FOR THE YEAR	4,909	5,055
Outside equity interest	63	--
OTHER COMPREHENSIVE INCOME		
Superannuation actuarial losses	49,136	49,136
TOTAL COMPREHENSIVE EXPENSE	54,108	54,191

Abridged Statement of Financial Position

At 30 June	Consolidated	Department
	2010 \$'000	2010 \$'000
Current assets	745,941	792,030
Non-current assets	713,413	708,437
TOTAL ASSETS	1,509,354	1,500,467
Current liabilities	689,148	317,818
Non-current liabilities	448,989	445,869
TOTAL LIABILITIES	1,138,137	1,131,729
NET ASSETS	371,217	368,738

Cash held by the Department at 30 June 2010 includes \$44.9 million (\$57.8 million) held in the Motor Vehicle Reserve account. This account is maintained to quarantine and manage risk arising from the Government's motor vehicle fleet operations (StateFleet). In December 2009, the balance had increased to over \$75.0 million and the Treasurer approved withdrawal of \$56.3 million by the Department in lieu of funding appropriations. At the end of September 2010, the balance of the account was \$50.8 million.

The Department has borrowings of \$541 million from New South Wales Treasury Corporation to fund StateFleet operations. These borrowings comprise current and non-current portions. The total available facility is \$650 million. StateFleet motor vehicles are included in non-current assets.

Provisions comprise mainly employee entitlements. Other liabilities include an amount owing to the Consolidated Fund of \$21.0 million with the balance being mainly unfunded superannuation obligations.

ABRIDGED SERVICE GROUP INFORMATION

The Department's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services		Net Assets
	2010 Budget \$'000	2010 Actual \$'000	2010 Actual \$'000
Fair Trading	54,880	68,660	147,820
Industrial Relations	22,415	22,082	(186)
Procurement	(32,905)	(49,922)	65,240
Public Works and Services	22	(15,067)	90,374
Communications and Advertising	6,490	4,697	(1,889)
Government Chief Information Office	47,022	49,142	60,588
Corporate Services	33,212	10,954	(2,810)
Not attributable	--	--	9,601
Total all service groups	131,136	90,546	368,738

The Department advises that the favourable variance from budgeted net cost of services was mainly attributable to better than expected profits from disposal of StateFleet motor vehicles at the end of lease terms and variances in superannuation.

DEPARTMENT'S ACTIVITIES

The Department was formed effective 1 July 2009 via the 'Public Sector Employment and Management (Departmental Amalgamations) Order 2009'. This Order abolished the Department of Commerce and transferred all branches of the Department of Commerce to the Department of Services, Technology and Administration. In addition, the restructure included transfer of:

- staff of the Teacher Housing Authority and Internal Audit Bureau to the Department
- staff of NSWBusinesslink Pty Limited from the former Department of Commerce to the Department of Human Services
- the Retail Tenancy Unit to the Department from the former Department of State and Regional Development.

The Department's main role is to provide services to New South Wales Government agencies. These services are provided via the following divisions:

- Government Chief Information Office
- Government Services (comprising NSW Procurement, ServiceFirst, and StateFleet)
- NSW Fair Trading
- NSW Industrial Relations
- NSW Public Works
- Strategic Communications and Government Advertising.

The Department has five major goals:

- maximise value for government agencies in delivering services to clients, customers and the community
- simplify processes for dealing with government
- promote a fair marketplace for consumers and traders
- promote fair and productive workplaces
- contribute to a credible, efficient and effective organisation.

For further information on the Department, refer to www.services.nsw.gov.au.

CONTROLLED ENTITIES

The Department of Services, Technology and Administration has two controlled entities.

The New South Wales Government Telecommunications Authority is a dormant entity that is controlled by the Department for accounting purposes. In October 2010, Government decided to transfer the Government Radio Network to the Authority. Details of the transfer and implications for the Authority are expected to be finalised during the 2011 financial year. The purpose of the Network is to provide a state wide whole-of-government radio network. The Network supports over 40 government agencies including emergency services.

Comment on Australian Centre for Advanced Computing and Communications Pty Limited appears elsewhere in this Volume.

Rental Bond Board

AUDIT OPINION

The audit of the Board's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Trust Funds

I recommend the Board continue pursuing appropriate changes to legislation to clarify responsibilities and enable resolution if a shortfall in the Trust Fund eventuates.

The Board holds residential bonds in trust. It invests these funds and at 30 June 2010, the market value of the investments exceeded the value of residential bonds held in trust by \$15.9 million.

At 30 June	2010 \$'000	2009 \$'000	2008 \$'000
Amounts owing to bond depositors	845,779	800,214	744,419
Market value of rental bond investments	861,668	799,763	714,184
Excess/(shortfall)	15,889	(451)	(30,235)

The *Landlord and Tenant (Rental Bonds) Act 1977* does not explicitly address the circumstances of a shortfall as occurred in 2008. Legal opinion indicates the Board would be liable for any shortfall. However, current legislation does not allow payments from the Board's funds to make good shortfalls. The Board is seeking amendment of the *Landlord and Tenant (Rental Bonds) Act 1977* to allow the Board to make payments to fund any shortfall.

The Board is closely monitoring the difference between amounts owed to bond depositors and the value of trust fund investments.

PERFORMANCE INFORMATION

Rental Bonds

The Board holds 648,000 bonds at 30 June 2010 (644,000 at 30 June 2009). The increase of 0.7 per cent is the lowest recorded in the last decade and significantly lower than the ten year average of 2.4 per cent. At 30 June 2014, the Board expects to hold approximately 660,000 bonds with a value in excess of \$1 billion.

During 2010, the Board processed a total of 518,000 (520,000) rental bond lodgements and disbursements.

OTHER INFORMATION

Major Projects

The Department of Services, Technology and Administration provides support services to the Board on a cost recovery basis. The Department's project to upgrade the computer systems supporting rental bond operations is expected to be operational in November 2010. The project's cost is approximately \$5.0 million.

FINANCIAL INFORMATION

Summary financial information

Year ended 30 June	2010 \$'000	2009 \$'000
TOTAL REVENUE	51,258	49,202
Administrative services	22,464	24,281
Tenancy function of Consumer, Trader and Tenancy Tribunal	11,919	10,756
Grants	8,626	6,283
Tenancy services	195	386
Interest on rental bonds	109	104
Other operating expenses	800	798
OPERATING EXPENSES	44,113	42,608
SURPLUS	7,145	6,594
NET ASSETS	40,130	32,985

The Board receives income from the investment of rental bonds lodged by tenants. Revenue is mainly influenced by the level of investment returns.

Actuarial reviews indicate that the Board needs a net asset position of \$40.0 to \$50.0 million to give confidence that the Board's solvency is maintained. The Board regularly monitors its overall financial position to ensure sufficient funds are available to meet expenses.

The rate of interest payable on rental bonds is prescribed in clause 10 of the Landlord and Tenant (Rental Bonds) Regulation 2003 and is equivalent to the rate payable by the Commonwealth Bank of Australia on a Streamline Account Balance of \$1,000.

BOARD ACTIVITIES

The Board is constituted by the *Landlord and Tenant (Rental Bonds) Act 1977*. The Board is an independent and impartial guardian of rental bonds on private residential tenancies in New South Wales. The Board also provides access to tenancy information to help uphold the rights and responsibilities of tenants and landlords.

The Board is controlled by the Minister for Commerce jointly with the Minister for Fair Trading.

For further information on the Board, refer to the Office of Fair Trading's website www.fairtrading.nsw.gov.au.

State Records Authority of New South Wales

AUDIT OPINION

The audit of the Authority's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Digital Archiving

I recommend the Authority address the breach of its enabling legislation by establishing a government digital archiving solution.

Ministerial Memorandum 2009-11 'Standard on Digital Recordkeeping' acknowledged the increasing reliance upon digital records by New South Wales public sector agencies. The Memorandum also noted the benefits of a standardised approach to digital record keeping.

The Authority's 'Future Proof' strategy aims to help government agencies manage digital records. A key aspect of the strategy is to implement a digital archiving facility for New South Wales government. Currently, the Authority declines digital records that an agency wishes to transfer for archiving because it does not have the infrastructure to access the information in the record.

The Crown Solicitor has advised that if the Authority holds public records that are not accessible, the Authority is in breach of its enabling legislation. Notwithstanding its current policy of declining records, the Authority holds some inaccessible records and is in breach.

PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance:

Year ended 30 June	Target	Actual			
	2010	2010	2009	2008	2007
Records in storage (metres)	425,000	434,232	413,320	395,477	373,737
Number of file retrieval operations	320,000	316,037	327,122	313,920	321,216
Number of catalogued record items discoverable online	300,000	306,393	269,832	239,876	205,460
Number of website visits	1,100,000	1,594,946	1,598,503	1,553,894	976,382

Source: State Records Authority of New South Wales (unaudited).

OTHER INFORMATION

Storage capacity

The Authority will run out of storage space in 2010-11. The Board has endorsed expansion of the Authority's record centre. Construction is not expected to commence until the 2012 financial year.

Until the new building is constructed, the Authority will expand its storage capacity through leasing additional off-site storage as required. While the Authority can lease off-site warehousing cheaply, the Authority reports that these sites are of a lower standard and less efficient to service than purpose built facilities.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Sale of goods and services	11,923	11,591
Grants and contributions	5,934	6,068
Other	97	111
TOTAL REVENUE	17,954	17,770
Personnel services	10,772	10,673
Other	5,988	6,138
TOTAL EXPENSES	16,760	16,811
SURPLUS	1,194	959
TOTAL COMPREHENSIVE INCOME	1,194	959

Personnel services to the Authority are provided by the Department of Services, Technology and Administration.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	7,342	6,107
Non-current assets	53,907	55,546
TOTAL ASSETS	61,249	61,653
Current liabilities	4,987	2,751
Non-current liabilities	1,978	5,812
TOTAL LIABILITIES	6,965	8,563
NET ASSETS	54,284	53,090

Non-current assets comprise mainly the Authority's records centre in Western Sydney.

State Archives

Whilst the Authority is the custodian of State archival collections, these collections are not included in net assets. Due to the unique and irreplaceable nature of the collections and no legal market for them, the Authority cannot reliably measure these items for inclusion in its assets.

Records are considered worthy of being retained permanently as State archives because of their administrative or legal value, or their value for historical or other research. They include records created by current and past New South Wales government agencies relating to subjects such as convicts, shipping, land settlement, Aboriginal people, public works, court cases and hotel licences.

The Authority reports that the quantity of State archives is currently around 67.2 linear kilometres (65.9 in 2008-09).

AUTHORITY ACTIVITIES

The Authority is established under the *State Records Act 1998*. It is responsible for managing the New South Wales State archives collection, setting the rules and providing guidance on the management of official records. The Authority also provides records storage services to the New South Wales public sector and other public sector entities, such as universities and local government.

The Authority is subject to the control and direction of the Minister for Commerce.

For further information on the Authority, refer to www.records.nsw.gov.au.

Teacher Housing Authority of New South Wales

AUDIT OPINION

The audit of the Authority's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Rental income	9,782	9,602
State Government contribution	5,370	5,265
Other	541	422
TOTAL REVENUE	15,693	15,289
Depreciation	2,939	2,793
Personnel expenses	2,204	2,345
Property expenses	8,693	8,549
Other	2,624	1,989
TOTAL EXPENSES	16,460	15,676
DEFICIT	767	387
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	1,666	3,701
TOTAL OTHER COMPREHENSIVE INCOME	1,666	3,701
TOTAL COMPREHENSIVE INCOME	899	3,314

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	7,330	7,464
Non-current assets	146,082	145,258
TOTAL ASSETS	153,412	152,722
Current liabilities	4,026	4,449
Non-current liabilities	514	300
TOTAL LIABILITIES	4,540	4,749
NET ASSETS	148,872	147,973

OTHER INFORMATION

At 30 June 2010, the Authority's property portfolio comprised 1,307 properties (1,296 in 2008-09), comprising 545 (540) houses, 718 (714) villa units and 44 (42) vacant allotments. In addition, the Authority manages 215 (235) school residences on behalf of the Department of Education and Training.

The Authority is one of the lead agencies reviewing government employee accommodation. A number of other government agencies are also participating in the project which is due for completion in December 2010.

The 'Public Sector Employment and Management (Department Amalgamations) Order 2009' transferred the staff performing the functions for the Authority from the Department of Education and Training to the Department of Services, Technology and Administration, effective July 2009.

AUTHORITY ACTIVITIES

The Authority's principal function is to provide and maintain suitable and adequate housing accommodation for teachers.

The Authority is a statutory body under the *Teacher Housing Authority Act 1975*.

As at 30 June 2010 the Authority operated under the control and direction of the Minister for Commerce.

For further information on the Authority, refer to www.tha.nsw.gov.au.

Minister for Community Services
Minister for Aboriginal Affairs
Minister for Ageing

Department of Human Services NSW

NSW Businesslink Pty Ltd

Department of Human Services NSW

AUDIT OPINION

The audits of the Department and its controlled entities' financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Transfer of functions to the Department of Human Services

The Department of Human Services was created in July 2009 through the amalgamation of five agencies:

- Aboriginal Affairs NSW
- Ageing, Disability and Home Care
- Community Services
- Housing NSW
- Juvenile Justice.

Special Commission of Inquiry into Child Protection Services (the Wood Commission)

The Wood Commission Report into child protection services in New South Wales was released in November 2008, and contained 111 recommendations. 'Keep Them Safe: A shared approach to child wellbeing (2009-2014)' (KTS) was the Government's response to each of the recommendations. Priority rankings were assigned to each recommendation to determine when implementation was expected to substantially commence:

- Immediate = substantially commenced within 6 months
- Short Term = substantially commenced within 12-18 months
- Long Term = substantially commenced within 2-3 years.

Community Services provided us with the following information:

- of the 70 Community Services led or joint led recommendations, 28 have been completed and three are almost complete. Of those completed, all but one was completed within the timeframe. The recommendation regarding the Managers' Casework qualifications was delayed to allow for negotiations with the Public Service Association (a public sector union) over transitional arrangements
- all 22 immediate recommendations have either been substantially commenced (7) and are therefore on track, or have been completed, or are almost complete (15)
- of the 34 short term recommendations, 16 are complete or almost complete. The remainder have commenced
- work has commenced on most of the remaining long term recommendations.

Community Services advised that delays in commencing recommendations are generally due to competing priorities and limited staff and/or fiscal resources.

Whilst Community Services plays a major role in the implementation of KTS, the Department of Premier and Cabinet (DPC) oversees the KTS action plan and works with the relevant agencies to ensure its implementation. The status of all recommendations is monitored by the KTS Senior Officers Group led by DPC, which reports regularly to the Justice and Human Services Chief Executive Officers Group. The DPC KTS Implementation Unit monitors compliance with all Wood Commission recommendations via monthly reports from Community Services and other lead agencies.

The Child Protection Advisory Group (CPAG) which is chaired by the Minister for Community Services meets bimonthly to discuss key issues arising in the development and implementation of KTS, including any unintended consequences arising as KTS is rolled out. The CPAG comprises representatives from key peak organisations in the non-government community services sector.

Internally, the implementation status of Community Services' lead recommendations is monitored by the Major Change Program Unit. Monthly progress reports are provided to the Community Services Senior Executive Forum which is chaired by the Chief Executive.

