
New South Wales Auditor-General's Report

Financial Audit

Volume Six 2011

Focusing on Environment,
Water and Regional Infrastructure



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and Government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Six of my 2011 report.

A handwritten signature in black ink that reads 'Peter Achterstraat'.

Peter Achterstraat

Auditor-General

16 November 2011

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This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

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Section One

Overview

Environment Overview

Water Overview



Environment Overview

The Department of Premier and Cabinet (DPC) oversees the management of environmental issues through the Office of Environment and Heritage (OEH). OEH facilitates the activities of the Environmental Trust (ET) and the Environment Protection Authority (EPA).

The Environment Protection and Regulation Group of OEH performs the functions of the EPA. The New South Wales Government announced, on 5 October 2011, an independent Environment Protection Authority will be established with corporate services provided by OEH.

Separate commentaries on ET and EPA appear elsewhere in this volume.

Key Issues

The New South Wales Government has committed over \$1.4 billion for the environment and heritage portfolios in its 2011–12 budget.

NSW 2021

'NSW 2021 – A Plan to Make NSW Number One' (NSW 2021) sets the New South Wales Government's agenda for change. It is the government's ten-year strategic plan to guide policy and budget decision making and, in conjunction with the New South Wales Budget, deliver on community priorities. The plan includes a number of goals based around five strategies:

- rebuild the economy
- return quality services
- renovate infrastructure
- strengthen our local environment and communities
- restore accountability to government.

DPC (OEH), on behalf of the Minister for the Environment, is the lead agency for the goal 'Protect our Natural Environment' under the 'Strengthen Our Local Environment and Communities' strategy. The three broad targets are:

Protect and Restore Priority Land, Vegetation and Water Habitats

This target includes:

- manage weeds and pests
- protect and conserve land, biodiversity and native vegetation
- protect rivers, wetlands and coastal environments.

Protect Local Environments from Pollution

This target includes:

- target illegal dumping
- provide information to local communities on air quality.

Increase Renewable Energy

This target includes:

- increase renewable energy to 20 per cent by 2020.

In addition, DPC (OEH) is a significant partner for the goal 'Increase Opportunities for People to look after their own Neighbourhoods and Environments' under the 'Strengthen Our Local Environment and Communities' strategy. The four targets relevant to OEH are:

- increase the devolution of decision making, funding and control to groups and individuals for local environmental and community activities, including catchment management and land care
- by 2016, New South Wales will have the lowest litter count per capita in Australia
- increase recycling to meet the State's 2014 waste recycling targets

- minimise impacts of climate change in local communities.

Although not specifically nominated, OEH is also a proactive contributor to the achievement of a number of other strategies, goals and targets in NSW 2021.

Fines and Penalties

OEH can commence prosecutions for environmental protection offences under the authority of the EPA. OEH can also commence prosecutions for offences under native vegetation, threatened species, parks, wildlife and Aboriginal heritage provisions. Prosecutions are taken before either the Land and Environment Court or a local court. The time it takes to complete a prosecution, once commenced, is in the hands of the court.

The table below shows the number of completed prosecutions, and fines and penalties imposed, under EPA and OEH legislation over the past two years.

Year ended 30 June	2011		2010	
	Prosecutions	Fines/ penalties \$	Prosecutions	Fines/ penalties \$
Total prosecutions completed under EPA legislation	36	498,150	53	860,250
Total prosecutions completed under parks, wildlife, threatened species and Aboriginal heritage legislation	68	358,160	69	199,968
Total prosecutions completed under native vegetation legislation	2	112,650	12	342,500
Total Prosecutions Completed	106	968,960	134	1,402,718

Source: OEH annual report 2011 (unaudited).

It should be noted that the penalty resulting from a prosecution is imposed by the court, not by OEH or the EPA. The fines and penalties in the table include amounts a party may be ordered to pay, for example, to a local council for environmental restoration projects. Parties may also be required to publicise details of the offence in local newspapers, which EPA considers to be an effective deterrent.

In 2010–11, OEH commenced 145 prosecutions and completed 106, which resulted in:

- 79 convictions
- 24 matters where the offence was proven but a conviction was not recorded, and
- 3 acquittals.

Although there was a decrease in completed prosecutions in 2010–11, OEH advised it is not appropriate to draw any significant conclusions from these statistics, and that due to the nature of the court process there will always be variations in the number of completed prosecutions. To emphasise this, OEH advises that in the first quarter of 2011–12, 53 prosecutions had been completed with financial penalties of \$604,600 issued.

The largest penalty issued by the courts under EPA legislation in 2010-11 was \$105,000

The cost to remediate contaminated sites in New South Wales is largely unknown

The tables below provide further analysis of the 2010–11 prosecutions completed under OEH and EPA legislation.

2011 Fines and Penalties	Under EPA Legislation	Under Parks, Wildlife, Threatened Species, Aboriginal Heritage Legislation (OEH)	Under Native Vegetation Legislation (OEH)
Total Fines and Penalties (\$)	498,150	358,160	112,650
From total – fines (> or = \$50,000) (\$)	349,000 ¹	265,000 ²	82,500 ³
- number of charges (> or = \$50,000) No.	5	3	1
- average (> or = \$50,000) (\$)	69,800	83,333	82,500
From total – fines (<\$50,000) (\$)	149,150	93,160	30,150 ³
- number of fines (<\$50,000) No.	31	65	1
- average fines (<\$50,000) (\$)	4,811	1,433	30,150

Source: Environment Protection Authority (unaudited).

1 All fines related to 'pollution of water'.

2 Related to threatened species offences.

3 Related to 'clear native vegetation'.

The largest individual penalty issued under EPA legislation was \$105,000 for a water pollution incident in the Lake Macquarie region. The largest individual fines issued under OEH legislation were two \$90,000 penalties for damage to a habitat of a threatened species.

EPA Regulatory Action

The table below shows the key types of regulatory actions taken, and compliance tools used, by EPA during 2010–11.

Regulatory Tool	Total	Comment
Pollution Reduction Programs	163	Negotiated improvements through licence variation notices
Statutory Notices Issued	2,350	Includes, but not limited to: <ul style="list-style-type: none"> environment protection licences native vegetation threatened species conservation national parks and wildlife
Inspections of Scheduled and Non-Scheduled Premises	1,999	Majority relates to regulated facilities
Motor Vehicle Related Penalty Notices	873	Includes smoky vehicles, littering from vehicles, noisy vehicles
Non-Motor Vehicle Related Penalty Notices	280	Includes native vegetation, pollution control (air, water, noise, waste), pesticides and threatened species
New Licences and Permits issued by EPA	3,753	Includes licences and permits issued, dangerous goods, radiation control, chemicals and national parks and wildlife legislation
Warning/'Official Caution' Letters Issued by EPA	4,378	Includes native vegetation, pollution control (air, water, noise, waste), pesticides, contaminated sites, and motor vehicles

Source: Environment Protection Authority (unaudited).

These indicators are part of a suite of regulatory and other performance indicators used by the EPA to monitor effectiveness and determine actions. The level of environmental harm is a consideration for all regulatory approaches, actions and decisions taken by the EPA.

Contaminated Sites

At 30 June 2011, there were 303 contaminated sites regulated under the *Contaminated Land Management Act 1997* (the CLM Act) and *Environmentally Hazardous Chemicals Act 1985* of which 11 per cent are on State land.

At 30 June 2011, 102 sites had been successfully remediated over the 12 year life of the Contaminated Land Management program.

During 2010–11, the Environmental Trust's Council Gasworks Program awarded a total of \$506,058 for the investigation of seven former gasworks and \$1.0 million for the remediation of two former gasworks (\$500,000 each). The Trust noted the remediation costs would not be known until investigations were complete.

The Trust did not have an exact number of the potential innocent owner contaminated sites. Innocent owner sites are those where there is significant contamination not previously known or caused by the current site owner, and where it would be an onerous financial impost to remediate. Innocent owner sites will only become known once there is an issue that comes to the OEH's attention.

In 2010–11, under the Innocent Owners Scheme, the Trust provided a grant of \$440,000 for remediation of a former battery recycling site in Young.

In November 2010, the Trust approved a further \$6.0 million in funding for the Contaminated Lands Management Program for three years commencing 2011–12. This incorporates the remediation of derelict underground petroleum storage tanks.

Notified and Regulated Contaminated Sites

The tables presented over have been provided by OEH based on information currently available to them. They advised that there are potentially many undiscovered legacy sites that have not been reported or have not come to their attention as yet.

The tables cover the sites for which regulation under the CLM Act is the most appropriate approach. They exclude 1,603 cattle tick dip sites administered by the Department of Primary Industries (DPI) and approximately 500 derelict mines managed under specific programs by the former Department of Agriculture and the Office of Energy and Minerals (former Department of Mineral Resources). As a result, these are not regulated under the Contaminated Land Management Program.

The Derelict Mines Program has many thousands of hectares of degraded and contaminated lands where the mining companies abandoned a mine without cleaning up or stabilising the mine site. OEH advised that potential liabilities for cleanup under the Derelict Mines Program would be substantial and that the few million dollars allocated annually to this program are substantially inadequate. OEH advised that when the Office of Energy and Minerals ceases regulating the sites as mines, most of these sites will revert to Crown land. As such, the Derelict Mine Program may represent the largest category of contamination liability for the New South Wales Government.

Compiling a comprehensive database of all contaminated sites in New South Wales is a work in progress. Such a project would require a coordinated effort to merge a number of data sources. Local government registers of potentially contaminated land are another potential source of information but may be problematic to incorporate.

The number of sites notified or referred to OEH as being potentially significantly contaminated is 1,373, of which 5.8 per cent are on State land. The number of sites notified to OEH jumped substantially after 2008 due to changes to the notification requirements that closed a loophole allowing responsible parties to avoid reporting under the CLM Act. A substantial percentage of these are due to leaking petroleum storage systems.

Derelict mines may represent the largest category of contamination liability for New South Wales

Compiling a comprehensive database of all contaminated sites in New South Wales would be a massive project

The Environmental Trust has put in place a program to assist in the clean up of leaking petroleum storage systems which can be a significant cause of environmental contamination.

Notified Contaminated Sites

The table below shows the number and size of sites notified under the CLM Act as being potentially contaminated.

Landowner Type	Number of Sites	Area (Hectares)
Private land	1,014	25,135.50
Council	9	376.13
Crown land	38	146.65
State forests	1	47.98
Roads and Traffic Authority	3	18.35
RailCorp	3	9.27
National Parks and Wildlife	2	0.71
Total	1,070	25,734.59

Source: OEH (unaudited).

The table shows that 94.7 per cent of sites notified are on private land. OEH advised the information on the location and size of notified contaminated sites is subject to verification.

Regulated Contaminated Sites

The following table presents the sites that have been assessed under the CLM Act as being significantly contaminated.