Out-of-Home Care Accreditation

In 2003, Community Services received interim accreditation for the provision of Out-of-Home Care (OOHC) services until June 2013. Community Services is currently participating in the Children's Guardian's Quality Improvement Program, which requires it to meet OOHC standards by June 2013 to achieve full accreditation. Community Services advised that it is working towards accreditation and has identified a significant risk for on-going service delivery if accreditation cannot be maintained.

Caseworker Workload

I recommend the Department of Human Services make concerted efforts to fill vacant Community Services caseworker positions.

In my view, the following data indicates that Community Services does not have sufficient caseworkers to perform its functions effectively.

Year Ended 30 June	2010	2009****
Average number of vacant caseworker positions*	497	450
Average number of total caseworker positions available	2,481	2,440
Average total caseworker hours available ('000)**	4,480	4,554
Average actual caseworker hours ('000)***	3,597	3,680

Source: Department of Human Services (unaudited)

* Vacant positions are those substantively vacant (no holder and no occupant) and those temporarily vacant (position has a holder but on unpaid leave, or the holder is acting in another position).

** Calculated by multiplying the average position full time equivalent (FTE) by total hours available in each working financial year (1,820 hours)

*** Calculated by multiplying the average employee FTE by total hours available in each working financial year (1,820 hours)

****Responsibility of the former Department of Community Services.

At 30 June 2010, 20.0 per cent (18.4 per cent at 30 June 2009) of caseworker positions were unfilled.

The Department advised that:

- Community Services' caseworker to child ratio is currently 1 to 29, more than double the KTS recommendation that there be one caseworker to 12 children and young persons
- Community Services currently has one of its highest recruitment rates in over five years. On average approximately 9.0 per cent of full and part time caseworker positions are actually unfilled. The nature of its workforce means that over 11.0 per cent of positions, while permanently filled may be temporarily vacant due to such things as maternity leave and secondments.
- the Government in its KTS response did not agree to fund Community Services to reduce the ratio to the recommended level. Instead the Government said 'reducing caseworker ratios will take some time, given the projected increases in the out-of-home care population in the coming years. The Government will develop a strategy to reduce caseworker ratios and is currently considering options'. The Government is proceeding with this work.

Out-of-Home Care Placement Reviews (Repeat Issue)

I recommend the Department of Human Services adhere to statutory requirements by ensuring Community Services placement reviews for children and young persons in Out-of-Home Care are undertaken at appropriate intervals.

Placement reviews for children in OOHC are not always performed at appropriate intervals that meet statutory requirements. Section 150 of the *Children and Young Persons (Care & Protection) Act 1998* requires the placement of the child or young person to be reviewed at least every 12 months. We have reported this matter for several years. Management advised this issue is being addressed through a project to transfer an increasing number of OOHC placements to the Non-Government Organisation (NGO) sector, and as part of the work towards obtaining full accreditation from the Children's Guardian. Community Services advised it has also completed a review of caseworker caseloads.

Grants Acquittals

I recommend the acquittal process for Community Services' grants, which are made to service providers, be re-examined and strengthened. The Department of Human Services should consider a range of options including:

- the need to engage its own independent auditor or specialist audit resources to cyclically audit grants based on a risk rating for service providers
- ensuring that training is available and undertaken by service providers in governance and accountability, or requiring them to undertake such training
- providing information or training for service providers and Community Services staff on acquittal procedures.

There are risks of fraudulent activity occurring within Community Services' service providers. In one instance, Community Services identified that a service provider had been falsifying its audited financial statements since 2002-03, using a letterhead of a previous auditor to signify that audits had been performed. Total funding provided to the service provider since 2002 was \$469,015 of which \$18,920 may not have been properly acquitted. The exact amount of any misappropriation will not be known until police enquiries have been finalised. Other instances of fraud have been identified by Community Services. Since 2005-06, there have been 31 alleged service provider frauds, of which seven have been substantiated, 23 not substantiated and one matter that is still under investigation.

The Department advised that in 2009-10, some \$974 million was paid out by Community Services to more than 3,200 separate funded initiatives, and to around 1,600 organisations.

At 30 June 2010 there was a backlog of some 42 acquittals relating to the 2008-09 financial year within Ageing, Disability and Home Care (ADHC). Of these, 15 acquittals have not been received by ADHC from service providers and 27 have been received but are still subject to regional reviews.

Write off of the Electronic Records Data Management System

I recommend the Department of Human Services implement formal project governance structures and project management procedures for all Community Services' major IT projects. I also recommend the Department conduct benefit realisation reviews when major IT projects are implemented.

In June 2010, the Department wrote off \$5.2 million in relation to a Community Services IT project, the Electronic Records Data Management (ERDM) System. Whilst staged work on the project commenced in 2006, further work was suspended in July 2008 pending clarification of funding issues, establishment of a more robust project governance structure, and development of clearer aims and objectives between Community Services and the lead agency, NSW Businesslink Pty Ltd. Only minor benefits were realised from the project.

Management advised that it discontinued the project, and subsequently wrote off the expenditure against the project. This was in response to the Wood Commission recommendations, which amongst other things recommended Community Services move towards electronic client records. Its previous strategy focused on non-client records.

Management is of the view that it has appropriate governance structures in place for all projects.

Repeat Management Letter Issues

I recommend the Department of Human Services address, as a priority, matters relating to Community Services and ADHC that I have been reporting for at least the past two years.

The slow response to my management letter recommendations could result in the Department being exposed to additional and unmitigated business risks. The outstanding matters relate to:

Community Services

- Restriction of user access to computer systems
- Review of computer vendor master file records
- Financial delegations.

Management advised that it continues to work with its service provider to resolve two of the three issues (master file records and financial delegations). Restriction of user access will be addressed as part of the KiDS Core Design upgrade.

ADHC

- Salary overpayments
- Property transfers from the former Department of Community Services
- Assets under construction
- Workforce management system disaster recovery plan.

PERFORMANCE INFORMATION

Services Provided by Community Services

Community Services' primary role is to promote and enhance the safety and wellbeing of children, young people and their families and to provide services that support and strengthen the community. In 2009-10, Community Services delivered its role under four service groups, namely: Community Services (\$195 million); Prevention and Early Intervention (\$314 million); Statutory Child Protection (\$402 million); and Out-of-Home Care (\$642 million).

Community Services

The Community Services program provides, amongst other things, general community support, including disaster welfare assistance and transitional support and accommodation services to children, young people and adults who are homeless or at risk of homelessness. Some services are provided by Community Services while others are provided in collaboration with NGOs and other government agencies.

The Supported Accommodation Assistance Program (SAAP) is a joint State/Commonwealth program that provides accommodation and support services to adults and unaccompanied children who are homeless or at risk of becoming homeless. In 2008-09, the number of clients including accompanying children assisted by SAAP services was 56,000, an increase of 83.6 per cent since 2004-05. Community Services advised this reflects enhanced reporting and a move towards prevention, early intervention and post crisis support.

Prevention and Early Intervention Services

This program provides funds towards the delivery of early childhood services, including licensing and monitoring of child care services.

Statutory Child Protection

Responsibilities under this program include:

- responding to reports of harm or risk to children
- assessing and investigating reports of child abuse
- developing case plans
- initiating and supporting court action
- working with other agencies to ensure that the safety, welfare and wellbeing of children are assured.

The table below provides some statistics relating to child protection.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Total child protection reports/child concern reports	256,088	309,676	303,121	286,033	241,003
Rate per 1,000 children and young people 0-17 years who were subject of a report referred for further assessment	55.4	71.1	65.7	65.1	54.8
Number of reports referred for further assessment	163,200	226,946	209,015	201,208	160,842
Number of JIRT** referrals accepted	3,877	3,436	3,180	3,023	3,338
Volume of Helpline calls entered	174,597	188,580	170,818	148,658	123,823
Volume of Helpline calls answered	151,303	166,228	152,037	132,433	109,340
Average waiting time (minutes)	2:58	2:51	2:56	2:59	3:49

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Community Services.

** refers to joint investigation response team referrals of child abuse which might be of a criminal nature.

Management advised the significant decreases in the first three items reflected changes in legislation effective from 24 January 2010. The changes included raising the reporting threshold from 'risk of harm' to the new 'risk of significant harm'.

Over the last five years, the volume of Helpline calls answered increased by 38.4 per cent. In 2009-10, the average waiting time per call was two minutes and 58 seconds. This was below the average time the Helpline is required to answer calls (three minutes), but seven seconds more than in 2009.

Real Recurrent Expenditure on Child Protection Services

The 'Productivity Commission Report on Government Services 2010' shows expenditure varies greatly between the States and Territories on child protection services 'per notification', 'per investigation', and 'per substantiation'.

New South Wales expenditure on child protection services per notification decreased from \$1,516 in 2007-08 to \$1,219 in 2008-09. Queensland had the highest expenditure (\$9,477) per notification in 2008-09, while the lowest was \$1,132 for the Australian Capital Territory.

Expenditure per investigation continues to decline in New South Wales and the Northern Territory. Since 2004-05, expenditure per investigation in New South Wales has decreased by 54.8 per cent. In 2008-09, New South Wales' expenditure of \$1,722 was by far the lowest of all states. The highest expenditure, \$12,255 was in Western Australia.

For the past four years expenditure per substantiation has been highest in Western Australia (\$33,491 in 2008-09) and lowest in New South Wales (7,642).

The Department advised that the data needs to be interpreted with care. This data is based on total expenditure on child protection activities, and does not represent and cannot be interpreted as unit costs for notifications, investigations or substantiations. The data cannot be reliably compared across jurisdictions because no two jurisdictions use the same expenditure criteria.

The Department also advised that New South Wales, of all jurisdictions, had the widest definition of the term 'notification' throughout the reporting period.

Children Aged 0-16 Years in Protection Notifications, Finalised Investigations and Substantiations

Indigenous children continue to be over represented in the child protection system.

Year ended 30 June	NSW 2009*	National Average 2009*	NSW 2008**	National Average 2008**	NSW 2007***	National Average 2007***
Children Aged 0-16 years in notifications (rates per 1,000 children)						
Indigenous (i)	260.9	152.2	256.2	143.8	221.0	124.8
Non-indigenous	63.7	37.8	59.1	36.5	58.4	36.3
All children	72.2	43.1	67.0	41.3	64.9	40.2
Children Aged 0-16 Years in finalised investigations as a proportion of children in notifications (ii)						
Indigenous %	71.1	61.8	70.0	61.8	63.3	56.3
Non-indigenous %	53.5	46.9	52.1	45.7	44.2	39.0
All children %	56.3	49.3	54.9	48.2	46.9	41.4
Children Aged 0-16 Years in substantiations as a proportion of children in finalised investigations						
Indigenous %	30.7	39.2	29.6	39.7	38.2	42.7
Non-indigenous %	20.5	30.4	21.9	33.0	27.7	36.1
All children %	22.5	32.2	23.5	34.3	29.6	37.4

Source: * Productivity Commission Report on Government Services 2010.

** Productivity Commission Report on Government Services 2009.

*** Productivity Commission Report on Government Services 2008.

- (i) Data on the number of notifications by Indigenous status should be interpreted with care. These data are collected very early in the child protection process and often before the agency has full knowledge of the child's family circumstances. As a result of this lack of full knowledge and the other inherent difficulties in identifying Indigenous status, these data are not considered to have a high level of reliability.
- (ii) In 2006-07, national data on finalised investigations for indigenous, non-indigenous and all children does not include Queensland.

In 2008-09, the number of indigenous children in notifications per 1,000 children aged 0-16 in New South Wales was 108.7 higher than the national average. This is an increase from 96.2 in 2006-07. For the three years 2007 to 2009, New South Wales' rate of notifications per 1,000 children aged 0-16 was significantly higher than the national average for both indigenous and non-indigenous children.

In 2008-09, 62,095 New South Wales' children aged 0-16 years were the subject of finalised investigations, an increase of 25.6 per cent since 2006-07. Of these investigations, 22.5 per cent were substantiated. If an investigation results in substantiation, intervention by Community Services may be needed to protect the child.

Out-of-Home Care (OOHC)

This program seeks to provide children and young people with a safe, stable, culturally appropriate environment in which they can develop optimally when they cannot live at home. It provides a range of OOHC options, including:

- foster care and kinship care for children separated from their parents
- monitoring and reviewing of placements
- recruiting and supporting carers
- supporting young people who have exited care.

The table below provides some statistics relating to OOHC.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Annual actual OOHC expenditure (\$'000)	641,519	552,449	463,890	364,688	295,938
Number of children and young people in OOHC	17,400	16,524	14,667	12,712	10,623
Cost per child (\$)	36,869	33,433	31,628	28,688	27,858

Source: Department of Human Services (unaudited).
 * Responsibility of the former Department of Community Services.
 Note: The figures are not adjusted for inflation to real dollars.

Community Services advised the increases in the 2009-10 figures reflect a revised methodology applied to New South Wales Government expenditure on protection and support services. This has resulted in more accurate alignment of expenditure, which focuses on key measures of service delivery performance. As a result, data for 2009-10 are not directly comparable to data for previous years.

Services Provided by ADHC

ADHC's primary role is to assist older people, and people with a disability and their carers to participate in community life. It is both a purchaser and provider of services, and shares responsibility for clients with a number of other Government agencies that deliver services in areas such as health care, transport, family and children's services and housing. It delivers its services under three service groups (programs), namely Supported Accommodation, Ongoing Community Support and Short Term Interventions.

Supported Accommodation

This program provides accommodation to people with a disability to assist them to live in suitable accommodation and to participate in the community. Accommodation includes large residences, group homes and hostels. Services are provided directly by ADHC or through NGOs it funds.

The table below provides statistics for the past five years relating to clients in supported accommodation places.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Number of supported accommodation places	9,283	8,766	7,560	7,496	7,579
Number of supported accommodation places provided by ADHC	2,666	2,711	2,642	2,671	2,621
Number of supported accommodation places provided by NGOs	6,617	6,055	4,918	4,825	4,958
Total expenditure incurred on supported accommodation (\$'000)	1,105,600	1,006,356	938,096	921,182	751,064

Source: Department of Human Services (unaudited).
 * Responsibility of the former Department of Ageing, Disability and Home Care.

The total number of supported accommodation places increased by 517 in 2009-10, mainly due to an increase of 562 places provided by NGOs. There was a slight decrease in the number of places provided by ADHC.

Bed Block in Respite Care Facilities

A client is considered to be blocking a bed when their stay in a respite facility extends beyond the period of planned respite without an extension being granted. This means that allocated respite care beds may need to be rescheduled with high priority clients accommodated in the first instance.

The table below provides some statistics on bed block in ADHC operated respite care facilities.

Year Ended 30 June	2010	2009*
Annual average number of clients blocking a bed	7.3	20.4
Annual average number of beds blocked**	7.5	23.7
Average number of available beds	235	233

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Ageing, Disability and Home Care.

** ADHC advised that the actual number of unavailable beds may be higher than the number of clients blocking a bed. That is because the needs of some individuals are complex, resulting in a greater reduction in capacity than the one bed the person occupies.

In 2009-10, there was a significant reduction in the number of clients blocking a bed, as well as the number of beds that were blocked in ADHC operated respite care facilities.