Landowner Type	Number of Sites	Area (Hectares)
Private land	282	5,156.43
Crown land	29	120.01
National parks and wildlife	1	41.30
Council	2	0.39
Roads and Traffic Authority	1	0.37
State Forests	1	0.20
Total	303	5,318.70

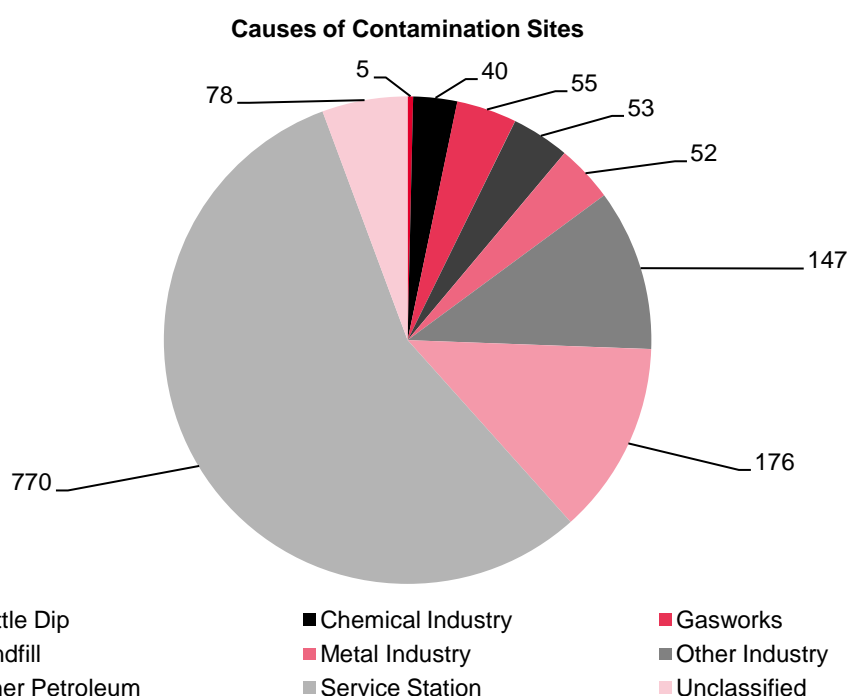
Source: OEH (unaudited).

OEH have advised the quality of data on regulated contaminated sites is good. Some contaminated sites cover land with more than one owner. Remediation costs are not routinely tracked and are only available for some specific sites.

Causes of Contamination

The chart over provides details as to the known causes of contamination. It is sourced from OEH's website and only details contaminated sites known by OEH at 31 August 2011 with regard to its regulatory role under the CLM Act.

There may be contaminated sites that have not been notified to the OEH and therefore would not be published on OEH's website. However, the contaminated sites legislation has provisions to make it an offence to not report contaminated sites.



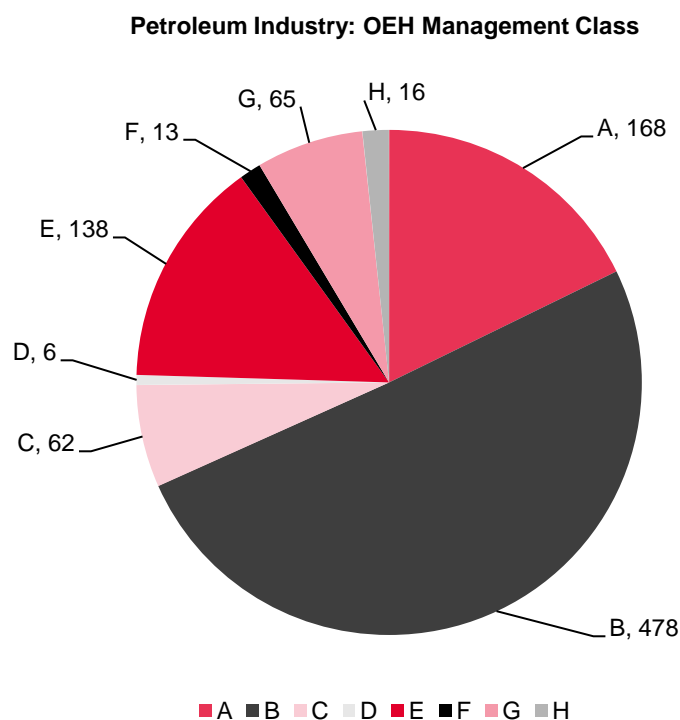
Source: OEH website.

The chart above illustrates that the largest sector responsible for contamination is the petroleum industry, representing 68.8 per cent of total identified sites, which includes 770 service stations and 176 other petroleum sites.

The 'Other Industry' category includes former tanneries, mines, explosives sites, timber treatment sites, waste oil sites, railway workshops and contaminated sites owned by government agencies.

The chart over presents the classification by OEH of each contaminated site in the petroleum industry, which includes service stations and other petroleum related sites.

- More than 50 per cent (498 of 946) of the sites are classified as 'B management class', which means that OEH is awaiting further information to progress its initial assessment of the site
- 168 sites are classified as A, where sites are yet to be determined as significant enough to warrant regulation.



Source: OEH website.

The table below explains the categories in the above chart.

OEH Site Management Class	Explanation
A	The contamination of this site is being assessed by OEH. These are sites which have yet to be determined as significant enough to warrant regulation and may result in no further regulation under the CLM Act.
B	OEH is awaiting further information to progress its initial assessment of this site.
C	The contamination of this site is or was regulated under the CLM Act. Information about current or past regulatory action on this site can be found on the OEH website.
D	The contamination of this site is or was regulated under the <i>Protection of the Environment Operations Act 1997</i> . Information about current or past regulatory action on this site can be found on the OEH website.
E	This is a premises with an operational underground petroleum storage system, such as a service station or fuel depot. The contamination of this site is managed under the <i>Protection of the Environment Operations Act 1997</i> and the Protection of the Environment Operations (Underground Petroleum Storage Systems) Regulation 2008.
F	The contamination of this site is managed by a planning approval process. The consent authority is either the local council or a government agency, such as the Department of Planning.
G	Based on the information made available to OEH to date, the contamination of this site is considered by OEH to be not significant enough to warrant regulatory intervention.
H	Initial assessment completed. The contamination of this site is to be regulated by OEH.

New South Wales Climate Change Fund

The following table presents the cumulative energy and water savings and expenditure of the Climate Change Fund (the Fund) from 2007–08 to 2010–11.

Year ended 30 June	2011 (a)	2010	2009	2008
Cumulative Energy Savings (MWh/per annum)	924,000	724,000	684,700	255,000
Cumulative Water Savings (ML/per annum)	19,800	18,700	16,700	16,200
Cumulative Program Expenditure (\$m) (b)	514.6	369.4	155.6	57.1

Source: Office of Environment and Heritage (unaudited)

a Figures shown for 2010–11 are best estimates provided by OEH.

b Does not include reimbursement payments for the Solar Bonus Scheme.

Up to 30 June 2011, Fund expenditure was \$515 million, leaving \$185 million remaining of the originally contemplated \$700 million Fund. Of this remaining balance, \$116 million is committed to approved Fund programs. The remaining balance of \$69.8 million will go towards partly meeting the Solar Bonus Scheme liability, which was \$138 million for the 18 months ended 30 June 2011.

OEH advised that the estimated cumulative energy and water savings achieved up to 2010-11 will continue in 2011-12 and 2012-13 as the benefits of the Fund's investments last for a number of years.

The Fund was established on 1 July 2007 under the *Energy and Utilities Administration Act 1987* (the Act) to support households, business and government in saving water, energy and greenhouse gas emissions. It raises contributions from electricity distributors and water utilities.

The specific functions of the Fund, as outlined in section 34F of the Act, are to provide funding:

- to reduce greenhouse gas emissions and the impacts of climate change associated with water and energy activities
- to encourage water and energy savings and the recycling of water
- to reduce the demand for water and energy, including addressing peak demand for energy
- to stimulate investment in innovative water and energy savings measures
- to increase public awareness and acceptance of the importance of climate change and water and energy savings measures
- for contributions made by New South Wales for the purposes of national energy regulation.

The Fund is also supporting emerging renewable energy technologies and helping to increase the demand for other green technologies, products and services. OEH advises that on average, investment in climate change programs was paid back in two years and two months.

Programs have included:

- \$170 million New South Wales Home Saver Rebates program which provided rebates for hot water systems, hot water circulators, rainwater tanks and dual flush toilets. This program ended on 30 June 2011 and continued to accept complying applications up to 30 September 2011
- \$150 million Energy Efficiency Strategy aimed at reducing greenhouse gas emissions through measures that lower energy consumption, reduce the impacts of rising energy prices and reduce the need for additional energy generation and distribution infrastructure

- \$30.0 million Public Facilities program providing funding to projects demonstrating water and energy savings in educational and other public facilities and of up to \$40,000 for not-for-profit community organisations to undertake simple low-cost water and energy upgrades in the facilities they use
- \$20.0 million School Energy Efficiency program which is aimed at reducing greenhouse gas emissions in high schools with measures such as energy efficient lighting
- \$20.0 million Rainwater Tanks in Schools program.

Under the legislation, the Minister for the Environment is required to produce an annual report detailing fund allocation, programs and anticipated benefits. This annual report is required to be tabled in both Houses of Parliament by the end of December each year. The annual report for the year ended 30 June 2010 was tabled in December 2010 and is available at:

www.environment.nsw.gov.au/grants/ccfannualreport.htm.

The 2009–10 report stated that one in 11 households had taken up rebates to make their home more water and energy efficient, and one in three rainwater tanks are now connected to toilets and/or washing machines.

The following is a summary of the revenue and expenditure of the Fund over the last three years.

Year ended 30 June	2011 \$'000	2010 \$'000	2009 \$'000
Revenue			
Sydney Water	23,310	33,593	36,025
Ausgrid (formerly Energy Australia)	70,997	67,354	18,866
Endeavour (formerly Integral Energy)	44,679	42,385	11,875
Essential Energy (formerly Country Energy)	34,774	32,989	9,259
Interest	6,285	4,732	5,963
Other	3,382	3,076	6,913
Treasurer's advance for Solar Bonus Scheme	27,410	--	--
Total Revenue	210,837	184,129	88,901
Expenditure			
Solar Bonus Scheme*	138,253	na	na
Home Saver Rebate Program	25,512	90,439	40,038
Coal Innovation (NSW) Fund	25,142	25,000	--
Energy Efficiency Strategy	29,881	17,581	4,086
Sydney Water Demand Management Program	6,725	16,196	18,051
Water and Energy Savings Funds	7,400	12,513	12,146
Green Business Program	2,310	4,629	2,320
Public Facilities Program	6,412	13,099	2,550
School Energy Efficiency Program	5,864	5,206	2,336
Metropolitan Water Education Program	2,000	2,000	2,000
Central Coast Water Savings Fund	404	1,477	1,953
Australian Energy Market Commission	6,365	5,516	4,219
Housing Program	3,410	6,485	5,475
Administration	6,204	6,998	2,831
Other	17,558	6,706	537
Total Expenditure	283,440	213,845	98,542

Source: OEH (unaudited).