ADHC advised it does not collect data on high priority clients who cannot get a bed in sufficient time. ADHC centre based respite is allocated to prioritised clients who request centre based respite during a given quarter. If respite beds become unavailable due to crises or unexpected breakdowns in support arrangements, ADHC works with families to find alternative support arrangements.

Ongoing Community Support

This program provides a range of services to older people and people with a disability including community services, respite, skills development and day programs, and a wide range of personal assistance services.

The following table shows information for the past three years relating to Ongoing Community Support services.

Year ended 30 June	2010	2009*	2008*
Number of Home and Community Care (HACC) services	1,818	1,767	1,785
Number of disability services	4,552	4,295	**
Number of people accessing disability and HACC services	290,000	280,000	265,000
Number of people receiving respite services	57,000	51,100	48,600
Number of people receiving personal assistance	207,000	191,000	183,000
Total expenses incurred on Ongoing Community Support (\$'000)**	872,400	817,052	709,346

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Ageing, Disability and Home Care.

** No comparative data available.

Between 2008 and 2010, the number of people receiving respite services has increased by 17.3 per cent and the number of people receiving personal assistance rose by 13.1 per cent.

ADHC advised that under the National Health and Hospitals Network Agreement there will be a split of responsibilities for aged care and disability programs at age 65 (age 50 for Indigenous Australians), with the Australian Government to assume full responsibility for aged care services under the HACC Program from 1 July 2012.

Short Term Interventions

Services provided under this program include family support programs in home settings, therapy services, case management and other assistance to older people and people with a disability to develop skills and abilities to live in the community with minimal support.

The table below shows some statistics relating to the level of service provided under this program.

Year ended 30 June	2010	2009*	2008*	2007*	2006*
Number of families and children receiving support	9,000	8,600	7,500	6,570	6,220
Number of people receiving therapy and interventions	78,000	75,000	67,400	63,330	59,680

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Ageing, Disability and Home Care.

The number of families and children receiving short term support as well as the number of people receiving therapy and intervention services continued to rise. In 2009-10, total expenditure incurred on short term intervention was \$300 million, some \$23.2 million less than in 2008-09.

Juvenile Justice

The Juvenile Justice division of the Department deals with young offenders who have been charged with, or found guilty of an offence committed between the ages 10 and 17. It delivers its services under three service groups (programs), namely Youth Justice Conferencing, Community Based Services and Custodial Services.

The following table shows the number of youth justice conferences facilitated, admissions of young people remanded in custody and community based orders supervised by Juvenile Justice.

Year ended 30 June	2010#	2009*	2008*	2007*	2006*
Total number of youth justice conferences facilitated	1,698	1,449	1,160	1,118	1,032
Total number of community based supervision orders commenced	4,521	4,615	3,889	3,101	2,824
Total number of remand admissions in custody	4,439	4,000	4,527	3,785	3,203
Total number of control admissions in custody	634	712	667	601	521
Percentage of young people in contact with Juvenile Justice throughout the year who are indigenous:					
Attending a youth justice conference (%)	21.6	22.3	26.0	27.2	27.4
Remanded in custody (%)	38.8	36.4	39.6	37.9	37.3
Under community based supervision (%)	40.1	38.6	39.9	41.9	38.7
On control orders (%)	49.8	49.9	51.6	56.3	50.8

Source: Department of Human Services (unaudited)

Juvenile Justice introduced a new corporate information reporting system during 2009-10. The system provides a more sophisticated analysis of data. As the system differs from that used in previous years, some changes to trend data have occurred.

* Responsibility of the former Department of Juvenile Justice.

The table suggests that young indigenous people are over-represented in the juvenile justice system. Juvenile Justice advised it has specific programs in place to assist young indigenous people. These include the Intensive Supervision Program, Dthina Yuwali (a drug and alcohol program) and the Our Journey to Respect program, which is designed to reduce the incidence of intergenerational violence among indigenous young males. Juvenile Justice also has an Aboriginal Strategic Plan and it works closely with other government agencies to address the over-representation of young indigenous people.

Costs

The following table shows the average daily cost for supervising and caring for young offenders. Juvenile Justice advised the increase in the average daily cost per juvenile in custody was due to higher number of offenders remanded in custody. Offenders remanded in custody increased by 11 per cent to 4,439 in 2009-10.

Year ended 30 June	2010	2009*	2008*
	\$	\$	\$
Average daily cost per juvenile in custody	589	543	541
Average daily cost per juvenile in community based services	13	15	16
Average daily cost per juvenile in Youth Justice Conferencing	6	7	10

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Juvenile Justice.

Despite the number of community based services increasing by 23.0 per cent from last year, Juvenile Justice was able to reduce the average cost of this service to \$13.33 (\$15.40). Juvenile Justice advised that it achieved this by containing employee related costs.

Crowding in Juvenile Justice Centres

The average daily number of young offenders in custody increased from 390 in 2007-08 to 434 in 2009-10. This increase is affecting Juvenile Justice's ability to accommodate young offenders in its centres, though the increase of 27 beds in 2009-10 eased the pressure. Juvenile Justice advised that its occupancy rate for 2009-10 was 90 per cent, which whilst high, is within its optimal operating level. The table below shows the number of offenders at each centre at 30 June.

At 30 June Juvenile Justice Centre	Offenders in custody 2010	Capacity 2010*	Offenders in custody 2009*	Capacity 2009*
Acmena	27	30	34	30
Frank Baxter	119	120	124	120
Broken Hill Shelter	--	8	5	8
Cobham	70	85	69	80
Emu Plains	36	40	41	45
Juniperina	31	46	27	46
Orana	41	45	32	30
Reiby	49	57	59	57
Riverina	46	45	36	33
Bronte Adolescent Mental Health Unit**	9	na	--	na
Total	428	476	427	449

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Juvenile Justice.

** The Bronte Adolescent Mental Health Unit facility is administered by Justice Health. The facility's capacity is not administered by Juvenile Justice and is therefore not applicable (na).

Only one centre (Riverina) had more offenders in custody than available beds at 30 June 2010. This compares favourably against the prior year when five of nine centres had more detainees than available beds.

To meet the increased demand for beds, Juvenile Justice has installed bunk beds in two centres (which has resulted in offenders sharing rooms) and it has built and opened a new 15 bed unit at Orana Juvenile Justice Centre. A new 15 bed unit at Acmena Juvenile Justice Centre also opened in late October 2010 and planning has started on an upgrade to the Riverina Juvenile Justice Centre. This upgrade will result in a new 15 bed unit being built in 2013.

OTHER INFORMATION

Review of the Juvenile Justice System

In July 2009, the Minister for Juvenile Justice commissioned an independent strategic review of Juvenile Justice policy and practice in New South Wales. This review was completed in January 2010 resulting in 77 recommendations to the Government to reduce crime, reduce re-offending and provide cost savings. The review concluded that the reforms from the last independent review in 1993 had resulted in positive improvements, but in recent years some of the improvements had eroded and the outlook was poor.

The review concluded that if all the recommendations were not implemented Juvenile Justice would need to significantly increase its juvenile justice centres' capacity. It estimated the number of detainees would peak at 733 in 2015-16. This is 54 per cent higher than the capacity of 476 at 30 June 2010. The review estimated a capital investment exceeding \$170 million would be needed to create this additional capacity, which would result in additional recurrent costs of \$57.7 million each year.

The Government has accepted all but four of the 77 recommendations. Juvenile Justice is the lead agency for 10 recommendations and advised it has commenced work on all 10 recommendations. The lead agencies for the other recommendations include the Department of Premier and Cabinet, NSW Police Force and the Department of Justice and Attorney General. The Department of Premier and Cabinet is responsible for coordinating and monitoring implementation progress.

Assessment of Care Needs for Children in OOHC

The Department advised that Community Services' assessments of the care needs of all children and young people in OOHC vary depending on their identified needs. Work is proceeding on a needs assessment of all children and young people entering OOHC (including health, mental health and educational assessments). This work is not yet at a stage where reporting against the number or percentage of children and young people in OOHC is available.

Since 1 July 2010, NSW Health and Community Services have agreed to a staged implementation of the OOHC Health Screening and Assessment Pathway. The Pathway describes the process for health screening and assessment, intervention and review for all children and young people entering statutory OOHC. A Health Management Plan is developed for these children, which links with the child or young person's Community Services caseplan. It is anticipated that the Pathway will be rolled out to all children and young people already in statutory care by 2011-12. A draft Memorandum of Understanding (MOU) is in the final consultation stage between both agencies.

Community Services and the Department of Education and Training are currently negotiating an OOHC Education Plan Pathway for children and young people in OOHC. The Pathway will describe the process for the assessment, development, implementation and review of Education Plans for children and young people in OOHC. An Education Plan will be developed, which will link with the child or young person's Community Services caseplan. The pathway is expected to be trialed in term four 2010, with state wide implementation from term one 2011. Both parties have agreed to an in-principle MOU, with formal endorsement expected by the end of 2010.

Aboriginal Communities Development Program

In May 1998, the Minister for Aboriginal Affairs announced the seven year, \$200 million, Aboriginal Communities Development Program (ACDP). The ACDP has now developed into a 12 year \$240 million housing and infrastructure program aimed at improving the health and living conditions of Aboriginal people throughout New South Wales and, in particular, in 22 Priority Communities.

The ACDP program was due for completion in June 2010 and most planned works were finalised. Total program expenditure to June 2010 was \$236 million (\$226 million). Achievements to June 2010 include: the completion of refurbishments and urgent works to over 1,000 dwellings; construction of 185 new dwellings; replacement of 80 existing dwellings with new dwellings; the purchase of 95 existing dwellings; and the roll-out of 79 water and sewerage schemes in 44 locations. In addition, 1,015 dwellings in 32 communities had works undertaken as part of the ACDP 'Housing for Health' program component.

A crucial component of the ACDP has been the creation of employment and training opportunities to over 230 participants, with over 130 participants receiving TAFE Certificate II and Certificate III level qualifications in building (carpentry, painting, plumbing) and non-building (horticulture, rural skills, local government works) trades.

The main focus of ACDP in 2010-11 will be on rolling out the final stages of the program works in Menindee, Dareton, Brewarrina, Tabulam, Tingha and Wallaga Lake. The Department of Services, Technology and Administration, as program manager, engages and monitors the performance of project managers.

Human Resources

This year I reviewed the following areas relating to the Department's human resources:

- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- extent of overtime
- management of annual leave balances in excess of threshold policies
- management of forfeited flex balances
- extent of contract staff
- vacant permanent staff positions.

Issues identified from my review will be reported in a management letter to the Department. A summary of the results of my review follows.

Employee Age Profile

The age distribution of the Department is skewed towards employees younger than 50. As a result the Department does not appear to be facing the same challenges as many other public sector entities of the potential loss of large numbers of retiring staff and skills in the near future.

To help ensure the Department has sufficient appropriately skilled staff into the future, it needs to actively monitor its workforce age profile and have strategies in place to develop, attract and retain staff whose skills are aligned to the strategic direction of the Department.

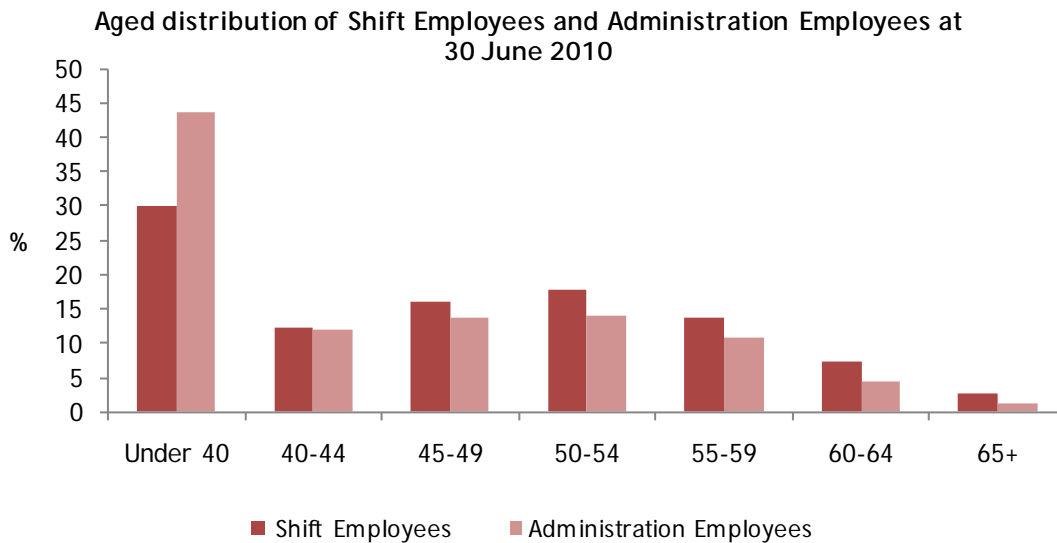
At 30 June Age Group	2010			
	No. of Shift Workers#	%	No. of Administration Staff#	%
Up to 39	1,751	30.1	3,169	43.5
40 - 44	711	12.2	878	12.0
45 - 49	941	16.2	1,004	13.8
50 - 54	1,041	17.9	1,029	14.1
55 - 59	791	13.6	796	10.9
60 - 64	434	7.4	319	4.4
65+	150	2.6	91	1.3
Total	5,819	100.0	7,285	100.0

Source: Department of Human Services (unaudited).

Excludes Aboriginal Affairs and Aboriginal Housing Office employees; information was not available at the time of audit.

Note: The number of shift employees and administration employees are full time equivalent numbers.

The age profile of the Department's employees, split between shift employees and administration employees is shown below:



Source: Department of Human Services (unaudited).

Excludes Aboriginal Affairs employees, and Aboriginal Housing Office employees; information was not available at the time of audit.

For shift employees, 41.5 per cent of staff are over 50 years of age, and 23.6 per cent are over 55.

Overtime

As shown below, 57.8 per cent of shift workers and 23.0 per cent of administrative staff worked overtime in 2009-10.

Year Ended 30 June	Shift Workers#		Administrative Staff#	
	2010	2009*	2010	2009*
Total overtime expenses (\$'000)	16,897	19,440	4,751	5,251
Total number of employees who worked overtime during the year	4,481	4,849	1,794	1,951
Total number of employees	8,370	8,478	7,798	7,469
Proportion of total employees receiving overtime (%)	57.8	57.2	23.0	26.1

Source: Department of Human Services (unaudited).

Excludes Aboriginal Affairs and Aboriginal Housing Office employees; information was not available at the time of audit.

* Responsibility of the former Departments.

In 2009-10, there were 19 employees (18 employees) who worked more than 400 hours overtime. The highest overtime worked by an employee was 1,358 hours (1,305 hours). This level of overtime raises questions about how efficiently and effectively overtime is being managed. High levels of overtime may also have adverse occupational health and safety implications. I recommend management review overtime to minimise the potential downsides of staff working excessive overtime hours.

Excessive Annual Leave Balances

I recommend the Department of Human Services review the effectiveness of its policies in managing excessive annual leave balances.

The following table shows the number of staff with leave in excess of 40 days.

Annual Leave Entitlement (Days)	Shift Workers#		Administrative Staff#	
	2010	2009*	2010	2009*
41-60	738	900	510	523
61-90	200	317	68	122
91-120	32	86	8	15
120 +	11	28	7	10
Total	981	1,331	593	670

Source: Department of Human Services (unaudited).

Excludes Aboriginal Affairs and Aboriginal Housing Office employees; information was not available at the time of audit.

* Responsibility of the former Departments.

There has been some improvement in managing excessive leave, with 1,574 staff having leave balances in excess of 40 days at 30 June 2010 compared to 2,001 in 2009. The highest annual leave balance was 211 days, with the next highest being 191 days.

Excess leave balances can adversely affect an organisation. The associated financial liability generally increases over time as salaries increase which can impact an organisation's cash flows. Excessive leave balances may also adversely affect staff through possible workplace health and safety issues.

The Department advised it has active procedures in place for managing excess annual leave including:

- messages to staff and managers outlining the requirements to reduce leave balances
- configuration of the human resources system to issue notices to managers to implement a reduction strategy for staff with excess leave balances
- monthly monitoring and reporting to the Executive
- periodically contacting staff with annual leave balances over 30 days and asking them to make appropriate arrangements to take leave, and advising those with more than 40 days leave to put leave plans in place to reduce their balances.

Flex Time Balances

I recommend the Department of Human Services develop mechanisms to centrally review flex time records to help ensure excessive flex time is not being accrued and forfeited by staff.

The Department does not know the extent to which flex time is being forfeited by staff, as it does not keep central records of flex time. Records are decentralised and manually maintained by each business unit. If not effectively managed, employees may be accruing and/or forfeiting excessive flex time.

The Department advised for Community Services division staff, flex time agreements do not allow for the accumulation of more than 14 hours credit from one flex period to the next, so there is no risk of excessive flex balances being accumulated. Staff have also been advised that they are not expected to work excessive hours, and where sufficient hours have been worked, flex days should be taken.

The Department advised for ADHC division staff a recent review of flex sheets did not reveal any systemic issues in relation to accumulation of flex days by employees. Also, provision exists for the staff member and supervisor to meet should there be potential for flex time to be forfeited. Management does not consider this to be a high risk issue.

Employment of Contract Employees

I recommend the Department of Human Services periodically review the roles and responsibilities of all contract employees to help ensure:

- reliance on contractors is not excessive
- use of contract employees instead of permanent employees is appropriate
- contractors do not become de facto employees by virtue of being with the Department for an extended period of time
- use of contract employees continues to represent value for money.

The Department's practices for managing contractors are not consistent across its divisions. The costs and benefits of the extended use of contractors should be compared to those of hiring permanent staff, including the risk of losing critical business knowledge when contractors leave the organisation. The total cost incurred on contractors in 2009-10 was \$11.9 million (\$18.9 million). Management advised that a review of contractors is performed on a case by case basis to ensure value for money and appropriateness of staff mix. These reviews are often performed at the time of contract renewal.

There were 107 (356) contractors engaged by Community Services at 30 June 2010, of whom approximately 65 have been engaged for more than two years and 42 for more than three years. Management advised that the majority of contractors are employed in corporate services roles which are subject to a recruitment freeze on permanent positions.

A register of hired contractors for the ADHC division was not maintained. The division was unable to provide information on the number of contractors at 30 June 2010, or the duration of their employment. Management advised it was impractical to maintain a central register because the tenure of contractors may be extremely limited due to the nature of the work. Management also advised that the appropriateness of the use of contractors is monitored through the level of expenditure on contractors by business areas, data that is centrally available.†† In addition, contractors in non-frontline areas are subject to the restrictions associated with the recruitment freeze. The recruitment of contractors in these roles, or the extension of their contracts, requires a business case approved by the Chief Executive.†

The Department's Juvenile Justice division engaged 42 (91) contractors at 30 June 2010, of whom one had been engaged for more than two years.

Vacant Shift Worker Positions

The Department has a range of differing personnel employee requirements. Within the ADHC division there are two main categories of shift workers, namely nurses who care for clients with complex health care needs, and residential support workers who provide clients with personal development and community integration. They both also assist with the development and implementation of individual support plans.

Improvements have been made in filling vacancies in shift worker positions.

As at 30 June	2010		2009*		2008*	
	Nurses	Residential Support Workers	Nurses	Residential Support Workers	Nurses	Residential Support Workers
Number of Full Time Equivalent (FTE) shift worker positions available**	1,420	2,355	1,365	2,373	1,395	2,388
Number of FTE shift worker positions vacant	225	306	286	394	301	418
Proportion of FTE positions vacant to FTE positions available (%)	15.8	13.0	21.0	16.6	21.6	17.5

Source: Department of Human Services (unaudited).

* Responsibility of the former Department of Ageing, Disability and Home Care.

** ADHC advised that the use of 'available' positions to determine vacancies for residential support workers includes positions maintained to allow for workforce flexibility, not all of which will be filled. The precise mix of permanent, casual and agency staff used to deliver services at any one time will vary according to operational need, as well as vacancies and staff absences. They also advised this applies to group homes (see below under 'Vacant Permanent Staff Positions').

Since 2008, the number of vacant shift worker positions decreased by 25.2 per cent for nurses and 26.8 per cent for residential support workers. At 30 June 2010, 14.1 per cent (18.2 per cent) of FTE positions available remain vacant. Where staff are not available to fill rosters, ADHC uses agency staff. In 2009-10, \$15.9 million was spent on agency staff, a reduction of \$3.9 million on 2008-09.

Management advised that actions taken in 2009-10 to fill vacancies included:

- maintaining an active presence in the employment market
- obtaining an exemption from the Department of Premier and Cabinet to allow for the advertisement of nursing vacancies in local print media
- funding National Disability Services to develop and deliver a recruitment and advertising campaign for the disability and community care sector. The focus of the campaign was to change attitudes towards working in the sector and to direct people to the CareCareers website, which hosts employment opportunities from employers across the sector and provides information on the sector to potential candidates
- commencement of the Aboriginal Trainee Residential Support Worker program, resulting in the recruitment of 74 aboriginal trainees in 2009-10.

Vacant Permanent Staff Positions

In 2010, within the ADHC division, there was a significant improvement in the number of unfilled positions within Community Support teams (CSTs) and group homes.

As at 30 June	2010		2009*		2008*	
	Community Support Teams	Group Homes	Community Support Teams	Group Homes	Community Support Teams	Group Homes
Number of FTE positions available	853	2,305	825	2,311	729	2,232
Number of FTE positions vacant	16	259	77	362	103	340
Proportion of vacant FTE positions to FTE positions available (%)	1.9	11.2	9.3	15.7	14.1	15.2

Source: Department of Human Services (unaudited).

* Responsibility of the former Departments.

FINANCIAL INFORMATION

Abridged Consolidated Statement of Comprehensive Income

Year ended 30 June	Consolidated	Parent
	2010 \$'000	2010 \$'000
Employee related	1,609,415	1,450,740
Grants and subsidies	2,258,577	2,437,846
Other expenses	482,177	432,675
OPERATING EXPENSES	4,350,169	4,321,261
OPERATING REVENUE	426,476	378,155
Other losses	60,849	58,114
NET COST OF SERVICES	3,984,542	4,001,220
Government contributions	4,096,133	4,096,133
SURPLUS	111,591	94,913
OTHER COMPREHENSIVE EXPENSE		
Superannuation actuarial losses	(32,571)	(29,323)
TOTAL OTHER COMPREHENSIVE EXPENSE	(32,571)	(29,323)
TOTAL COMPREHENSIVE INCOME	79,020	65,590

This is the Department's first financial reporting year and there are no comparative financial results to report.

Abridged Consolidated Statement of Financial Position

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Current assets	368,989		305,546	
Non-current assets	1,099,943		1,072,579	
TOTAL ASSETS	1,468,932		1,378,125	
Current liabilities	349,707		315,803	
Non-current liabilities	61,425		49,485	
TOTAL LIABILITIES	411,132		365,288	
NET ASSETS	1,057,800		1,012,837	

An independent valuation of ADHC's land and buildings in 2009-10 resulted in a decrease in value of \$57.0 million. Total land and buildings at 30 June 2010 for ADHC totalled \$654 million. The decrease was largely due to a reassessment of the method used in valuing some Large Residential Centre properties which are specialised properties.

Abridged Service Group Information

The Department's consolidated net cost of services by service group is detailed below.

Year ended 30 June 2010	Net Cost of Services		Net Assets
	2010 Budget**	2010 Actual	2010 Actual
	\$'000	\$'000	\$'000
ADHC			
Supported accommodation	996,286	1,096,339	554,810
Ongoing community support	923,721	866,556	148,567
Short-Term interventions	289,711	298,556	25,993
Community Services			
Out-of-home care	626,009	641,362	2,533
Statutory Child protection	414,176	401,202	22,441
Other	514,220	504,981	34,764
Juvenile Justice			
Custodial services	105,554	118,064	217,356
Other	63,166	55,342	26,781
Home Care Services of NSW	****	(17,046)	36,726
Other*	***	19,128	(12,171)
Total all service groups	***	3,984,542	1,057,800

* Amounts that could not be reliably allocated to a 'service group'.

** Per the New South Wales 2008-09 Budget Papers.

*** Budget paper not prepared for all components of the Department.

**** Home Care Services of NSW is a statutory body and does not prepare financial statements comparing results to budget.

DEPARTMENT ACTIVITIES

The Department provides human and social services directly and in partnership with non-government organisations in order to improve the outcomes for vulnerable client groups in New South Wales. The Department also provides employee related support services to a number of other government agencies including the Aboriginal Housing Office, NSW Businesslink Pty Ltd, and the NSW Land and Housing Corporation.

The Department's responsibilities and services include providing specialist accommodation and home-based services for people with a disability, providing social housing, promoting and enhancing child safety and wellbeing, supporting Aboriginal communities, providing crisis support and disaster recovery services, and managing young offenders.

For further information on Human Services, refer to www.humanservices.nsw.gov.au.

CONTROLLED ENTITIES

Home Care Service of New South Wales

Separate comment on Home Care Service of New South Wales and its controlled entity Home Care Service Division are included elsewhere in this Report.

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
John Williams Memorial Charitable Trust	*

* This entity does not have a website.

NSW Businesslink Pty Ltd

AUDIT OPINION

The audit of NSW Businesslink Pty Ltd's (the company) financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Employment of Contract Employees

I recommend the company periodically review the roles and responsibilities of all contract employees to ensure:

- reliance on contractors is not excessive
- use of contract employees instead of permanent employees is appropriate
- contractors do not become de facto employees by virtue of being with the company for an extended period of time
- use of contract employees continues to represent value for money, and
- it does not contravene established policies, tax legislation and industrial relation matters relating to employment arrangements.

There were 264 contractors engaged by the company at 30 June 2010. Thirty four have been engaged for more than five years and another 53 have been engaged for more than three years. The company should compare the costs and benefits of the extended use of contractors to the alternative of hiring permanent staff. It should also assess the risk of losing critical business knowledge when the contractors leave the company.

The table below shows the duration since the current contractors' start date:

Year ended 30 June 2010	Number of contractors
Over 6 years	9
5 - 6 years	25
4 - 5 years	18
3 - 4 years	35
2 - 3 years	56
1 - 2 years	48
less than 1 year	73
Total	264

Source: company statistics (unaudited).

The company incurred total contractor costs in relation to individuals and excluding companies contracted to provide project services of \$40.2 million in 2009-10 (\$42.6 million in 2008-09) compared to personnel service expenses (excluding superannuation actuarial losses) of \$54.6 million (\$52.2 million). For those contractors who were engaged at 30 June 2010, the average cost per contractor in 2009-10 was approximately \$143,000. This compares to an average salary received by a full time equivalent employee of approximately \$79,000.

The table below provides further information on the cost of contractors:

Year end 30 June 2010	Number of contractors
Annual cost*	
Over \$200,000	55
\$150,000 - \$200,000	62
\$75,000 - \$149,999	60
less than \$75,000	87
Total	264

Source: company statistics (unaudited).

* The company could not provide data on actual costs paid per contractor. Annual costs per contractor were therefore estimated by the company, based on the contractor's actual hourly rate and the assumption each contractor worked 38 hours per week for 48 weeks.

Flex Time Balances

I recommend the company develop mechanisms to centrally review flex time records to ensure excessive flex time is not being accrued and forfeited by staff.

The company does not know the extent to which flex time is being accrued and forfeited by staff, as it does not monitor, at the company level, the effectiveness of local management of flex time. If not effectively managed, employees could be accruing and forfeiting large amounts of flex time. This could breach employment award conditions.

The company advised that as part of the Flexible Working Hours Agreement there are procedures in place for managing flex credit balances. The flex period is twelve weeks in duration and flex sheets are submitted to the supervisor at the end of the fourth and eighth weeks. Where an employee has a flex credit balance in excess of forty-two hours at the fourth or eighth week, the supervisor and employee must discuss how to reduce this balance. This could mean reducing the hours worked during the remainder of the period, the taking of flex leave or the banking of untaken flex days.

Repeat Management Letter Issues

I recommend that management address, as a priority, the matter of verification of financial delegations that I have reported for at least the past two years.

Verification of Financial Delegations

Before invoices greater than \$5,000 are processed for payment for clients, the company is required to check that appropriately delegated officers have approved the invoices for payment. This check was not always done for one of the clients. Management advised that its standard operating procedures require staff to do this check. The company advised it now has a process to regularly remind staff of their responsibility, and has reviewed its processes to minimise the risk of recurrence. This will be checked in the next audit cycle.

PERFORMANCE INFORMATION

Benchmark Study

In November 2009, a study was commissioned by the company that benchmarked it against selected peer organisations in the areas of product prices, service performance standards, and customer satisfaction. The main findings of this study as reported in the 'Businesslink 2009 Benchmark Study Report' (the Report) were:

- the majority of the company's products are priced within market range and in some cases priced substantially lower. Many of the company's prices have remained static in nominal terms, or even decreased, since 2007. Given wage rises and the effect of CPI during this period, the static price levels have provided a real price reduction of 5.7 per cent
- prices are toward the higher end of the market for the accounts payable end-to-end process, payroll runs, fleet management and salary sacrifice management
- the company performed comparably or better than peer organisations in relation to service standards, except in the delivery of finance services and IT services
- customer satisfaction for products and services was generally slightly higher than experienced by peer organisations, particularly in finance and payroll services. The company charges prices that are higher than the peer market in these areas
- customer satisfaction levels were lower than experienced by peer organisations in IT on-site support, and human resources advice and recruitment services. The company charges prices significantly lower than the peer market in these areas.

Some of the recommendations made in the Report include:

- that the company re-assess its Key Performance Indicators (KPIs) for appropriateness to the business. The majority of the company's KPIs are time-related measures and do not consider aspects such as quality of performance, accuracy, efficiency and cost effectiveness
- as there appears to be a correlation between lower satisfaction scores and lower prices, the company should clarify the level of service that client agencies should expect from particular price levels (especially lower price levels) to better manage and meet client service quality expectations.

OTHER INFORMATION

Service Partnership Agreements

The company has Service Partnership Agreements in place with its clients for the exclusive provision of designated corporate services. For two of its clients the agreements expired in August 2009 whilst a third expired in August 2007. All parties are continuing to operate within the terms in the original agreements, which provide for the continuance of the contract where neither party has indicated an intention to withdraw from the agreement. Last year management advised that new agreements were being developed. However, as these clients are now within the new Department of Human Services NSW, the agreements have not been finalised.