* Amount shown included expenditure incurred from 1 January 2010 to 30 June 2011 on Solar Bonus Scheme.

In 2010–11, four providers contributed 95 per cent (96 per cent in 2009–10) of the total revenue to the Fund. Program expenditure is allocated by the Minister for the Environment in accordance with the Act and is not necessarily linked to the source of Fund revenue. Revenue collected from Sydney Water may not necessarily be spent on water saving initiatives.

Further analysis of the significant items of expenditure in the table above is presented in the following sections.

Solar Bonus Scheme

In 2010–11, \$138 million (49 per cent) of the Climate Change Fund's expenditure related to the Solar Bonus Scheme. The latest government projection for the total tariffs to be paid under the Scheme is \$1.75 billion. The Fund was originally capped at \$700 million and will now have to be significantly expanded to cope with the Scheme.

The Solar Bonus Scheme was introduced through legislation in 2009, commenced on 1 January 2010 and is legislated to run for seven years to 31 December 2016. It provides support to people who produce electricity through rooftop solar photovoltaic systems or mini wind turbines connected to the electricity grid.

From 2011–12, the majority of future revenue generated for the Climate Change Fund will be used to reimburse electricity distributors for their tariff payments to electricity retailers under the Scheme. For further information on electricity distributors and retailers refer to Volume Four of my Report. The Act sets out the purposes of the Climate Change Fund. The scheme satisfies some of the purposes, which enables payment out of the Fund under the Act. The Fund will not be able to meet all of the costs of the Scheme. The shortfall will be met by Treasurer's advances which the Fund will need to repay. Treasurer's advances were \$27.4 million for 2010–11.

Based on my November 2011 Solar Bonus Scheme Report, total tariffs to be paid under the Scheme will be between \$1.05 billion and \$1.75 billion.

Cost effectiveness of Different Energy Efficiency Programs

As mentioned in my Solar Bonus Scheme Report, only tariff costs are captured in assessing total cost of the Scheme. Other costs incurred by each electricity distributor and other agencies involved in the administration, policy direction and reporting obligations over the life of the Scheme are not considered.

The following table compares the cost effectiveness of generating additional electricity supply capacity under different energy programs:

Energy efficiency programs	Per MWh \$
Solar Bonus Scheme ¹	200-600
Long run Marginal Cost of New Generation ²	80
Energy Savings Scheme	32
Climate Change Fund	27

Source: OEH unaudited data.

1 The scheme offers customers gross feed-in tariffs of 20 or 60 cents per kWh, so for each Megawatt hour(MWh), the feed-in tariff is \$600 (\$0.6 * 1,000) or \$200 (\$0.2 x 1,000).

2 This represents the long run marginal cost of supplying additional grid electricity in New South Wales which includes new generation, transmission and distribution infrastructure and fuel costs.

The table shows that the cost of the Climate Change Fund (\$27 per MWh saved), and the cost of the Energy Saving Scheme (\$32 per MWh saved), are well below the lowest cost option for new electricity generation, which is estimated at \$80 per MWh. The cost of the Solar Bonus Scheme, of up to \$600 per MWh, is up to 7.5 times more expensive than the lowest cost option for generating new electricity, which is coal-fired power. This significant majority of participants in the Solar Bonus Scheme are on the 60 cent tariff.

The majority of Climate Change Fund expenditure will be redirected to the Solar Bonus Scheme

The Climate Change Fund is insufficient to pay for the Solar Bonus Scheme

The Solar Bonus Scheme is up to 7.5 times more expensive than the lowest cost option for generating new electricity, which is coal-fired power

Home Saver Rebate Program

The New South Wales Home Saver Rebate Program was the major area of Fund expenditure since 2008–09. The program peaked in 2009–10, but the uptake of rebates eased in 2010–11, as OEH revised payments in response to new Australian Government rebates.

OEH advises that, from commencement to 30 June 2011, the Fund has paid more than 315,000 rebates to New South Wales residents, providing the following savings:

- 384,000 tonnes of greenhouse gas emissions per annum through hot water systems and ceiling insulation funded in New South Wales homes since October 2007
- 4.4 billion litres of potable water each year through funding for water efficient washing machines, dual flush toilets and rainwater tanks.

The table below details the number of rebates paid since the introduction of the Fund.

Residential Rebates Paid Under the Climate Change Fund (cumulative) for year ended 30 June	2011	2010	2009
Hot water systems (since October 2007)	148,413	118,848	28,586
Insulation (1 October 2007 to 30 June 2009)	26,088	26,080	10,800
Rainwater tanks (since July 2007)	48,629	40,154	26,875
Washing machines (1 August 2008 to 30 June 2010)	76,632	76,223	27,765
Dual flush toilets (since 15 January 2010)	15,829	2,214	na
Hot water circulators (since 15 January 2010)	14	na	na

Source: OEH (unaudited).

na Program had not commenced.

The Home Saver Rebate program ended as scheduled on 30 June 2011. OEH has continued to accept applications until 30 September 2011 for appliances that had been purchased and installed in full by 30 June 2011. By 30 September 2011, about 330,000 rebates had been issued to New South Wales households. This will represent one in eight New South Wales households receiving a rebate. Additionally, one in three rainwater tanks installed in New South Wales is connected to a toilet and/or washing machine, compared to less than one in six in 2007.

Coal Innovation NSW Fund

The New South Wales Government has committed \$100 million over four years to the Coal Innovation NSW Fund. A contribution is made each year for research into, and development of, low emissions coal.

Public Facilities Program

Under the program, \$17.4 million is being provided for 71 demonstration projects and \$10.2 million for 444 Community Savers projects. These projects are estimated to save 5.7 billion litres of water, 273,000 Megawatt hours of electricity and 261,700 tonnes of greenhouse gas emissions in the first ten years.

Demonstration projects show how water and energy savings work in practice in public or educational facilities. Community Savers projects provided funding up to \$40,000 for not-for-profit community organisations to undertake water and energy saving upgrades of their facilities.

Demand for
Biobanking
Ecosystem credits
exceeds credits
available

New South Wales Energy Efficiency Strategy

In 2010–11, expenditure on this strategy increased by \$12.3 million. The purpose of the strategy is to reduce greenhouse gas emissions by lowering energy consumption, reducing the impact of rising energy prices and delaying the need to construct additional energy generation and distribution infrastructure. The main measures undertaken under the strategy are:

- \$20.0 million Energy Efficiency Training Program, delivered in partnership with the Department of Education and Communities, to build energy efficiency skills in the New South Wales workforce
- \$63.0 million Home Power Savings Program which provides free home power assessments and power savings kits to 220,000 low income families
- Sustainability Advantage Energy Saver – energy efficiency for medium to large organisations under which \$20.0 million is being provided to subsidise energy audits and other technical advice to help businesses identify and implement energy savings
- Energy Efficiency for Small Business which provides small businesses that use up to approximately \$20,000 in electricity a year or have up to about ten full time employees with support and subsidies for energy efficiency improvements
- \$15.0 million Energy Efficiency Community Awareness Program which provides practical advice on saving energy at home and work.

Discontinued Funds

Last year, I recommended OEH finalise the implementation of the revised funding agreement for Climate Change Fund recipients.

In response to the recommendation, OEH revised the funding agreement to make it a 'deed', which has been used for grants to commercial entities since November 2010. Amendments have also been made to specific clauses to give OEH some scope to recoup money spent on projects that are not completed.

In addition to the deed, if there is any indication that a company may not have the financial capacity to undertake and successfully complete a project, a due diligence will be conducted.

Biodiversity Banking and Offsets Scheme (Biobanking Scheme)

Recommendation

The Office of Environment and Heritage should investigate ways to address the availability of Ecosystem Biobanking Credits and the lack of market interest for Species Credits.

Information obtained from OEH is summarised in the following table:

Type of Biobanking Credits	Credits Created	Credits Sold/Retired	Credits Available	Potential Interest Registered
Ecosystem Credits ¹	2,356	1,272	1,084	21,179
Species Credits ²	22,652	-- ³	22,652	4,935

1 Ecosystem Credits can only be used to offset biodiversity impacts in the same ecological community, or in another community of the same formation that has an equal or greater percentage of land cleared and the same predicted threatened species.

2 Species Credits can only be used to offset biodiversity impacts on the same threatened species.

3 No transactions have occurred related to Species Credits.

The table above shows that there has been a substantial level of interest by developers and other parties in purchasing Ecosystem Biobanking credits. OEH maintains a public register of interest on its website. The 'potential interest' column shows that there is demand for credits that is currently not being supplied by the market. The credits in demand on the credits wanted register do not match the type of credits currently available. OEH should investigate ways to stimulate this supply.

How the Biobanking Scheme Works

Credits are created by the landholder, who establishes a Biobank site and commits to enhancing and protecting the site's biodiversity values. Once credits are issued to the landholder, they can immediately be sold to any buyer.

The Biobanking Scheme creates a market for the credits to enable an interested buyer, such as a developer, to buy the credits to offset impacts from their development and to meet the 'improve or maintain' test for biodiversity values.

When biodiversity credits are first sold, a part of the sale proceeds must be deposited into the Biobanking Trust Fund (the Fund), which is managed by the Environmental Trust (the Trust).

This Fund provides annual payments to the landholder to enable them to carry out the management actions defined in the Biobanking agreement, including fencing, weed and pest control, revegetation, erosion control and rubbish removal. The performance of these activities is monitored by OEH.

Six Biobanking agreements had been approved up to October 2011, covering 267 hectares in Western Sydney. This created 2,356 ecosystem credits and 22,652 species credits. A total of 1,272 ecosystem credits have been purchased, and either sold or retired, from three of the six Biobank sites. No species credits have been sold or retired. Over \$2.4 million had been deposited in the Fund.

The market value of biodiversity credits varies due to the characteristics of the Biobank site and the existing supply of, and demand for, credits of the market. The price is calculated based on a combination of the minimum price determined by the management costs for that site, and any additional return to the landholder, as negotiated between the landholder and the buyer.

The following table shows the price of the 1,272 ecosystem credits which have been sold (at prices ranging from \$2,550 to \$9,500).

Biobank site	Credits sold by landholder	Sale proceeds deposited in the fund per credit \$	Sales proceeds to landholder per credit \$	Total sale proceeds per credit \$
St. Marys Towers	607	900	1,650	2,550
Brownlow Hill	150	5,900	2,100	8,000
Brownlow Hill	96	5,900	3,600	9,500
Beulah*	4,191	1,950	--	1,950

* To date, only part of the credits generated from Beulah were sold. Beulah is owned by the Historic Houses Trust, a government agency.