Human Resources

The company does not have any employees. It receives personnel services from NSWbusinesslink, a division within the Department of Human Services NSW. Management of NSWbusinesslink staff is, however, the responsibility of the company. This year I reviewed the following areas relating to human resources:

- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- management of annual leave balances in excess of threshold policies
- extent of overtime
- trend in long service leave liabilities and actions taken to ensure funds will be available to pay these liabilities
- extent of contract staff
- management of flex balances.

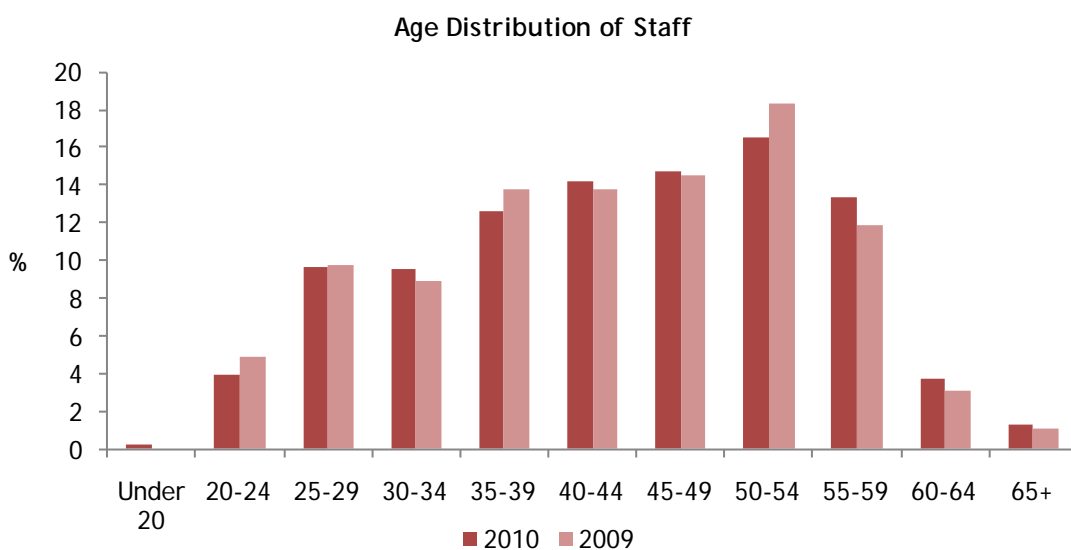
Issues identified from our review will be reported in a management letter to the company. A summary of the results of the contract staff and flex balances review is reported above under 'Key Issues'. A summary of the results of our review of the ageing profile, annual leave balances, overtime and long service leave liabilities follows.

Ageing of Staff

I recommend the company implement effective policies to address and manage its ageing workforce.

Thirty five per cent of the company's employees are over 50 years of age and 18.5 per cent are over 55. These employees are likely to retire over the next five to ten years, which may result in a significant loss of knowledge and skills if an appropriate plan is not developed to address the risk.

The age profile of the company's employees is shown below:



Source: Company statistics (unaudited).

To ensure an adequate supply of staff in the future, it is essential for the company to monitor its workforce age profile and ensure strategies are in place to develop, attract and retain staff whose skills are aligned with the strategic direction of the company.

Excessive Annual Leave

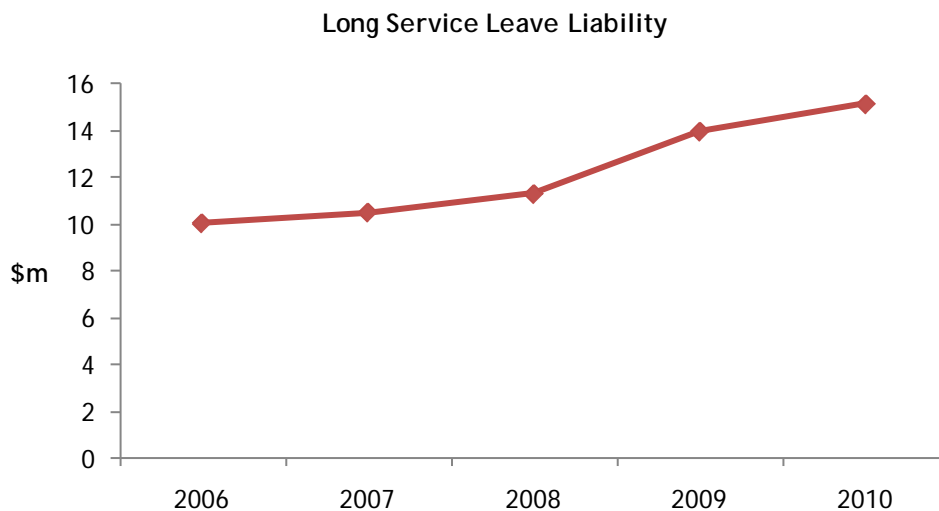
I did not identify any significant issues in my review of annual leave. At 30 June 2010, 41 employees (26) or 6.2 per cent (4.0 per cent) of all staff had annual leave balances in excess of 40 days. The highest annual leave balance was 59 days (74 days), with the next highest being 56 days (60 days).

Overtime

There was a rise of over 22.0 per cent in the level of overtime worked by NSWbusinesslink staff. Overtime costs increased from \$987,000 in 2008-09 to \$1.2 million in 2009-10. Overtime as a proportion to total salaries was however only 2.8 per cent (2.4 per cent). The highest overtime amount was \$32,945 (\$29,295) and the next highest being \$23,406 (\$23,460).

Long Service Leave Liabilities

The liability for long service leave (LSL) entitlements at 30 June 2010 amounted to \$15.1 million (\$14.0 million). This liability has increased by 50.7 per cent over the past five years.



Source: Company statistics (audited).

The company will need to ensure it has an adequate plan to fund these liabilities, which generally increase over time with increases in employee remuneration levels. This will be compounded as other liabilities arise from the pending retirement of a significant portion of the ageing workforce.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Fees for services	188,574	166,417
Other	1,103	699
TOTAL REVENUE	189,677	167,116
Personnel services	61,133	73,257
Contractors	65,679	57,334
Information technology	26,487	20,828
Depreciation and amortisation	15,244	12,415
Telecommunication	11,144	9,071
Other expenses	11,652	14,543
TOTAL EXPENDITURE	191,339	187,448
DEFICIT	1,662	20,332
OTHER COMPREHENSIVE INCOME	--	--
TOTAL OTHER COMPREHENSIVE INCOME	--	--
TOTAL COMPREHENSIVE EXPENSE	1,662	20,332

A major reason for the increase in fees for services was \$8.6 million for the provision of services to four new clients namely: Department of Human Services NSW, Juvenile Justice, Aboriginal Housing Office, and the Department of Education and Training. The company also processed a higher number of transactions for its client agencies.

The reduction in personnel services expense was due to a reduction in actuarially assessed superannuation losses, \$6.5 million in 2009-10 compared to \$21.1 million in 2008-09. The company is required to pay fees to the Department of Human Services NSW equivalent to all employee related costs and all employment administration costs.

Contractor expenses rose by \$8.3 million, mainly due to the increase in the number of client projects.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	36,785	22,553
Non-current assets	50,495	42,585
TOTAL ASSETS	87,280	65,138
Current liabilities	85,664	57,378
Non-current liabilities	630	5,112
TOTAL LIABILITIES	86,294	62,490
NET ASSETS	986	2,648

Current assets increased largely due to an increase in cash holdings.

The increase in non-current assets was due to computer software purchases of \$3.8 million, as well as an increase in the number of development projects during 2009-10.

Current liabilities include trade and other payables of \$72.8 million (\$49.0 million). The increase was attributable to a rise in accruals of \$12.3 million, as well as a change in the company's payment procedures whereby creditor invoices are now paid on a '30 day' basis as against paying as soon as the invoice is received. Also, there was an increase in the payable to the Department of Human Services NSW for employee entitlements of \$6.4 million.

COMPANY ACTIVITIES

NSW Businesslink Pty Ltd is a State Government owned company established under the *Corporations Act 2001*. It is the shared corporate service provider for administrative services, such as human resources, property and records management, information technology services and other financial services for the Department of Human Services NSW and Housing NSW. It supports these agencies in their service delivery by providing better and more efficient services through economies of scale, productivity gains and process improvements.

NSW Businesslink Pty Ltd shareholders are the Treasurer, the Minister for Community Services, the Minister for Ageing and Disability Services and the Minister for Housing.

For more information on NSW Businesslink Pty Ltd, refer to www.businesslink.nsw.gov.au.

Minister for Fair Trading

Refer to Appendix 1 for:

Financial Counselling Trust Fund

Minister for Housing

Aboriginal Housing Office

City West Housing Pty Limited

Home Purchase Assistance Fund

NSW Land and Housing Corporation

Aboriginal Housing Office

AUDIT OPINION

The audit of the Aboriginal Housing Office's (AHO) financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Total Asset Management Plan

Last year I reviewed the AHO's compliance with certain aspects of The Treasury's Total Asset Management Program (TAM) and my findings were reported to management. In response, the AHO developed a process to ensure compliance with the TAM. The AHO will implement its compliance process.

Tax Ruling

Last year I reported that the AHO submitted two separate requests to the Australian Taxation Office (ATO) for private rulings in relation to Goods and Services Tax treatment. The AHO received ATO rulings in August 2009 and is still considering the rulings to determine if a liability exists. The ATO has given the AHO until 31 October 2010 to respond to the rulings.

PERFORMANCE INFORMATION

The AHO has developed targets as a measure of its performance including:

Management of Housing Stock

Actual expenditure on all repairs and maintenance has trended upward over the last few years.

Year ended 30 June	Target	Actual			
	2010	2010	2009	2008	2007
AHO dwellings planned repairs and maintenance (\$m)	14.0	12.8	9.2	7.9	4.3
Management of repairs and maintenance budget (community dwellings) (\$m)	13.5	16.2	11.1	5.5	6.9
Average cost per dwelling upgraded/repaired:					
- AHO dwellings (\$)	42,296	38,671	47,917	29,306	36,402
- Aboriginal community dwellings (\$)	3,048	3,658	6,839	5,971	10,633

Source: Aboriginal Housing Office (unaudited).

The AHO's planned maintenance program for its housing stock, is designed to minimise its repairs and maintenance liability. The program ranges from relatively minor works for newer dwellings to large works for older dwellings.

Expenditure on the Aboriginal community property repairs and maintenance program was \$2.7 million more than budget (\$600,000 more than budget in 2008-09). This program is generally limited to small value works required to either improve or maintain health and safety needs.

The major difference in the average cost per dwelling to upgrade/repair AHO dwellings and Aboriginal community dwellings is that the AHO fully funds its own dwellings and only partly funds the Aboriginal community dwellings.

Tenant and Property Management

Net rental income has trended downwards over the last three years because of increased repairs and maintenance costs on properties.

Year ended 30 June	Target	Actual			
	2010	2010	2009	2008	2007
Rental income (net of property expenses) (\$m)	2.5	5.0	5.3	5.8	3.8
Rental income arrears (%)	7.8*	7.3*	8.5*	7.2*	7.5*

Source: Aboriginal Housing Office (unaudited).

* Percentage of gross rental income.

The AHO manages a property portfolio with a value of \$956 million (\$909 million) with gross annual rental income of \$35.6 million (\$28.1 million). Rental income arrears decreased in 2010 following increased management attention.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Grants and contributions	67,879	42,628
Rental income	35,581	28,058
Other	19,563	12,417
TOTAL REVENUE	123,023	83,103
Depreciation	6,584	6,963
Personnel expenses	7,564	7,958
Housing program	41,884	34,571
Property expenses	30,604	22,798
Other	4,401	4,648
TOTAL EXPENSES	91,037	76,938
SURPLUS	31,986	6,165
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	11,908	4,880
TOTAL OTHER COMPREHENSIVE INCOME	11,908	4,880
TOTAL COMPREHENSIVE INCOME	43,894	11,045

Grants and Contributions increased largely due to \$22.5 million from the Australian Government's Remote Indigenous Housing National Partnership (RIHNP) project.

The AHO's housing program incurred the following expenditure:

Year ended 30 June	2010 \$'000	2009 \$'000
Community asset acquisition of dwellings - Aboriginal communities program	535	2,769
AHO dwelling planned repairs and maintenance	12,656	9,069
Community dwelling repairs and maintenance	15,772	10,721
Aboriginal Community Development Program	4,592	6,921
Other	8,329	5,091
	41,884	34,571
Employee related expenses	1,528	1,123
Total	43,412	35,694

Management advised the increase in housing related expenditure was made possible due largely to \$1.2 million of funding for the new RIHNP project and the energy savings program.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	41,585	44,555
Non-current assets	974,955	925,347
TOTAL ASSETS	1,016,540	969,902
Current liabilities	21,941	20,120
Non-current liabilities	4,124	3,201
TOTAL LIABILITIES	26,065	23,321
NET ASSETS	990,475	946,581

Non-current assets increased due to asset acquisitions of \$30.8 million, \$17.6 million of asset transfers free of liability from Housing NSW and Aboriginal community housing providers and a \$11.9 million revaluation of existing properties.

OTHER INFORMATION

The 'Public Sector Employment and Management (Department Amalgamations) Order 2009' transferred the staff performing the functions for the AHO to the New South Wales Department of Human Services. The Order abolished the Aboriginal Housing Office Group of Staff, effective 1 July 2009.

AHO'S ACTIVITIES

The AHO's principal functions are to plan, develop, deliver and evaluate programs and services to assist Aboriginal and Torres Strait Islander peoples within New South Wales to meet their housing needs. Other functions relate to registering and funding Aboriginal community housing providers; the power to enter into agreements with registered Aboriginal community housing providers; and the management of property owned by the AHO.

The AHO was constituted by the *Aboriginal Housing Act 1998*. It is subject to the control and direction of the Minister for Housing.

For further information on the AHO, refer to www.aho.nsw.gov.au.

City West Housing Pty Limited

AUDIT OPINION

The audit of the Company's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

PERFORMANCE INFORMATION

The Company's progress against its long-term development program at 30 June 2010 was:

Location	Long-term target (units)	Completed units	% of target
Ultimo-Pymont	600	446	74.3
Green Square *	216	102	47.2

Source: City West Housing Pty Limited (unaudited).

* Includes 57 unit development completed in August 2010

The Company had 491 residential units at 30 June 2010. This included 446 units in Ultimo-Pymont, accommodating 850 people and 45 units in Green Square, accommodating 85 people. This is consistent with 30 June 2009.

The average cost of construction is approximately \$243,000 per unit. Costs per unit range from approximately \$160,000 for a development in Pymont completed in 1997 to approximately \$398,000 for a development in Waterloo completed in 2007.

In August 2010, the Company completed construction of its 57 unit development at Zetland. The cost to develop this site was \$19.2 million. The development was completed on time and under budget.

The Company reported a 99 per cent average occupancy in 2010 and 2009. There are currently 365 households on its eligibility wait list.

Accommodation is allocated to eligible applicants according to need. Eligibility is determined by applicants':

- gross household income and financial circumstances
- connections to the local area
- current housing adequacy and suitability
- need for long term housing in the local area
- Australian residency.

Rent charges paid by tenants are determined having regard to annual household income. At six month intervals, tenants are reassessed to ensure they still meet eligibility requirements and are charged appropriate rents. Bad debts represent 0.1 per cent of rent charges for 2009-10.