OEH advised that Scheme participation was always expected to be slow in its initial stages and that uptake in 2010-11 was the highest, with five out of six agreements approved. For the Scheme to be considered successful, participation rates will need to increase.

OEH advise that barriers to participation include:

- the ready supply of credits
- the cost of Scheme entry for landowners
- the difficulty of matching credits demanded and available
- the high environmental standard that Biobanking requires
- uncertainty over the ways OEH can enforce agreement provisions.

OEH is undertaking a review of the Scheme which will consider all of these matters.

Aboriginal communities have a particular concern about the potential power of OEH to seize land under a Biobanking agreement where the landholder consistently fails to meet their agreement obligations. This concern has been addressed by clarifying that, in relation to

Aboriginal owned lands, any transfer of the land to another party would require a specific Act of Parliament.

OEH remains optimistic that more landholders will sign up to the Biobanking Scheme once more transactions have occurred. Also, there are a number of Biobanking assessments currently at various stages of being finalised.

OEH recently advised:

- Biobanking is showing potential to achieve cost savings for government by having offsets funded and managed externally by developers and private landholders
- Biobanking shows potential to improve the economic efficiency of offsets for developers:
 - developers do not have to manage the offsets in the long-term
 - the purchase of Biodiversity credits can be cheaper than the purchase and gifting of land where the offset outcomes are equivalent (i.e. the Biobank site and gifted land are of similar area and quality)
 - Biobanking's clearer standards for assessment and offsetting should in time permit better forecasting of associated costs and reduce negotiating time with approval authorities.

In July 2008, the Trust was appointed, by the former Minister for Climate Change and the Environment, as manager of the Fund. The Fund is an element of the Biobanking Scheme established under Section 127A of the *Threatened Species Conservation Amendment (Biodiversity Banking) Act 2006*. The Trust's appointment has now been extended until July 2013.

Bushfire Hazard Reduction in Parks and Reserves

The following table shows the number of hectares treated by prescribed burning during 2010-11.

Results	2010-11	2009-10	2008-09
Burning (in hectares)	56,060	93,424	59,202

Source: RFS Annual Report Updated figures (unaudited).

The National Parks and Wildlife Service (NPWS) within OEH completed 159 prescribed hazard reduction burns in 2010-11, covering 56,060 hectares. While this was lower than the previous record year it was well above the current five and ten year averages for hazard reduction treatments. In addition, 510 mechanical hazard reduction treatments covering 2,032 hectares were undertaken on parks and reserves.

The 2010-11 year was one of the wettest springs and the fifth wettest summer on record for New South Wales. This resulted in a reduced hazard reduction program and the very low number of wildfires over the bushfire danger period. In 2010-11, 78 wildfires covering 1,080 hectares were recorded in parks and reserves, significantly below the 2009-10 number of 327 wildfires covering 121,941 hectares, and well below both the five and ten year annual averages for wildfires.

OEH manages approximately 25 per cent of the fire-prone land in New South Wales but, on average, completes over 50 per cent of the total hazard reduction burning program in the State.

Based on the trend of bushfires in parks and reserves over the last forty years, OEH advises that conditions appear to be conducive for extreme bushfire threats in the coming summer. The risk is especially high in the Western Division of New South Wales where relatively high levels of grass fuel are now available over vast areas of the western slopes and plains. As these grass fuels cure, especially following extreme fire weather conditions, they will represent a major threat to rural areas. At present, much of eastern New South Wales is still being affected by rainfall events and many areas of parks and reserves have been too wet during winter and spring for effective prescribed burning treatments.

Penalties for
Aboriginal
heritage offences
can be up to \$1.1
million

At 31 October 2011, NPWS had completed 120 burns treating an area of 20,815 hectares since 1 July 2011. An additional 417 hazard reduction burning activities are scheduled to treat more than 160,000 hectares on parks and reserves over the remainder of 2011–12. These treatments are consistent with reserve fire management strategies and implementation will depend on suitable weather conditions.

Aboriginal Culture and Heritage

Amendments to the Aboriginal culture and heritage provisions in the *National Parks and Wildlife Act 1974* (the NPW Act) and the related regulations came into force on 1 October 2010. The amendments strengthened the protection of Aboriginal culture and heritage in New South Wales. Potential penalties for Aboriginal heritage offences increased, in some cases, from \$22,000 up to \$1.1 million for companies.

Aboriginal culture and heritage reform

OEH advised the New South Wales Government has commenced a 12 month Aboriginal Culture and Heritage Broad Reform process to review existing provisions in New South Wales legislation that concern the protection of Aboriginal cultural heritage.

The New South Wales Government is also in the process of establishing an Aboriginal Culture and Heritage Reform Working Party to be chaired by OEH. The working party is to provide advice to the Minister for the Environment, the Minister for Heritage and the Minister for Aboriginal Affairs on options for stand-alone legislation to protect and manage Aboriginal culture and heritage.

The provisions of the NPW Act affecting Aboriginal Culture and Heritage, including Aboriginal Places, will be reviewed as part of the broad reform process.

Aboriginal Places

The declaration of Aboriginal Places is a way of recognising and legally protecting Aboriginal cultural heritage. Any land in New South Wales that is deemed to have special significance to Aboriginal culture, including public and private land, can be declared an Aboriginal Place. The OEH 'Aboriginal Places Policy' sets out the process for assessment and declaration of such places.

OEH advised that the NPW Act is silent on the management of Aboriginal Places once they have been declared. To address this, OEH recently approved 'Guidelines for the Development of Management Plans for Declared Aboriginal Places', however these are not statutory documents and therefore are not mandatory. The guidelines direct staff, landowners and Aboriginal Place applicants in developing management plans for declared or proposed places.

Culture and Heritage Contributions to Aboriginal Affairs

OEH advise that there is not enough resources and funds allocated to close the gap on certain Aboriginal issues, such as land claims and cultural heritage management programs. Also that it is not always clear where the responsibility for these issues reside within government.

Historically, it has been difficult to prove the effectiveness of investing in culture and heritage programs because of an inability to develop comprehensive key performance indicators that demonstrate improvements to Aboriginal wellbeing and close the gap targets.

To assist with this issue, OEH has developed and is trialling the Aboriginal Community Wellbeing Toolkit in partnership with Aboriginal Affairs NSW. This toolkit aims to inform the Aboriginal community action planning process within the Partnership Community Program. The toolkit is a resource to support local level community self assessment and prioritisation to inform community negotiation and planning in partnership with the government.

OEH advises that the toolkit supports a number of the recommendations I made in my performance audit 'Two Ways Together – NSW Aboriginal Affairs Plan', such as:

- the Partnership Community Program has merit and should be supported by providing ongoing training for the community governance bodies
- a process be developed which monitors New South Wales Government compliance with the requirement to work with the community governance bodies within the Partnership Community Program
- Aboriginal people know best the needs and aspirations of their local communities.

My full performance report is available at:

http://www.audit.nsw.gov.au/ArticleDocuments/143/213_Two_Way_Together_Aboriginal_Affairs.pdf.aspx?Embed=Y

National Australian Built Environment Rating System (NABERS)

Recommendation

The Office of Environment and Heritage should report on compliance, by budget dependent New South Wales Government agencies, with the National Australian Built Environment Rating System on its website and in its annual report.

Last year, I recommended OEH report on compliance by budget dependent New South Wales Government agencies with the National Australian Built Environment Rating System targets under the New South Wales Government Sustainability policy on its website and in its annual report. OEH advised that it is up to each agency to report their performance in this regard.

NABERS is a national initiative, managed by OEH across Australia, which rates a building on the basis of its operational impact on the environment.

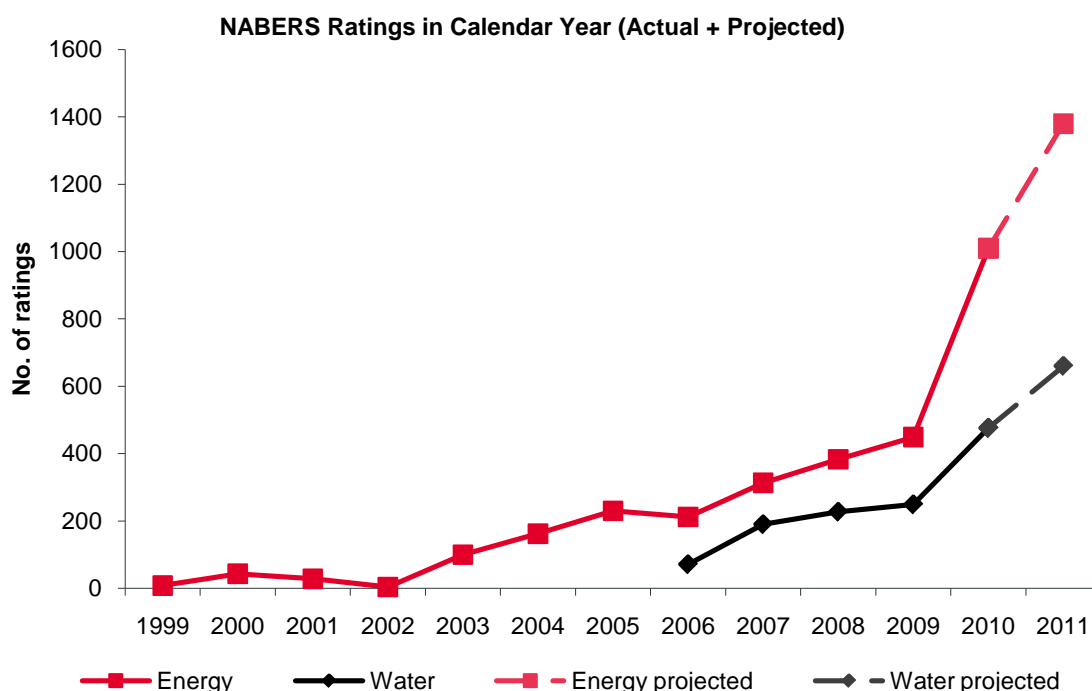
Though ratings are voluntary, under the Office Building Strategy of the New South Wales Government Sustainability Policy, office buildings over 1,000m², owned or tenanted by budget dependent agencies, are required to:

- obtain an accredited NABERS Energy and Water rating
- achieve and maintain a NABERS rating of 4.5 stars for energy and water by 1 July 2011, where cost effective.

The cumulative percentage of buildings in New South Wales that have been rated with NABERS Energy has increased from 62 per cent in 2009–10 to 68 per cent in 2010–11. This is above the national average of 60 per cent. The increase is partly due to the implementation of the Australian Government's Building Disclosure program since November 2010. This program requires office buildings larger than 2000m² to disclose a NABERS energy rating at the point of sale or lease.

Only 3.1 per cent
of New South
Wales
Government
buildings comply
with water
efficiency targets
in the States
Sustainability
Policy

The growth in the number of Australian buildings with a NABERS rating each year is demonstrated in the following chart.