OTHER INFORMATION

Future Developments

The Company receives developer contributions under the Sydney Local Environmental Plan 2005 as part of the City West Affordable Housing Program. The Department of Planning revised this City West Affordable Housing Program in June 2010.

The revised program acknowledges reducing availability of land in Ultimo-Pyrmont, which causes constraints and limitations on spending developer contributions within that area. Contributions from Ultimo-Pyrmont can be used for the provision of future affordable housing developments elsewhere in the City of Sydney local government area.

The Company is working on plans for a further development in South Sydney, which is expected to yield between 90 and 120 units and be completed by 2014.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Developer contributions	4,549	6,556
Rental income and tenants' contributions to outgoings	5,502	5,385
Investment income	2,256	2,380
Grant income	7,817	24
TOTAL REVENUE	20,124	14,345
Depreciation	3,762	3,768
Property outgoings and maintenance	1,755	1,475
Employee benefits	459	420
Other	209	204
TOTAL EXPENSES	6,185	5,867
SURPLUS	13,939	8,478
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	34,969	--
TOTAL OTHER COMPREHENSIVE INCOME	34,969	--
TOTAL COMPREHENSIVE INCOME	48,597	8,478

In 2010, the company received \$7.8 million from the National Employment Stimulus Package. A further \$1.3 million is expected in 2010-11. The Company allocated the funding to construction of its 57 unit development at Zetland.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Cash and investments	56,997	51,679
Property, plant and equipment	251,415	208,373
Other	1,390	368
TOTAL ASSETS	309,802	260,420
Trade and other payables	1,342	881
Employee benefits	215	202
TOTAL LIABILITIES	1,557	1,083
NET ASSETS	308,245	259,337

The Company's significant cash and investments are being held to fund its extensive capital program. Over the next four years, the Company expects to construct 216 units at a cost of \$81.2 million.

At 30 June 2010, the Company had units rented to tenants valued at \$238 million (\$206 million at 30 June 2009). After a revaluation at 30 June 2010, the average fair value of units at 30 June 2010 was \$474,000 per unit (\$420,000).

COMPANY ACTIVITIES

The Company was established in 1994, with its principal function to provide affordable rental housing to very low, low and moderate-income households in Pyrmont, Ultimo and Green Square. It develops and manages affordable housing, which contributes to the maintenance of a socially diverse community in the inner city.

The key aim of affordable housing is to maintain socially diverse communities by providing housing to people who are unable to compete in the existing private housing market. By contrast, social housing (also known as public housing) is provided to people on low incomes who are unable to obtain affordable housing.

Ownership vests with Government by holding the Company's only ordinary shares. Redeemable preference shares are issued to organisations with a direct interest in the development and management of affordable rental housing in the City West area. There are currently 11 preference shareholders.

For further information on the company, refer to www.citywesthousing.com.au.

Home Purchase Assistance Fund

AUDIT OPINION

The audit of the Fund's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

FINANCIAL INFORMATION

Year ended 30 June	2010 \$'000	2009 \$'000
Revenue	17,563	21,624
Expenses	309	494
Surplus	17,254	21,130
Distributions	22,166	22,232
Net assets attributable to beneficiaries (at 30 June)	360,374	365,286

Revenue comprises interest earned on investments. Revenue decreased in 2009-10 by \$4.0 million due to a change in investment products and corresponding movements in interest rates. Expenditure is predominantly the operational support payment paid to service providers and the Trustee's fee.

Distributions made by the Fund were:

- \$21.5 million (\$21.5 million in 2008-09) to the Crown Entity for reimbursement of loan and interest repayments made to the Australian Government. The nominal value of the Crown Entity's loans was \$238 million at 30 June 2010 (\$248 million) which is not included in the net assets above
- \$642,000 (\$708,000) to special beneficiaries for revenue shortfalls of individual FANMAC Trusts and Shared Equity Schemes.

The Fund made no distribution to the NSW Land and Housing Corporation as a return of capital (\$45.0 million in 2008-09).

Assets at 30 June 2010 are held in term deposits and bonds.

FUND ACTIVITIES

A Trust Deed established the Fund on 14 February 1989 to support the State's home purchase assistance program. The Fund is required to make distributions including:

- meeting any income shortfalls in the FANMAC Trusts and some Shared Equity Schemes. These distributions are paid to the Special Beneficiary, Permanent Trustee Company Limited, as Trustee of these Trusts and Schemes. The FANMAC Trusts were established to raise funds on behalf of the State and to lend funds to a certain class of homebuyers under conditions specified by the Government. At 30 June 2010 the only mortgage trust still operating was the FANMAC Master Trust
- those as directed by the beneficiary. The beneficiary is the Minister of the Crown of the State of New South Wales for the time being charged with the administration of the *Housing Act 2001*.

NSW LAND AND HOUSING CORPORATION

AUDIT OPINION

The audits of the Corporation and its controlled entity's financial reports for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

KEY ISSUES

Transfer of functions to the Department of Human Services

On 27 July 2009, the 'Public Sector Employment and Management (Departmental Amalgamations) Order 2009' transferred the functions of the former Department of Housing to the Department of Human Services. The Department of Housing was abolished.

The Corporation prepared separate financial statements for the first time. The Corporation's activities were previously combined with the former Department of Housing.

Social Housing Implementation Plan

During the year ended 30 June 2010, the Corporation received \$1.3 billion under the Social Housing Implementation Plan (the Plan). In the same period, it spent \$37.2 million on repairs and maintenance and \$1.1 billion on new construction. The Plan is part of the Commonwealth Government's Nation Building Economic Stimulus Plan (NBESP). Under the Plan, the Corporation will build approximately 6,000 dwellings expected to be completed in 2011-12, in addition to its existing plans to build around 3,000 dwellings.

On completion of the Plan, some or all of the properties might transfer to not-for-profit community housing providers. In May 2009, the Government approved the transfer of title of up to 6,500 properties and up to 500 existing properties under community housing management to community housing providers subject to a number of conditions. These conditions have not yet been met. The proposed transfers will occur for nil consideration. The value of the assets at 30 June 2010 was \$1.2 billion (including work-in-progress of \$879 million).

The table below details the cash received and the spending across the three components of the Plan:

Year Ended 30 June 2010	Cash received	Actual Expenditure	Accrued Expenditure for Completed and Work in Progress	Total
	\$m	\$m	\$m	\$m
Repairs and maintenance	65.2	36.1	1.1	37.2
Stage 1	206.0	178.7	7.4	186.1
Stage 2	1,055.5	641.4	305.1	946.5
Total expenditure	1,326.7	856.2	313.6	1,169.8

Source: NSW Land and Housing Corporation (unaudited).

At 30 June 2010, the Corporation advised that, on Stage 1, it incurred \$186 million and completed approximately 99.8 per cent of stage 1 of the Plan. This stage will see approximately \$226 million deliver 860 dwellings through 121 projects. Stage 1 brought forward previously planned and approved construction for social housing dwellings.

The Corporation incurred \$947 million on Stage 2 of the Plan by 30 June 2010. This stage involves new construction costs, including the spot purchase of house and land packages for use in social housing. The Corporation's financial statements show an increase in current liabilities at 30 June 2010, which is mostly due to Stage 2 activity.

The program model adopted by the Corporation involves the outsourcing of project work to a number of major development/project management firms and Landcom.

The breakdown of approved funding under Stage 1 and Stage 2 by area is detailed below:

Region	Stage 1		Stage 2		Total	
	No. of Dwellings	\$m	No. of Dwellings	\$m	No. of Dwellings	\$m
Central Sydney	112	33.5	836	239.8	948	273.3
Greater Western Sydney	294	80.7	1,937	585.6	2,231	666.3
Northern Division	360	90.9	1,035	315.5	1,395	406.4
Southern and Western Division	94	20.5	1,664	507.0	1,758	527.4
Total	860	225.6	5,472	1,647.8	6,332	1,873.4

Source: NSW Land and Housing Corporation (unaudited).

Funding allocations from the Australian Government, compared with other jurisdictions are detailed below. Since 30 June, the Australian Government amended New South Wales' funding for Stage 2 to \$1.7 billion. This funding includes State funded contributions via GST input tax credit claims of \$128 million.

	Repairs and maintenance \$m	Stage 1 \$m	Stage 2 \$m	Total \$m
NSW	130.4	225.6	1,725.2	2,081.2
Vic	99.2	171.5	1,313.0	1,583.7
Qld	80.0	138.6	1,062.2	1,280.8
WA	40.0	70.0	538.1	648.1
SA	32.1	51.9	395.3	479.3
Tas	9.3	16.1	122.6	148.0
ACT	6.5	11.2	85.2	102.9
NT	2.5	7.1	54.4	64.0
Total	400.0	692.0	5,296.0	6,388.0

Source: Commonwealth Government Nation Building Economic Stimulus Plan (unaudited).

Repairs and maintenance work costing \$130 million was expected to be completed over two years ending in June 2010. The Corporation advised it completed the maintenance work six months early in December 2009. An amount of \$30.0 million was transferred to a separate project to improve 300 bedsitter dwellings by June 2011.

The Corporation is receiving funding for Stages 1 and 2 between 2008-09 to 2011-12. It exceeded its target to complete 752 dwellings by 30 June 2010 by completing 844 dwellings. The Australian Government expects the Corporation to complete 75 per cent of the dwellings under Stage 1 and Stage 2 by no later than 31 December 2010.

Aspects of the Corporation's Governance over the Plan Project

Project Acceptance

I reviewed a sample of the Plan's projects and found that the projects complied with the Corporation's criteria for project acceptance. The Corporation developed criteria for project acceptance. Some of the criteria included access to public transport, schools, shops and hospitals.

In some instances, initial assessments, completed at a local level, were revised by the Plan's Steering Committee. The basis for the Plan's Steering Committee final decisions appeared reasonable.

Planning approvals

I reviewed some of the NBSEP developments and found that the Corporation complied with the State Environmental Planning Policy (Affordable Rental Housing) 2009 (State Environmental Planning Policy). When the Corporation approves a development it must, amongst other requirements:

- give written notice of the intention to carry out the development to the council for the area in which the land is located and to the occupiers of adjoining land, and
- take into account any response to the notice that is received within 21 days after the notice is given.

A point of difference between developments approved by the Corporation and developments approved by Councils is notification of residents. Councils tend to communicate development proposals wider than the occupiers of adjoining land.

I have been advised the time taken for the NBESP planning approvals was less than for previous approvals for similar projects. The NBESP planning approval process appears to have benefited from the State Environmental Planning Policy (Affordable Rental Housing) 2009 (State Environmental Planning Policy). This State Environmental Planning Policy removed the approval process from local government for certain developments.

Payment Acquittals under the NBESP

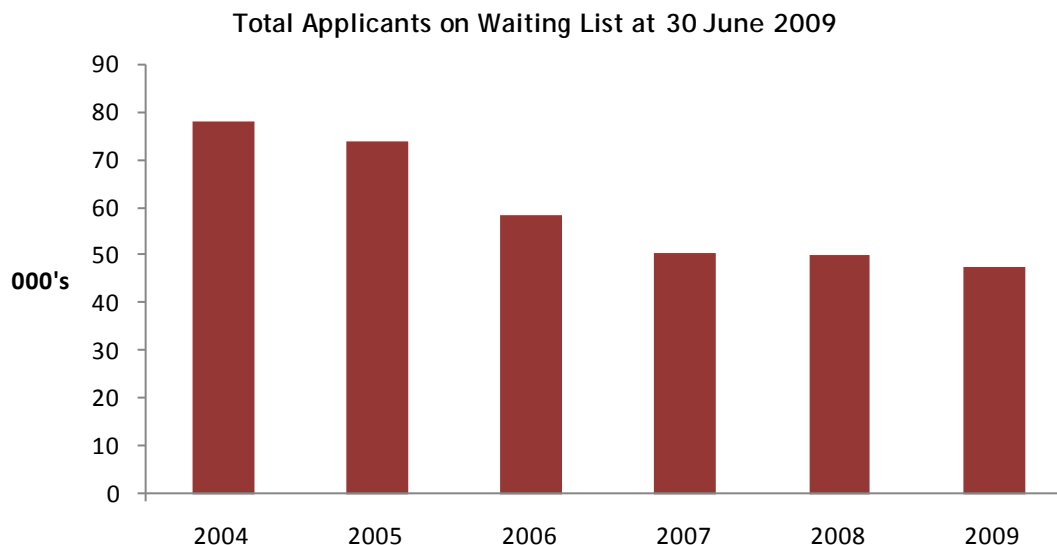
The Corporation pays its contractors after receiving statutory declarations from them indicating that the value of works equal to the claim were complete and they owed no amounts to their sub-contractors. However, it is possible there may have been sub-contractor invoices issued but not yet due and payable.

The Corporation contracted with a large number of contractors to deliver the Plan on time and within budget. Many of these contractors further sub-contracted the work. To help ensure contractors paid their sub-contractors on time, the Corporation required contractors to provide statutory declarations indicating they had no amounts owing to their sub-contractors.

PERFORMANCE INFORMATION

Waiting Lists

The Corporation's public housing waiting lists, including transfer applicants, have decreased over the past five years from 77,984 in 2004 to 47,410 in 2009, an average reduction of 7.8 per cent per annum or 39.2 per cent over the five years. About 13,300 applicants were housed annually in this period. The Corporation advised the reduction in waiting lists is attributable to housing applicants as indicated above as well as from improved management of the housing registers, including regular surveys of applicants to determine their ongoing eligibility and needs.



Source: Productivity Commission Report on Government Services, 2010

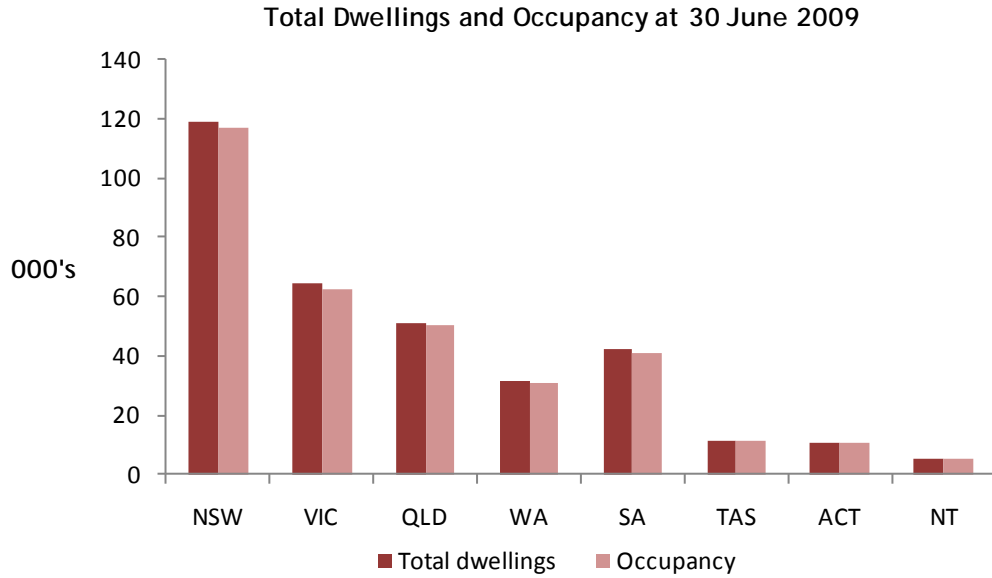
Provision of Social Housing

During 2009-10 the Corporation assisted 339,400 (341,400) people through the provision of social housing. The New South Wales Government's RentStart Program helped approximately 35,022 (32,649) households into the private rental market.