Source: Office of Environment and Heritage information.

It was projected that by 2011 there would be over 1,300 buildings with a NABERS Energy rating and over 600 buildings with a NABERS Water rating.

A summary of all New South Wales Government agency buildings which had a current NABERS Energy and/or Water rating, as published on the NABERS website at the time of compiling this report, is provided in the following table:

	Water Rating			Energy Rating	
	NSW government buildings	NSW Non-government buildings		NSW government buildings	NSW Non-government buildings
4.5 stars or over	2	23	4.5 star or over	35	102
4 stars	0	19	4 stars	8	56
3.5 stars	5	46	3.5 stars	4	53
3 stars	1	26	3 stars	4	34
2.5 stars	2	24	2.5 stars	2	28
2 stars	0	8	2 stars	4	20
1.5 stars	1	3	1.5 stars	1	16
1 star	0	3	1 star	0	6
0 stars	2	5	0 stars	5	36
Not Available	51*	198	Not Available	1*	4
Total	64	355	Total	64	355

Source: NABERS website: www.nabers.com.au.

* These buildings have an energy rating but no water rating, or vice versa.

The table above shows that only 3.1 per cent (2 out of 64) and 54.7 per cent (35 out of 64) of New South Wales Government agency buildings were in compliance with the Office Building Strategy of the New South Wales Government Sustainability Policy for water and energy respectively.

NABERS ratings expire after 12 months, and the New South Wales Government's Sustainability Policy does not require that they be renewed annually. OEH advised it is possible that agencies have obtained a rating to comply with the policy and allowed it to expire and hence be no longer listed on the NABERS website.

Office premises that have obtained an energy rating may not be required to obtain a water rating, for example, where agencies do not pay water bills (and therefore cannot obtain a rating). Ratings can also be obtained independently, so buildings with a current energy rating may have previously obtained a water rating which has subsequently expired.

These factors suggest that the statements regarding levels of compliance may not be accurate as it is difficult to get a snapshot of the NABERS website to determine compliance with the policy. It would assist OEH if agencies confirmed their compliance annually on their websites and in their own reporting.

It is difficult to determine from the information on the NABERS website how many of the New South Wales Government buildings are budget dependent. OEH should report on compliance by budget dependent New South Wales Government agencies with NABERS on its website and in DPC's annual report.

Waste Reduction and Purchasing Policy

Recommendation

Agencies must meet their waste and recycling reporting obligations to the Office of Environment and Heritage.

Last year, I recommended that agencies should meet their Waste Reduction and Purchasing Policy (WRAPP) reporting obligations to OEH.

Recycling and reuse of waste is important for maximising the use of our resources and minimising our carbon footprint. OEH is responsible for coordinating the WRAPP across other agencies and State owned corporations. WRAPP data is collected by OEH every two years for inclusion in the 'Whole of Government WRAPP Progress Report'. The next report will be for the two years ended 30 June 2011 and the data was due from agencies by 31 August 2011.

OEH has been working closely with agencies to improve the data and while only 26 agencies (39 per cent) submitted their 2010–11 WRAPP Progress Report by 31 August 2011, at the end of October 2011 OEH had received 95 per cent (63 out of 66) of agencies' WRAPP reports. This is a significant improvement on the previous reporting period when, at the end of October 2009, only 49 out of 72 (68 per cent) had been received.

In June 2008, I tabled a performance audit report on Reuse and Recycling of Waste by the New South Wales Public Sector. I concluded that WRAPP was a good example of success in implementing, supporting, monitoring and public reporting on a sector wide policy. I also found that most agencies had done well in implementing WRAPP. A copy of the report can be located at the following link:

http://www.audit.nsw.gov.au/ArticleDocuments/140/181_Recycling_Reuse_Waste.pdf.aspx?Embed=Y.

State of the Environment Report

The *Protection of the Environment Administration Act 1991* requires OEH to prepare a State of the Environment Report (SoE) for New South Wales every three years. The seventh and most recent SoE was issued in December 2009. OEH prepares the SoE, which is a whole-of-government report, with guidance from the State of the Environment Advisory Council, from material provided by a wide range of government agencies, other organisations and independent scientific experts. Where appropriate, OEH will seek to align the issues with relevant measures and targets in the New South Wales Government's NSW 2021 – A Plan to Make NSW Number One.

Environmental Indicators

The SoE 2009 identified 30 environmental issues within the seven key themes. Of the 30 issues, 21 have environmental indicators that assist in assessing environmental conditions. In total, there were 86 indicators contained in the SoE 2009.

The SoE 2009 assesses each environmental indicator in terms of three classifications: its status; trend since the SoE 2006; and the availability of information used to make an assessment against the indicator. For SoE purposes, it is considered critical to provide an assessment of data quality and/or availability as an indication of the reliability or confidence in the assessment of the data.

Poor Environmental Condition

In my 2010 report, I included the following table which provided details of the 18 indicators reported in the SoE 2009 where the environmental condition is described as poor (or coded red). The code red indicators are of particular concern, however, in some cases they relate to broader issues than State wide issues.

Where the trend is described as deteriorating (i.e. the condition of the indicator is getting worse from its current status) in the table below, we have provided an update of the current status and proposed initiatives in the paragraphs following the table.

It must be noted that trend information is based on a consideration of change over time. This is even more challenging than assessing status, especially in natural resource data. There are areas where data has not been compiled consistently across the whole State for an extended period of time.

OEH advised that for some indicators, it is difficult and expensive to collect data, and historically there have been many gaps and considerable variability in data quality. Some indicators will react rapidly to management intervention and trends will become apparent. In many cases, however, changes to resource conditions are slow and may only reveal robust trends after several decades.

The table below details 'code red' indicators from the SoE 2009.

Theme	Indicator	Trend	Information Availability
Climate Change	Annual mean temperature	Deteriorating	Good
	Sea level rise	Deteriorating	Good
	Atmospheric concentrations of greenhouse gases	Deteriorating	Good
	Annual per capita greenhouse gas emissions	Improving	Good
Human Settlement	Energy supply by source	Stabilising	Good
	Energy use	Deteriorating	Good
	Transport energy consumption (total)	Deteriorating	Limited
	Vehicle kilometres travelled (total and per person)	Recovering	Reasonable

Theme	Indicator	Trend	Information Availability
Water	Available water supply (in storage)	No change	Good
	Waterbird abundance and diversity	No change	Good
	Fish assemblages	Deteriorating	Reasonable
	Wetland condition	Deteriorating	Limited
	Sustainable Rivers Audit (SRA) overall health index of Murray Darling Basin rivers	Unknown	Reasonable
	Phosphorus	Stabilising	Reasonable
Biodiversity	Distribution of birds: sustainability	Deteriorating	Limited
	Threatened species: historical loss of distribution	Unknown	Limited
	Threatened species: sustainability	Unknown	Limited
	Widespread invasive species	Unknown	Limited

Source: SoE 2009 report (unaudited).

Preparation of SoE 2012 is underway and information and data for many of the above indicators will be collated and analysed prior to the publication of the next report in late 2012. OEH is not the data custodian for all of the indicators referred to above and as such is unable to provide an update on the current status of some of these indicators separate to the SoE reporting cycle.

OEH provided an update in the following sections for those indicators where information is publicly available.

Annual mean temperature

Current data shows that the trend of this indicator is still deteriorating. A full analysis will be provided as part of SoE 2012.

Sea level rise

Current information shows that the global mean sea level continues to increase. CSIRO data and modelling indicate that sea levels are still increasing off New South Wales. This increase supports a continued deteriorating trend for this indicator. A full analysis will be provided as part of SoE 2012.

Atmospheric concentrations of greenhouse gases

Current information from Australia's National Greenhouse Gas Inventory indicates that national emissions are roughly stable, and slightly lower than the peak of 2008–09. However, a breakdown for New South Wales is not available at present.

New South Wales is working to promote energy security to constrain emissions of greenhouse gases. This is done by diversifying the State's energy supply mix, reducing coal dependence, moving to lower emission energy sources and increasing energy efficiency. This is also expected to contribute to the national renewable energy target, which will be further supported by a Renewable Energy Action Plan for New South Wales that is under development.

Energy use

Current data shows that the trend of this indicator is still deteriorating. The energy security activities New South Wales will be undertaking is expected to help constrain the growth of energy consumption within the State.

Transport energy consumption

Current data shows that the trend of this indicator is still deteriorating. New South Wales is implementing actions for transport that reduce energy consumption, greenhouse gas emissions and air pollutants, and support healthy people and communities. These actions include integrating the planning of our cities and transport systems to improve access to jobs and services, reducing motor vehicle emissions through cleaner fuels and cars, improving public transport and encouraging walking and cycling.

Fish assemblages

New information regarding this indicator is presently unavailable. A full analysis of this issue will be provided as part of SoE 2012.

Wetland condition

While yet to be formally assessed, the condition of wetlands in inland New South Wales has improved markedly, mainly due to increased rainfall and river flows marking the end of drought since the last SoE Report. A full analysis will be provided as part of SoE 2012.

Distribution of birds: sustainability

This is a long-term indicator for which new information is not available. The present status is therefore unknown.

Water Overview

The following government entities provide water services:

Department

Department of Premier and Cabinet through its division the NSW Office of Water (NOW).

State Owned Corporations

- Hunter Water Corporation (Hunter Water)
- Sydney Water Corporation (Sydney Water)
- State Water Corporation (State Water).

Statutory Bodies

- Sydney Catchment Authority (SCA)
- Catchment Management Authorities (13 entities)
- Water Administration Ministerial Corporation (WAMC)
- Office of the Hawkesbury-Nepean
- Dams Safety Committee.

Water Supply Authorities

- Cobar Water Board
- Gosford Water Supply Authority, part of Gosford City Council
- Wyong Water Supply Authority, part of Wyong Shire Council.

Except for Sydney Water Corporation, Gosford Water Supply Authority, Wyong Water Supply Authority and WAMC, the audits of the above-mentioned entities' financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports. The audit of Sydney Water Corporation's financial statements resulted in a qualified audit opinion because the corporation had entered into contractual arrangements concerning four water filtration plants but did not recognise any assets or liabilities relating to the contracts.

At the time of preparing this report the audits of Gosford Water Supply Authority, Wyong Water Supply Authority and WAMC are incomplete. The audits of Gosford Water Supply Authority and Wyong Water Supply Authority are linked to the audits of the Gosford and Wyong City Councils, which are not audited by the Audit Office of New South Wales, and the results of these audits were not available.

The WAMC audit is not yet complete because the client had not finalised its financial statements at 30 June 2011.

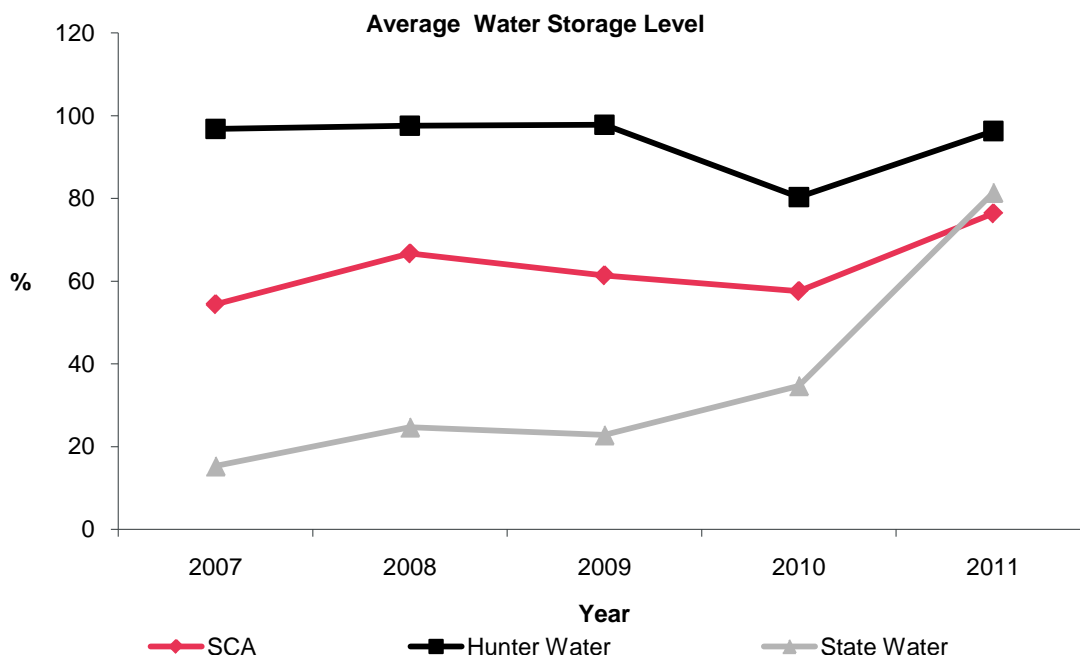
Separate commentary on some of the above entities appears elsewhere in this report.

Key Issues

Water Storage

Heavy rainfall in 2010–11 resulted in increased average water storage levels compared to previous years.

The graph below shows the average water storage level of SCA, Hunter Water and State Water for the past five years.



Source: SCA, Hunter Water, State Water (unaudited).

Hunter Water returned to above 95 per cent average water storage level at 30 June 2011. Hunter Water advises us that its water storages can diminish very quickly but they can also recover quickly following good rainfall.

The 18.8 per cent increase in SCA's average water storage level since 30 June 2010 also reflects the impact of Sydney Water's desalination plant, restrained water demand and higher rainfalls during the year compared with prior years. The desalination plant is operating at close to capacity. Desalinated water cannot be stored in large volumes which reduces demand for SCA's stored water.

Restrained water demand is also discussed in the Sydney Water comment, which is later in this volume. Sydney Water believes the recent drought contributed to changed consumer behaviour. Consumers are continuing with water saving behaviours even though water restrictions have been lifted.

Long-term resource variability is a more significant issue for State Water's water storage significantly increased from an average 24.4 per cent of capacity in the past four years to 81.4 per cent of capacity at 30 June 2011. The high rainfall levels are more aligned with State Water's long-term average expectations.

Response to the Queensland Floods

Major dam owners in New South Wales have taken an active role in the development of New South Wales' response to the Interim Report of Queensland Floods Commission of Inquiry by participating and contributing to the NSW response being coordinated by the NSW State Emergency Management Committee as the lead agency. The outcomes of the workshop are not yet finalised.

SCA advised us that its dams are for water supply and are not designed to mitigate flooding. The SCA has examined the recommendations in the report. The SCA has incident protocols in place with the State Emergency Service for notification to downstream residents if the SCA's dams start to spill.

State Water monitors weather patterns and predicted significant rainfalls. It considers issues of dam safety and water security but it also provides for limited flood mitigation capability by taking into account prevailing and forecast weather conditions.

Hunter Water advised the report has minimal to no impact to the corporation due its two dams being for urban water supply and not designed to mitigate flooding:

- Chichester dam, built in 1920, has no flood capacity and is too small to accommodate a flood. However, Hunter Water has high flow protocols for notification to downstream residents working in conjunction with the State Emergency Service.
- Grahamstown dam is an off-river storage which has a large flood capacity. However, this would only be used during a probable maximum flood where the probability of a maximum flood is 1 for every 1,000,000 years.

The report, released on 1 August 2011, covers matters on flood preparedness. It allows for the early implementation of recommendations before Queensland's wet season next summer. The final report will be delivered on 24 February 2012.

Changes in Water Industry Entities and Businesses

The *Central Coast Water Corporation Act 2006* commenced in late 2010. Under this Act, the water supply and sewerage activities of Wyong Shire and Gosford City Councils will merge into a single entity, the Central Coast Water Corporation.

The merger is expected to increase efficiencies in areas such as planning, environmental issues and drought management whilst maintaining benefits for the Central Coast community.

The corporation has not yet obtained an operating licence to supply water and other water related services on the Central Coast.

Performance Issues

Financial Performance

For the four largest New South Wales water suppliers and distributors, the key financial ratios are shown below.

Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation		Sydney Catchment Authority		State Water Corporation	
	2011	2010	2011	2010	2011	2010	2011	2010
Current ratio (a)	0.5	0.3	0.4	0.2	0.6	0.6	0.8	0.9
Return on average equity (%) (b)	4.8	8.1	1.3	3.0	5.2	6.4	5.5	13.1
Return on average assets (%) (c)	6.3	7.0	2.8	4.1	6.2	7.1	5.1	12.4
Interest cover (times) (d)	1.7	1.9	1.6	2.4	2.5	2.6	2.7	9.6
Debt to equity ratio (%) (e)	120.3	116.8	39.8	39.3	66.7	67.2	40.9	29.4
Dividend paid (\$m)	232.0	205.0	34.1	30.4	31.2	26.8	3.1	--
Tax paid (\$m)	131.2	87.9	17.6	13.3	22.6	16.1	--	(0.5)
Contributions to government (\$m)	363.2	292.9	51.7	43.7	53.8	42.9	3.1	(0.5)

Calculated as:

- Current assets divided by current liabilities (current liabilities include taxation liabilities and exclude employee provisions payable after 12 months).
- Profit after income tax expense divided by average equity.
- Profit before tax and interest expense divided by average assets.
- Operating profit plus interest and tax expense divided by gross interest expense.
- External debt divided by equity (net assets).

Targets for these key ratios are not set for the New South Wales water industry, however, targets for individual agencies are agreed with the shareholder ministers.

Consistent with prior years, all entities have a current ratio of less than one. A ratio under one suggests that an entity may have difficulty paying its obligations as and when they fall due. However, an entity can manage its cash flows with a lower ratio if its revenues and expenditures are highly predictable and it can quickly source funds. This is true for these entities, which have access to funds from a 'come and go' facility with the New South Wales Treasury Corporation, as well as approved borrowing facilities, which enables them to pay obligations as they fall due.

The return on average equity during the year ended 30 June 2011 declined across all entities.

The decline in the return on average equity at Sydney Water is due to a combination of increased finance costs and an asset revaluation which increased average equity. In prior years, finance costs had less impact on profit because Sydney Water could capitalise the costs into the cost of the desalination plant whilst it was in construction. Sydney Water fully commissioned the desalination plant in June 2010.

Hunter Water's profitability was lower than the prior year because it wrote off costs of \$24.9 million when the former government decided to not proceed with the Tillegra Dam. This cost had the impact of reducing the return on average equity.

State Water recorded the most significant decline in return on average equity compared with the prior year. The decline is due to the reversal of an impairment loss of \$68.7 million in 2009–10 which did not recur in 2010–11. Notwithstanding this decline, State Water achieved the highest return on average equity of the four entities.

The decline in State Water's interest cover is because the prior year result was impacted by the reversal of an impairment loss. This item did not recur in the current year.

Sydney Water's debt to equity ratio is high because it is funding assets via debt. The cost of the desalination plant, approximately \$1.8 billion, was funded by debt.

State Water's debt to equity ratio continues to increase because it has embarked on significant dam upgrades in accordance with the requirements of the Dams Safety Committee, which are debt funded.

Sydney Water's credit rating was recently reviewed by Moody's Ratings. They have proposed a 'stand alone' rating of Baa2 for Sydney Water. This is equivalent to a Standard & Poor's 'BBB' credit rating and represents a downgrade from the Standard & Poor's credit rating of 'BBB+' (Moody's rating of Baa1) issued in 2008. The outlook for the rating is stable; reflecting the stability of Sydney Water's operating profile and cash flow. Sydney Water's board has established a planned credit rating of BBB+ no later than 2016. The capital structure needed to achieve the higher credit rating will provide more resilience against any adverse change in the economic environment.

Dividends for Sydney Water are determined by agreement with the shareholder ministers. For Hunter Water, SCA and State Water, dividends are a percentage of profit after income tax. Because State Water incurred a loss in the prior year, it paid no dividend in the current year.

Non-financial Performance

Non-financial performance measures are comparable for the entities below. Because the businesses of Sydney Catchment Authority and State Water are slightly different to the entities below, we have not compared their non-financial performance measures here. Refer to the commentary on these entities later in this report.

Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation	
	2011	2010	2011	2010
Volume of water consumed (kilolitres per residential property)	197.0	204.6	174.9	184.0
Water quality complaints per 1,000 properties	0.6	0.7	2.8	3.4
Average frequency of unplanned water interruptions per 1,000 properties	176.2	189.2	258.4	255.5
Water main breaks and leaks per 100 km of water main	27.5	28.4	31.0	32.0
Sewer main breaks and chokes per 100 km of sewer main	57.0	56.0	59.9	58.2

Source: Sydney Water, Hunter Water (unaudited).

The volume of water consumed is trending down even though drought restrictions reduced. Sydney Water believes that customers have changed their behaviour and are using water more sparingly.

Sewer chokes vary over time with trees roots causing most sewer breaks and blockages. In dry years, tree roots seek moisture more aggressively and enter pipes through joints and cracks.

The number of main breaks is influenced by a number of factors, including soil type, rainfall, pipe material and the age and condition of the network.

Other Issues

Competition

At 30 June 2011, 15 (10 at 30 June 2010) licences had been issued under the *Water Industry Competition Act 2006* (the Act) for recycling projects.

Sydney Desalination Plant Pty Ltd has two licences under the Act, as a network operator for the provision of water service and as retail operator for the provision of water service.

The licence holders are involved mainly with recycling projects. The *Water Industry Competition Act 2006* commenced in August 2008. The aim of the Act is to encourage competition in relation to the supply of water and the provision of sewerage services and to facilitate the development of infrastructure for the production and reticulation of recycled water.