Private Rental Assistance provided was \$41.4 million (\$32.4 million). This includes payment of rental arrears to salvage existing tenancies and assistance in bonds and advance rent.

Number of Public Housing Properties and Occupancy Rates

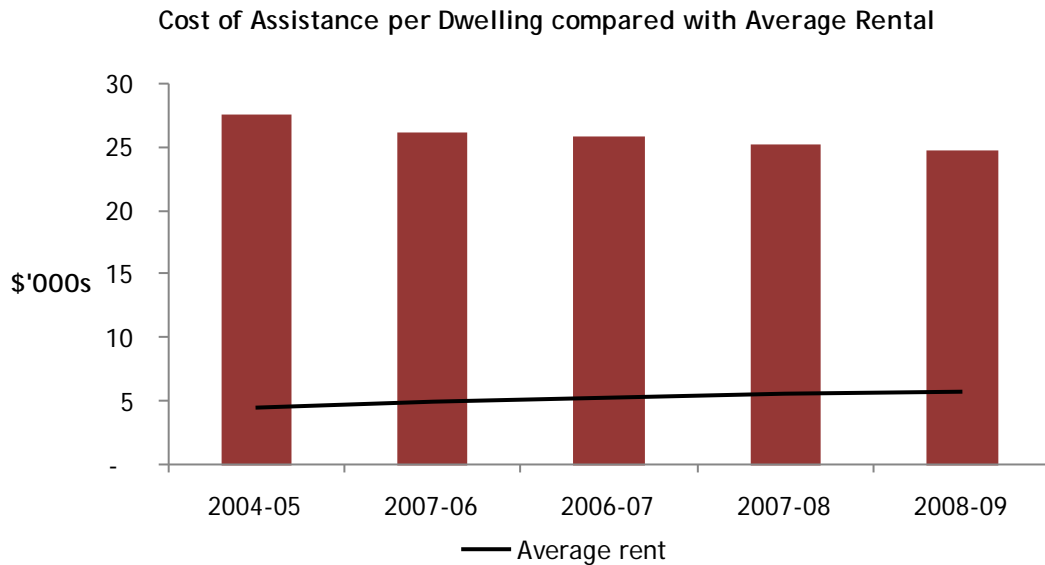
At 30 June 2009, New South Wales had the greatest number of public housing properties in Australia. Queensland had the highest occupancy rate at 98.9 per cent (99.1 per cent). New South Wales had an occupancy rate of 98.6 per cent (99 per cent) ranking it second in Australia and higher than the national average of 97.3 per cent (98 per cent).



Source: Productivity Commission Report on Government Services, 2010

Cost of Providing Assistance per Dwelling compared with Average Rental

There has been a slight increase in average rent over time. When compared, over the same period, the cost of providing assistance per dwelling has declined. The Corporation attributes this to a declining cost of capital offset by rent increases.

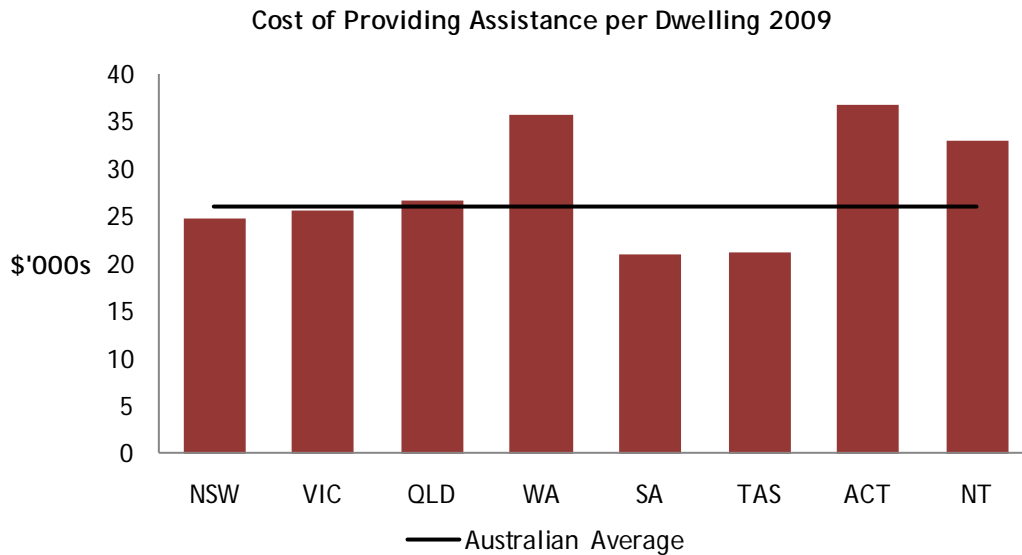


Source: Compiled by the Audit Office of New South Wales, based on information in the Productivity Commission Report on Government Services, 2010

*Cost of providing assistance per dwelling includes the cost of capital.

Cost of Providing Assistance per Dwelling

In 2008-09, New South Wales had the sixth (fifth) highest cost of providing assistance (including the cost of capital) per dwelling at \$24,653 (\$23,938), 5.4 per cent lower (3.2 per cent higher) than the national average.



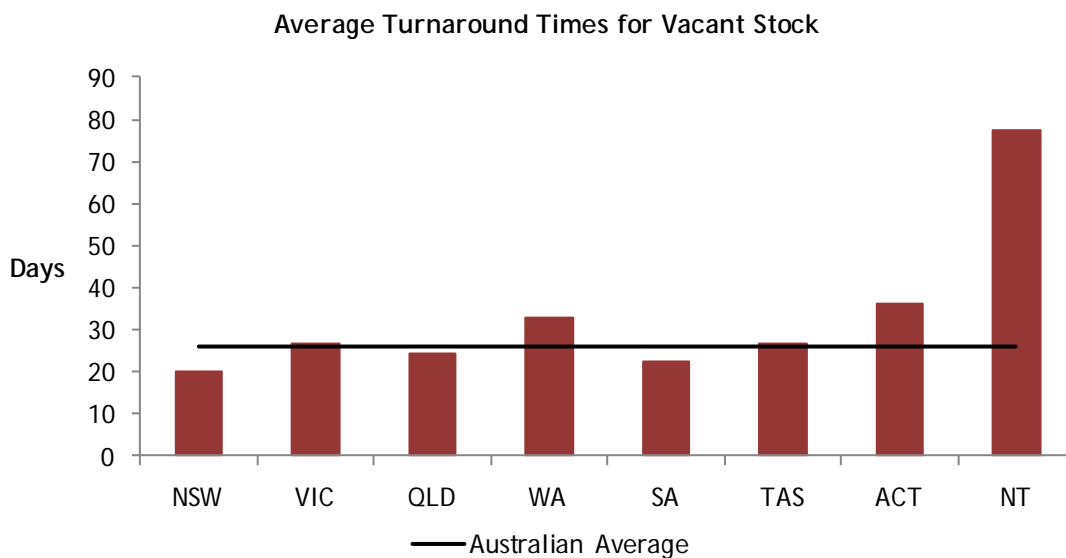
Source: Productivity Commission Report on Government Services, 2010

Issues on the comparability of the cost data across jurisdictions include consistency of data collection, completeness of data and the possibility of double counting of items by some jurisdictions.

Average Turnaround Time

In 2008-09, New South Wales' public housing turnaround time of 20.2 days (22.2 days) was lower than the Australian average of 26.2 days (25.2 days) ranking it first in Australia.

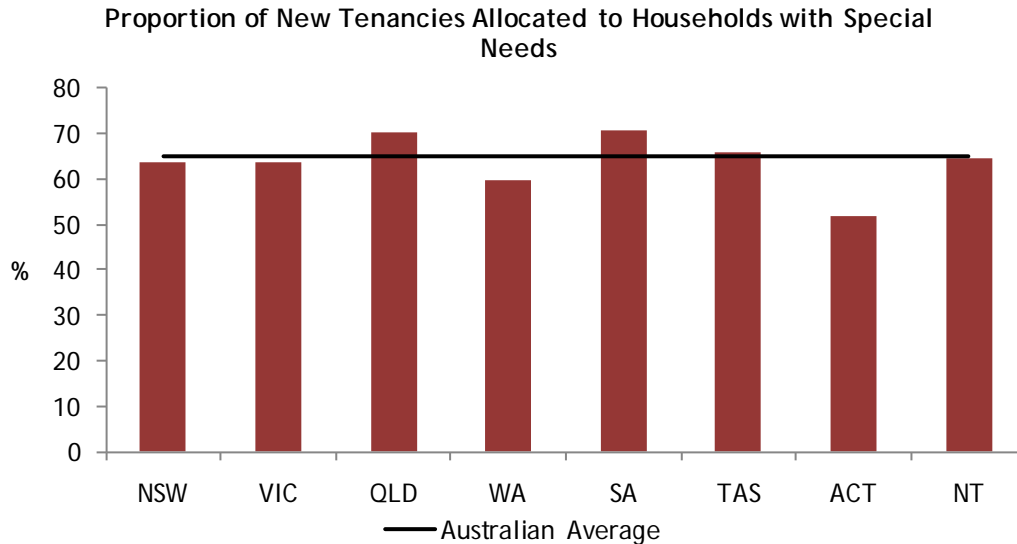
Turnaround time indicates how quickly jurisdictions rent out housing stock after being vacated or acquired.



Source: Productivity Commission Report on Government Services, 2010

Proportion of New Tenancies to Households with Special Needs

The Australian average of new tenancies allocated to 'special needs' households in 2008-09 was 64.8 per cent (59.5 per cent). At 63.4 per cent (59.5 per cent), New South Wales was lower than the national average.



Source: Productivity Commission Report on Government Services, 2010

OTHER MATTERS

We identified opportunities to improve accounting and internal control procedures and reported them to management.

Bonnyrigg Project

The Corporation expects the new estate to be constructed in 18 stages over 14 years.

Stage 1 of the project, which commenced in February 2009, was completed in June 2010. It comprises 67 private dwellings, 39 social dwellings and some resident amenities.

Stage 2 of the project has commenced and is scheduled for completion in December 2011. Stage 3 will be completed in phases. The first phase will commence with the demolition of existing dwellings in November 2010. Stage 3 construction should commence in June 2011.

The project will redevelop and renew 833 public housing properties into a mixed community of 1,631 private and 699 public housing homes through a 30-year public-private partnership. The project also involves the building or purchase of 143 dwellings offsite to help ensure the stock of 833 social houses is maintained. When the project is complete, private and public dwellings will be in the ratio of 70:30 across the whole project.

In October 2007, Bonnyrigg Partnerships, comprising Becton Property Group, Westpac Banking Corporation, St George Community Housing Association and the Spotless Group Limited, were selected by the New South Wales Government to undertake the \$733 million redevelopment of Bonnyrigg. The transfer of dwellings and tenants from the Corporation to Bonnyrigg Partnerships also occurred in October 2007, with St George Community Housing Association becoming the social housing landlord.

The project aims to improve the quality of public housing and community facilities and services provided to tenants and the local community. To encourage the achievement of these goals the Corporation has designed the payments to the private sector to be predominantly performance based. Key performance indicators have been agreed for most aspects of service delivery, including tenant's satisfaction with each broad category of service provision.

One Minto Project

The One Minto Project incorporates extensive deconcentration of the estate with redevelopment of the townhouse precincts, upgrading of the cottage precincts and refurbishment of the roads, parks and common areas across Minto. Management advised on completion of the development:

- there will be approximately 1,200 lots of land. The Corporation will own 30 per cent of the properties and the remaining 70 per cent will be private housing
- approximately 50 of the Corporation's properties will be refurbished for private sale
- 664 demolished properties at Minto will be replaced with properties in other areas of South Western Sydney with high demand for public housing.

Since sales commenced in late 2008, approximately 73 per cent of the lots released have been sold.

The One Minto Concept Plan (formerly Minto Renewal Project) was developed after extensive community consultation and was approved in June 2006. It is expected to be completed in 2015-16. The Corporation, Campbelltown City Council and Landcom are working together to redevelop the area. Landcom has been engaged as the development manager. The initial budget set for this project was \$226 million and the costs are within expectations.

Project Meridian

The objective of the project is to replace the Integrated Housing System (IHS) with a new IT system. This is a major project for the Corporation as IHS currently supports core business activities associated with the management of tenants, applicants and the property portfolio. Management has advised that the project will significantly improve service delivery through new enhancements in accessing client information and higher quality data.

Management has advised recent achievements and decisions include:

- finalising of user acceptance testing and system performance testing
- HOMES training rolled out to users
- testing on 70 predefined reports which are available for go-live.

The original budget for this project was \$42.4 million; however this increased to \$57.3 million as a result of the increased complexity of the project and to allow for additional system functionality.

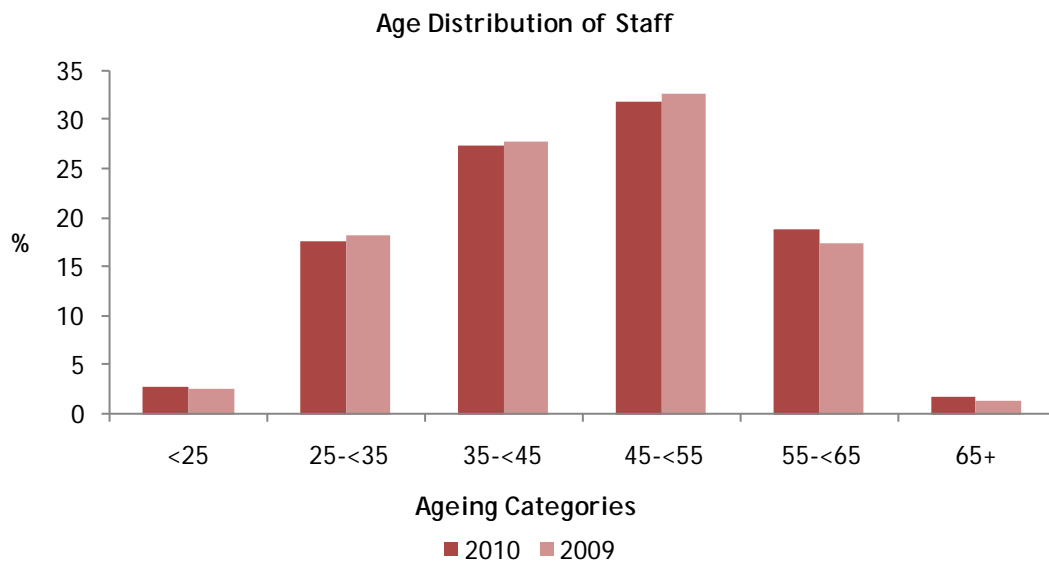
When implemented, Project Meridian will be renamed Homes. Management has advised it is on track for implementation by the end of 2010.

Ageing of the Workforce

The age distribution of the Corporation's workforce is not as significantly skewed towards employees approaching retirement age. As a result it does not face the challenges posed by the potential loss of large numbers of retiring staff and skills to the same degree as the rest of the sector. The Corporation is actively monitoring its workforce profile and has key strategies in place to address this risk.