Water Pricing

In response to my recommendations last year, NOW is developing systems and processes specific to meeting the IPART's reporting requirements. NOW has finalised its annual IPART report for the 2010–11 year and submitted it to IPART. As the 2010 IPART Determination did not take effect until 1 July 2011, this is a trial report submitted on a voluntary basis in order to help ensure NOW is able to meet the IPART reporting requirements for the 2011–12 year.

IPART determines water prices for:

- Sydney Water Corporation
- Hunter Water Corporation
- State Water Corporation
- Sydney Catchment Authority
- NSW Office of Water (part of DECCW)
- Gosford City Council
- Wyong Shire Council.

Cobar Water Board sets its water prices.

Operating Licences

Sydney Water Corporation, Hunter Water Corporation, State Water Corporation and Sydney Catchment Authority hold operating licences, which allow them to fulfil their functions.

IPART administers the operating licences. Its administration of operating licences is designed to:

- maintain and improve service quality and the reliability of supply
- protect consumers
- assess the impact of the industry on the environment
- encourage compliance through ongoing auditing of performance.

It achieves these objectives through regular review of the operating licences and annual audits of performance.

All of the above entities achieved high levels of compliance with the licence conditions. Refer to the individual entities' comments for more detailed information.

The Governor has the legislative power to grant operating licences.

Water Accounting

The Water Accounting Standards Board (the Board) issued an Exposure Draft of Australian Water Accounting Standard (ED AWAS 1) in August 2010. It sets out requirements for the recognition, quantification, presentation and disclosure of items in a General Purpose Water Accounting Report. The final (AWAS), is due for release at the end of 2012.

When the Water Accounting Standard is finalised, it is likely to apply to:

- Hunter Water Corporation
- Sydney Water Corporation
- State Water Corporation
- Sydney Catchment Authority
- other entities, organisations or individuals that hold or transfer water, hold or transfer rights or other direct or indirect claims to water, has inflows and/or outflows of water or has responsibilities relating to the management of water.

When the standard is finalised, affected entities, both public and private sector, will produce audited water accounts. The water accounts will identify sources and quantities of water, how much water was used and how much water is on hand at year end.

In 2010–11, the Bureau of Meteorology used the ED AWAS 1 to guide the preparation of the National Water Account 2010.

The Board is working with the Auditing and Assurance Standards Board to develop a standard for Assurance Engagements on General Purpose Water Accounting Reports. The Board expects to publish a final standard at the end of 2012.

Section Two

The Legislature

The Legislature

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THE LEGISLATURE

Separation
payments of \$5.1
million paid to
122 support staff
of former
members of
parliament

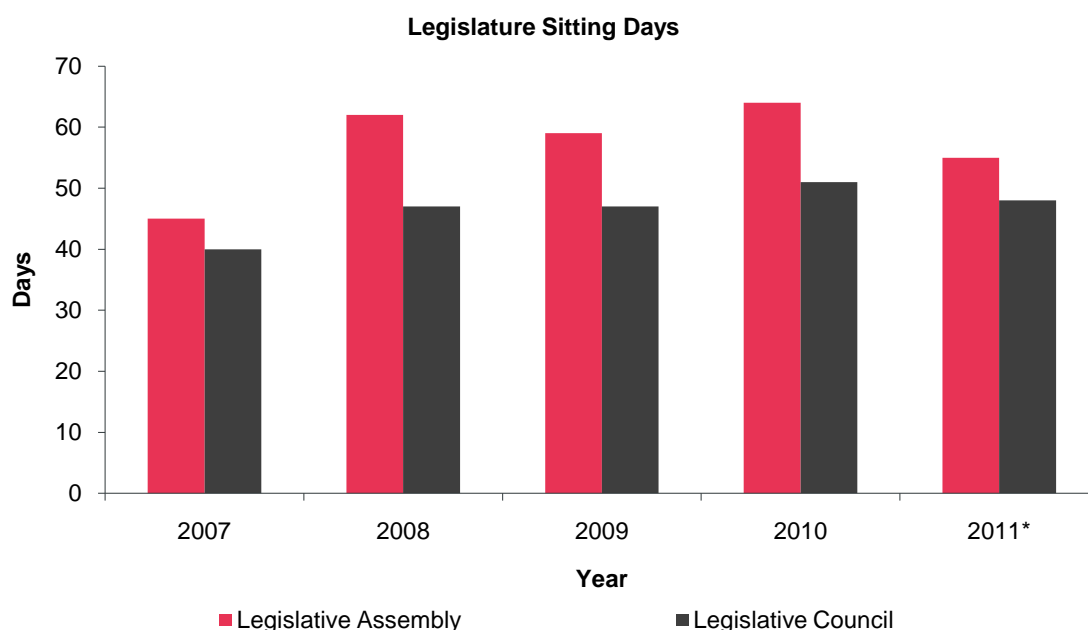
Audit Opinion

The audit of the Legislature's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The 55th Parliament of New South Wales commenced on 3 May 2011. Several members of the 54th Parliament did not return for the 55th Parliament. As a result, 122 former members' support staff had their services terminated and received \$5.1 million in separation payments.

Performance Information



* an election was held in this year.

Year ended 30 June	Legislative Assembly					Legislative Council				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Sitting Days Held	55	64	59	62	45	48	51	47	47	40
Sitting hours	443	475	430	469	388	409	389	361	343	324
Bills										
Introduced	99	114	103	121	122	18	35	24	38	11
Received from Council	12	28	15	21	--	na	na	na	na	na
Received from Assembly	na	na	na	na	na	81	107	92	106	103
Passed	103	101	96	118	105	92	125	108	128	107
Disposed of/lapsed	5	15	10	--*	32	18	2	11	11	1
Questions Asked										
On notice (written)	2,203	3,869	3,518	3,005	1,545	649	1,211	1,333	1,849	585
Without notice	472	517	480	482	384	1,031	980	825	908	718

Source: The Legislature (unaudited).

na not applicable.

* Note: nine bills were rejected at the Agreement in Principle Stage.

Parliamentary sitting days are determined by the government, with the number of sitting days reflecting the legislative and policy programs of the government. As a result of the March 2011 State election, the Legislative Assembly's number of sitting days decreased by nine days from the previous year to 55 days. While this was below the five year average of 57 days, it was higher than the number of sitting days when the last State election took place in 2006–07. The Legislative Council's sitting days exceeded the five year average of 47 days.

The number of questions asked on notice reduced significantly in 2010–11. In the Legislative Assembly, there were only 2,203 on notice questions (3,869 in 2009–10).

The Legislature's activities and costs are linked to the activities of the parliament. The Legislature views comparisons with other jurisdictions as not meaningful due to structural differences in the method of operations.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related	60,468	56,258
Other expenses	72,112	70,489
Operating Expenses	132,580	126,747
Operating Revenue	6,232	5,435
Net Cost Of Services	126,348	121,312
Government contributions	132,577	120,056
Surplus/(Deficit)	6,229	(1,256)
Other Comprehensive Income		
Net increase asset revaluation reserve	252	5,355
Total Comprehensive Income	6,481	4,099

Employee related expenses included salaries and wages of \$47.4 million (\$42.6 million), \$4.4 million paid to contract staff (\$4.2 million) and \$5.1 million (nil) in separation payments. The average separation payment was \$42,000 per person.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	4,246	4,362
Non-current assets	190,529	184,698
Total Assets	194,775	189,060
Current liabilities	10,549	11,312
Non-current liabilities	47	50
Total Liabilities	10,596	11,362
Net Assets	184,179	177,698

Non-current assets increased following \$11.5 million spent on upgrading or acquiring new plant and equipment and intangible assets. This included:

- \$3.9 million replacing computer and office equipment in electorate offices
- \$1.1 million upgrading sections of Parliament House
- \$1.1 million upgrading the Legislature's information management system.

Abridged Service Group Information

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

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Chamber and Committee Support	16,169	16,678	16,014	--	--
Members' Support	101,243	102,847	98,747	--	--
Community Access	6,883	6,823	6,551	--	--
Non-attributable	--	--	--	184,179	177,798
Total All Service Groups	124,295	126,348	121,312	184,179	177,698

Note: The assets and liabilities of the Legislature are such that they cannot be attributed to specific groups.

The Legislature exceeded its budgeted net cost of services by \$2.1 million, or 1.7 per cent. This was largely due to the separation payments to members' support staff. The Legislature received a Treasurer's Advance to fund this unbudgeted expense.

Legislature Activities

The Legislature provides the Parliamentary Government for New South Wales. Its main function is to make laws or amend existing laws for the peace, welfare and good government of the State in all matters not specifically reserved for the Australian Parliament. It also has a role in holding Executive Government accountable for its use of taxpayers' moneys, powers and resources.

Under the doctrine of the separation of powers, the Parliament of New South Wales, as the Legislature, is a sovereign body that is distinct from the Executive Government.

The parliament fulfils its role as a representative and legislative body by ensuring that:

- the two Houses and their committee systems operate effectively to debate and pass legislation and complete inquiries with recommendations to government
- there is increased awareness of the role and functions of the parliament, including community access to members and Parliament House.

The Legislature is responsible for providing administrative and support services for parliamentary representation comprising the Members of the Legislative Assembly and the Members of the Legislative Council. Support services comprise House Departments and the Department of Parliamentary Services. The Department of Parliamentary Services provides support and ancillary services to members in the use of their entitlements and for the operations of the two Houses and the Parliamentary House building.

For further information on the Legislature, refer to www.parliament.nsw.gov.au.

Section Three

Agencies with Individual Comment

Minister for the Environment

Minister for Finance and Services

Minister for Planning and Infrastructure

Minister for Primary Industries

Minister for Regional Infrastructure and Services

Premier

Centennial Park and Moore Park Trust

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CENTENNIAL PARK AND
MOORE PARK TRUST

Audit Opinion

The audit of the Centennial Park and Moore Park Trust's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Trust, amongst other things, maintains and improves Trust lands, including Centennial Parklands, and encourages the use and enjoyment of those lands. It made a surplus of \$2.7 million in 2010–11 (loss of \$549,000 in 2009–10). Visitor numbers are continuing to increase.

Performance Information

Park Visits

The table below shows visits have increased steadily over the past five years.

The net cost to government per visit has decreased over the last four years, indicating the Trust has been able to generate revenues, control costs and reduce reliance on government funding over this period. The Trust continues to focus on enhancing existing revenue streams through its marketing and business development strategies.

Year ended 30 June	2011	2010	2009	2008	2007
Annual Number and Costs per Visit					
Annual number of visits ('000s)	6,330	6,146	5,967	5,790	5,620
Cost per visit including depreciation (\$)	3.93	4.06	4.40	4.21	4.10
Cost per visit – maintenance (\$)	0.50	0.49	0.57	0.53	0.56
Net cost to government per visit – recurrent funding (\$)	0.23	0.27	0.30	0.32	0.39

Source: Centennial Park and Moore Park Trust Annual Report (unaudited).