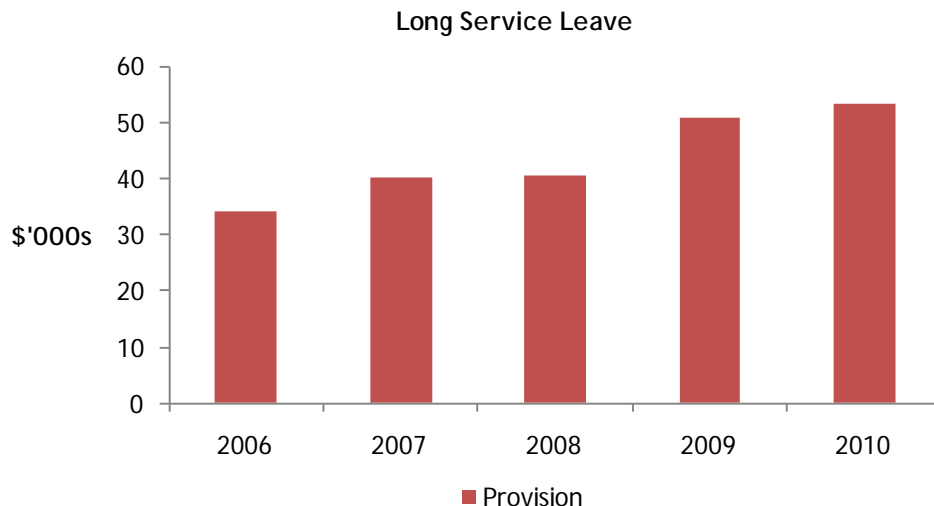
At 30 June Age Group	2010		2009	
	No. Of Staff (FTE)	%	No. Of Staff (FTE)	%
45 and younger	1,158.6	47.5	1,145.7	48.6
45 to less than 55	777.0	31.9	769.2	32.6
55 to less than 65	461.5	18.8	410.0	17.4
65 and over	44.5	1.8	32.1	1.4
Total	2,441.6	100	2,357	100

Source: NSW Land and Housing Corporation (unaudited)



Long Service Leave

Increasing long service leave liabilities may create a funding challenge for the Corporation. Long service leave liabilities have increased by approximately 56 per cent over the past five years.



Excessive Annual Leave

The Corporation effectively monitors and manages employee annual leave balances, containing the annual leave expense and related liability. At 30 June 2010, 62 (124) employees had accrued annual leave entitlements in excess of 40 days. This represents 2.4 per cent (4.7 per cent) of all employees. The accumulation of excessive annual leave entitlements results in increased financial costs to the Corporation because these entitlements will be paid out at higher salary rates in the future and may have occupational health and safety implications.

Overtime

The Corporation effectively manages overtime worked by its employees. The Corporation engages over 2,500 people and incurred \$212 million (\$229 million) on personnel services. Of this amount, approximately \$1.2 million (\$1.7 million) was paid as overtime. Only two employees (two) received overtime payments in the range of 10-20 per cent higher than their base salary. All other employees who worked overtime received less than 10 per cent of their base salary in overtime payments.

Employment of Contractors

I recommend the Corporation periodically review the roles and responsibilities of all its contractors to help ensure:

- its reliance on contractors is not excessive
- use of a contractor instead of a permanent employee is appropriate
- contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
- use of a contractor continues to represent good value for money.

The Corporation has employed some contractors for more than two years. The risk of engaging long term contractors is that they may become entitled to all the benefits associated with permanent employment.

At 30 June	2010	2009
	No. of Contractors	No. of Contractors
Less than 1 year	268	245
Between 1 and 3 years	188	128
Between 3 and 5 years	29	9
Between 5 and 10 years	11	10
Total	496	392

The number of contractors engaged by the Corporation has increased over the past two years due to the Social Housing Implementation Plan and Project Meridan. The Corporation advised that contractor numbers will decline in future years as these projects are completed.

Affordable Housing Grants

The Corporation received grants in 2005-06 and 2006-07 totaling \$39.5 million from the Rental Bond Board (RBB) to establish the Affordable Housing Innovations Fund (AHIF) and for the St Mary's Development affordable housing project. The AHIF aims to provide grants to registered community housing providers for the development or acquisition of affordable rental dwellings. At the St Mary's Development, these funds will be allocated to a registered community housing provider and used in conjunction with land contributions, provided through a planning agreement between the Government and a private firm, to construct affordable rental housing on the site.

During 2009-10, the Corporation provided \$4.4 million (\$17.1 million) to community housing providers to deliver new affordable dwellings. The remaining funds, which now total \$23.0 million including interest earned, have been allocated and will be paid progressively to community housing providers. These funds will deliver around 326 new affordable dwellings.

The unspent grants are shown as restricted assets in the financial statements. In accordance with the RBB agreements, the \$23.0 million in unspent funds were invested in two New South Wales Treasury Corporation (TCorp) Hour-Glass cash facilities.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Rent and other tenant charges	694,920	688,312
Government grants	1,922,608	889,952
Interest income	26,469	24,839
Other income	35,315	32,404
TOTAL REVENUE	2,679,312	1,635,507
Repairs and maintenance	266,390	234,829
Council and water rates	189,164	180,106
Employee related expenses	212,503	229,218
Other operating expenses	145,261	125,294
Depreciation and amortisation	298,984	282,241
Grant expenses	296,571	191,969
Other expenses	195,933	176,139
TOTAL EXPENSES	1,604,806	1,419,796
SURPLUS FOR THE YEAR	1,074,506	215,711
OTHER COMPREHENSIVE INCOME		
Revaluation Increment/(Decrement)	2,907,995	(47,714)
Gain on sale of investments	276	--
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)	2,908,271	(47,714)
TOTAL COMPREHENSIVE INCOME	3,982,777	167,997

Government grants increased largely due to funding of \$1.3 billion (\$85.0 million) received under the Nation Building Economic Stimulus Plan.

Repairs and maintenance increased due to accelerated maintenance funded by the Government and Social Housing Implementation Plan funding aimed specifically at maintenance.

Grant expenses increased by \$94.6 million during 2009-10. This increase is largely due to an increase of \$68.0 million in Social housing Growth Fund grants. These grants will provide capital funding to support a range of projects to increase supply of social housing. The Corporation also provided grants of \$23.3 million to the Aboriginal Housing Office to fund the Remote Indigenous Housing program.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	835,404	659,819
Non-current assets	32,033,388	28,170,421
TOTAL ASSETS	32,868,792	28,830,240
Current liabilities	701,609	491,107
Non-current liabilities	729,420	884,147
TOTAL LIABILITIES	1,431,029	1,375,254
NET ASSETS	31,437,763	27,454,986

Current assets increased by \$176 million. This increase is largely due to an increase in bank bills and deposits. These funds will be used to meet the funding requirements of the Social Housing Implementation Plan.

Non-current assets increased due to the completion of 851 dwellings and the partial construction of 1,752 dwellings and revaluation increments of \$2.6 billion.

The increase in current liabilities was mainly due to higher accrued capital expenditure of \$191 million due to spending to meet the Social Housing Implementation Plan.

The decline in non-current liabilities was mainly due to the repayment of borrowings.

THE CORPORATION'S ACTIVITIES

The Corporation's statutory functions are set out in the *Housing Act 2001*. Its role is to provide quality rental housing solutions for those whose needs cannot be met by the private market.

The Minister for Housing has the power to direct and control the Director-General of the Department of Human Services in respect of all the Corporation's operations. Management advised that no such Ministerial Directions occurred in 2009-10.

For further information on the Corporation, refer to www.housing.nsw.gov.au.

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

For further financial and other information on this entity we have listed the entity's website.

Entity Name	Website
Rental Housing Assistance Fund	www.housing.nsw.gov.au

Minister for Planning

Refer to Appendix 1 for:

Building Professionals Board

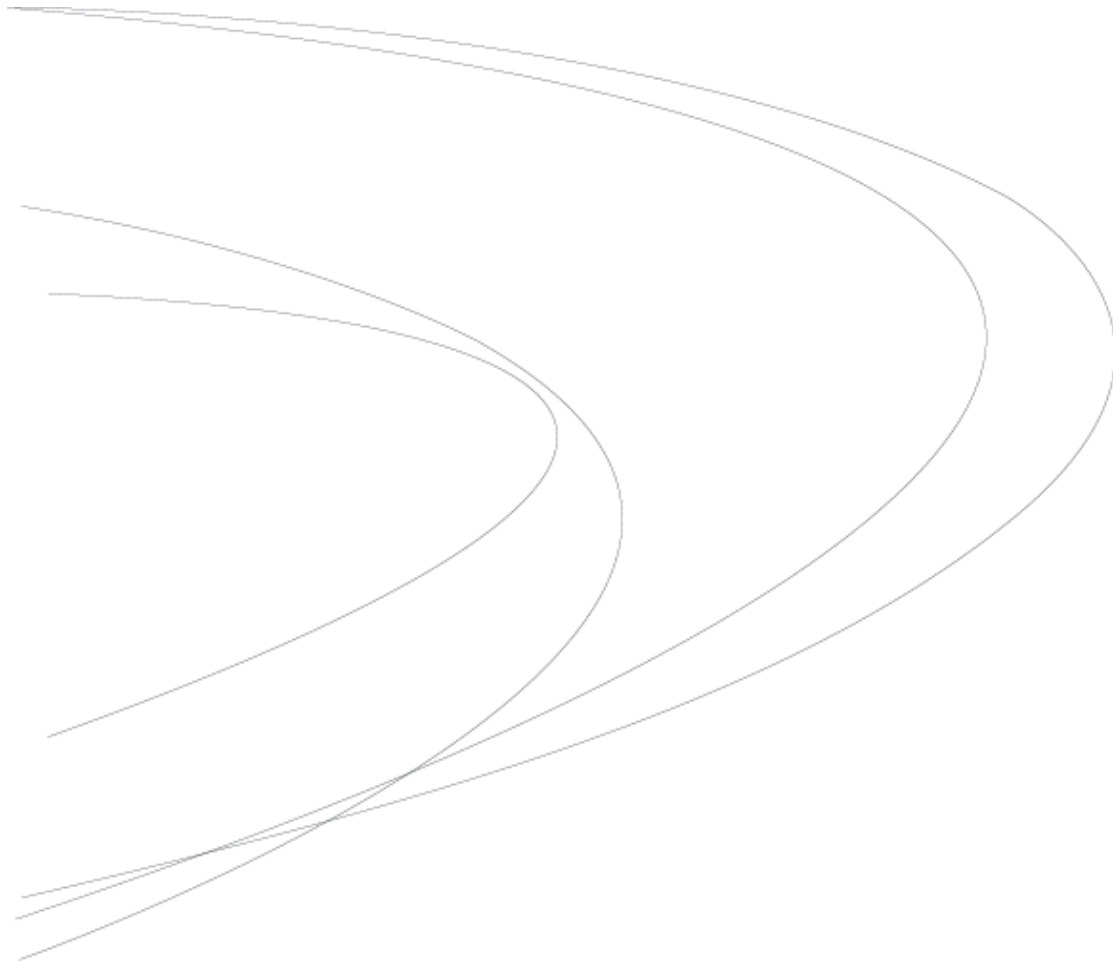
Treasurer

Refer to Appendix 1 for:

Internal Audit Bureau of New South Wales

Appendix

Appendix 1 Agencies not reported elsewhere in this Volume



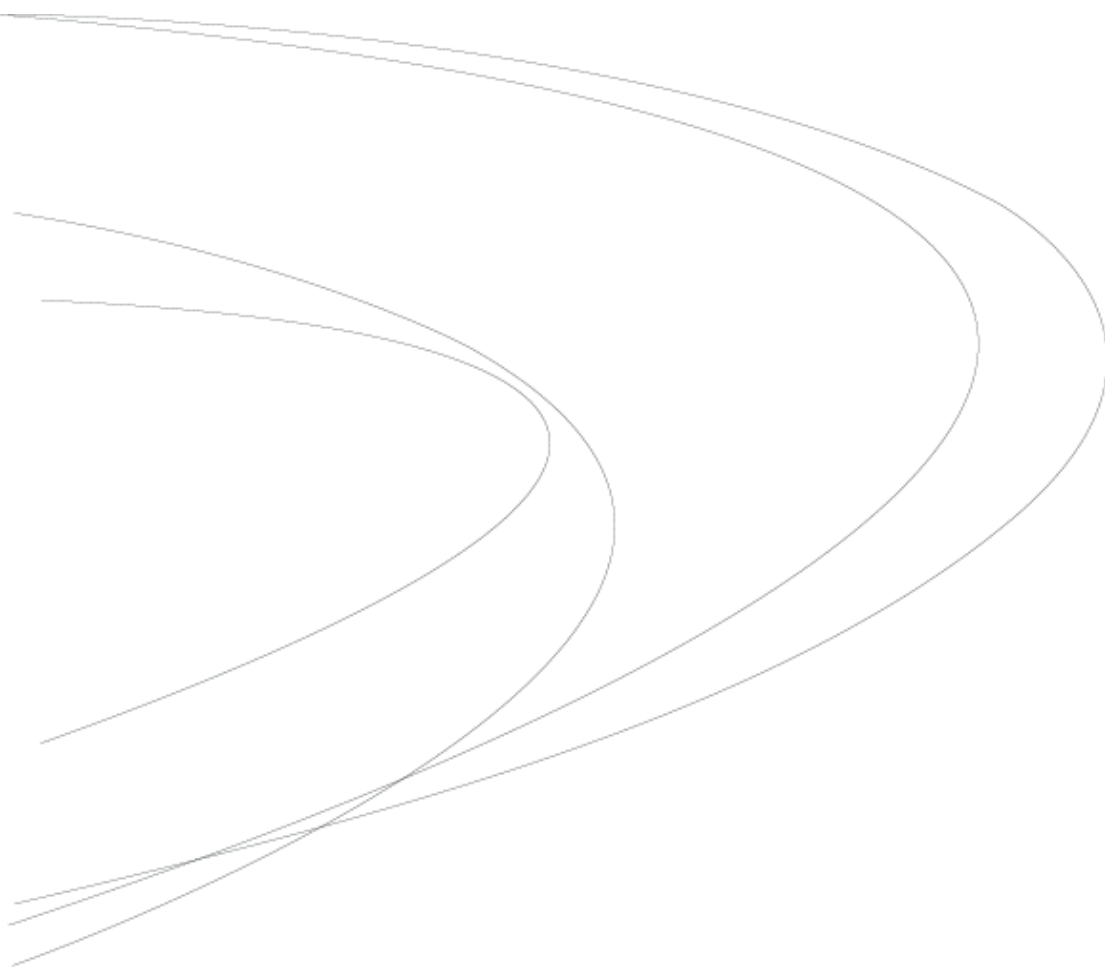
Appendix 1 - Agencies not reported elsewhere in this Volume

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity Name	Website	Period/Year Ended
Building Professionals Board	www.bpb.nsw.gov.au	30 June 2010
Fair Trading Administration Corporation	*	30 June 2010
Financial Counselling Trust Fund	*	30 June 2010
Internal Audit Bureau of New South Wales	www.iab.nsw.gov.au	30 June 2010
Motor Vehicle Repair Industry Authority	*	30 June 2010
NSW Architects Registration Board	www.boarch.nsw.gov.au	30 June 2010

* This entity does not have a website.

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