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Sale of goods and services	8,728	9,116
Investment revenue	9,394	9,151
Grants and contributions	7,646	5,154
Other revenue	1,808	973
Total Revenue	27,576	24,394
Personnel services	5,378	5,554
Other expenses	19,466	19,389
Total Expenses	24,844	24,943
Surplus/(Deficit)	2,732	(549)
Other Comprehensive Income		
Gain on revaluation of property, plant and equipment	14,087	37,978
Total Other Comprehensive Income	14,087	37,978
Total Comprehensive Income	16,819	37,429

The Trust's revenue increased by \$3.2 million compared to the previous year. This was largely attributable to improved returns from the Trust's commercial and investment activities, as well as increases in government capital grants and contributions.

Total expenses decreased by \$99,000 primarily due to lower employee related costs and better management of golf course operations.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	14,165	11,239
Non-current assets	791,186	777,015
Total Assets	805,351	788,254
Current liabilities	5,914	4,926
Non-current liabilities	4,685	5,395
Total Liabilities	10,599	10,321
Net Assets	794,752	777,933

Non-current assets comprise land and buildings, plant and equipment and infrastructure systems, including trees which are valued at \$180.8 million (\$176.2 million in 2010).

Trust Activities

The Trust is constituted under the *Centennial Park and Moore Park Trust Act 1983*. It is subject to the control and direction of the Minister for the Environment and Heritage. Its principal objectives are to:

- maintain and improve Trust lands
- encourage the use and enjoyment of Trust lands by promoting and increasing the recreational, historical, scientific, educational, cultural and environmental value of those lands
- maintain the right of the public to the use of Trust lands
- ensure the protection of the environment within Trust lands.

For further information on the Trust, refer to www.cp.nsw.gov.au.

Centennial Parklands Foundation

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CENTENNIAL PARKLANDS
FOUNDATION

A controlled entity of the Foundation is in breach of the *Public Finance and Audit Act 1983*, because it has not prepared financial statements

Audit Opinion

The audit of the Centennial Parklands Foundation's financial statements for the year ended 30 June 2011 resulted in a qualified audit opinion within the Independent Auditor's Report.

It is impractical for the Foundation to maintain an effective system of internal control over donations it receives until their initial entry into the financial records. Accordingly, I was unable to express an opinion as to whether all donation revenues received by the Foundation were recorded. Last year's audit opinion was similarly qualified.

Operational Snapshot

The Foundation is a charitable organisation established by the Centennial and Moore Park Trust. It received grants and donations of \$572,000 in 2010–11.

Other Information

Consolidation of Controlled Entity

Recommendation

The Foundation's controlled entity, Centennial Parklands Foundation Limited, needs to prepare financial statements as required by the *Public Finance and Audit Act 1983*.

Last year, the Foundation established a company limited by guarantee, Centennial Parklands Foundation Limited (the Company). The Company was not consolidated into the Foundation's financial statements for the year ended 30 June 2010 because the Foundation was unsure whether it controlled it. Also, the financial results of the company were considered immaterial to the Foundation.

In response the recommendation I made last year, the Foundation hired an external consultant to determine whether it controlled the Company. The consultant concluded the Foundation did indeed control the Company.

The transactions and balances of the Company were consolidated into the Foundation's 2010–11 consolidated financial statements. However, the Company did not prepare its own financial statements for the year ended 30 June 2011. As a small Company limited by guarantee, the *Corporations Act 2001* does not require the Company to prepare and lodge financial statements with ASIC. However, the *Public Finance and Audit Act 1983* requires the Company to prepare separate financial statements.

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Revenue	1,301	980
Expenses	1,012	817
Surplus	289	163
Net assets (at 30 June)	1,148	859

Revenue included grants and donations of \$572,000 (\$409,000 in 2009–10) and goods and services received free of charge from Centennial Park and Moore Park Trust of \$209,000 (\$178,000).

Expenses included grants and donations to the trust of \$620,000 (\$486,000) which included \$113,000 (\$180,000) towards the Centennial Parklands tree replacement program.

At 30 June 2011, the Foundation had 329 members (344).

Foundation Activities

The Foundation was established as an independent charitable organisation by the Centennial Park and Moore Park Trust under the 'Centennial Parklands Foundation Deed' in July 1998. It is subject to the control and direction of the Minister for the Environment and Heritage. Its principal objectives are to:

- preserve the natural environmental value of Centennial Parklands
- encourage and promote enjoyment of recreation and activity within natural surroundings
- recognise and appreciate the natural and historical significance of Centennial Parklands
- enhance and promote all other aspects of the environmental benefits provided by Centennial Parklands to be enjoyed by all members of the public
- provide information, education and research about the natural environment.

For further information on the Foundation, refer to www.yourparklands.org.au.

Environment Protection Authority

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ENVIRONMENT PROTECTION
AUTHORITY

EPA – an
independent
authority with a
Chairperson and
Chief
Environmental
Regulator to
regulate polluting
industries

Audit Opinion

The audit of the Environment Protection Authority's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Environment Protection Authority (EPA) has primary responsibility for protecting the New South Wales environment, including human health. The Environment Protection and Regulation Group of the Office of Environment and Heritage (OEH) perform the functions of the EPA. OEH is an office within the Department of Premier and Cabinet (DPC).

EPA's mission is to guide the community to achieve a healthy environment in a productive New South Wales. EPA's Board provides independent oversight of environmental regulation in New South Wales and advice on policy and programs.

EPA expended \$92.0 million on its operations in 2010–11.

Key Issues

Changes to the EPA

In a media release on 5 October 2011, the New South Wales Premier announced the establishment of EPA as an independent, statutory authority,

The *Protection of the Environment Legislation Amendment Bill 2011* (the Bill) was passed by the Legislative Assembly on 13 October 2011 and was introduced into the Legislative Council on the same day. The Bill provides for the appointment of a Chairperson of EPA (who will have the function of managing and controlling the affairs of the EPA) and a reconstituted Board.

The Chairperson will be assisted by a new position of Chief Environmental Regulator, who will be responsible for the day-to-day running of EPA and its activities.

Other Information

Licence breaches at Orica Kooragang Island site

According to EPA's public Register, Orica, or the previous licensee Incitec, reported 131 pollution licence breaches at the Kooragang site since 2000. This site was previously owned and operated by Incitec and the licence changed to Orica on 1 May 2003.

Licensees are required to report all instances of non-compliance, regardless of their actual or potential environmental impact. Some breaches may be technical or administrative in nature, such as power failure to monitoring equipment or a missed sample.

The EPA advised that, in relation to incidents that have occurred since the beginning of 2000, Incitec was fined \$90,000 in 2003 for the pollution of waterways and in 2005 Orica was fined \$10,500 for the discharge of nitric acid into the Hunter River. In 2004, a penalty notice was issued for a discharge of oil and grease.

The EPA advised that a prosecution of Orica has commenced in the Land and Environment Court for an alleged further release of nitric acid into the environment in October 2010. Further, there are ongoing investigations of pollution incidents in March, June and August 2011.

The New South Wales Legislative Council established a committee on 25 August 2011 to conduct an inquiry into the Kooragang Island Orica chemical leak on 8 August 2011. This inquiry will focus on:

- the response of Orica following the leak
- the New South Wales Government's response following the incident.

Government response to the O'Reilly Report

The government has accepted all the recommendations contained in the O'Reilly Report into the environmental incident at the Orica plant at Kooragang Island on 8 August 2011. In addition, it has formulated a reform package that includes both legislative and non-legislative initiatives.

The government has committed to:

- modernise and strengthen the EPA as an independent authority headed by a statutory independent Chairperson supported by a reconstituted Board and a new position of Chief Environmental Regulator
- clarify the EPA's powers to conduct mandatory environmental audits
- expand community 'right to know' by requiring industry to make its monitoring results available to the public and expanding the information on EPA's public register
- require notification of pollution incidents to the EPA, NSW Health, NSW Fire and Rescue, WorkCover and the relevant local council
- require immediate notification of pollution incidents rather than the existing 'as soon as practicable'
- double the maximum penalty for failing to report an incident immediately to \$2.0 million
- require companies with environmental licences to have pollution incident management response plans in place which include community notification and communication protocols
- allow the EPA to require polluters to pay for independent expert advice or studies into the human health (on the advice of the Chief Health Officer) and/or environmental impacts that are needed to better understand the effects of a particular incident and inform the response
- establish an industry funded network of environmental monitors for communities adjacent to the heavy industrial precinct of the Lower Hunter
- improve procedures to require improved public notification, community engagement and emergency planning and response exercises around pollution incidents
- establish a Newcastle community consultative committee as a pilot which could be applied in other areas where industrial and residential areas are nearby
- undertake an industry and community 'round table' in Newcastle.

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Revenue	92,095	82,742
Expenses	92,095	82,742
Surplus	--	--
Net Assets (at 30 June)	--	--

EPA is currently fully integrated within the operations of OEH and uses OEH management, legal and administrative staff to fulfil its statutory function. Prior to the Public Sector Employment and Management (Departments) Order 2011, EPA was fully integrated within the operations of the former Department of Environment, Climate Change and Water (DECCW).

EPA has no material assets or liabilities. Although its activities are fully integrated within OEH, as a statutory body, EPA is required to produce separate audited financial statements.

Results of EPA are derived based on a methodology which relies on the net cost of service of relevant service groups and the percentage of staff in these service groups attributed to EPA activities during the year. OEH estimated that about 40 per cent of its legal staff engaged in EPA activities in 2010-11. This mainly involved regulatory and enforcement activity in relation to the environment protection legislation.

EPA incurred expenditure in the following service group areas:

Year ended 30 June	2011 \$'000	2010 \$'000
Environment and Heritage Policy and Programs*	11,325	12,829
Environment Protection and Regulation	75,981	65,631
Scientific Services	4,450	3,921
Other	339	361
Total	92,095	82,472

* formerly Climate Change and Policy Programs.

A description of each program and its objectives is as follows:

- Environment and Heritage Policy and Programs

This service group leads the State's policy response on environmental issues and provides specialist advice. The group delivers environmental programs and provides management of items of heritage significance to the State.

- Environment Protection and Regulation

This service group delivers targeted regulation and enforcement across a range of environment protection, conservation, native vegetation and Aboriginal heritage areas.

- Scientific Services

This service group provides scientific information, advice, research, investigation, monitoring, analysis, and reporting on a range of climate change, natural resource, environmental and cultural heritage matters.

EPA Activities

EPA as a separate legal entity was created in 1991 and has an independent role in deciding whether to take prosecutions. The existing statutory body, with its board, was created by the *Protection of the Environment Administration Act 1991*.

It is subject to the control and direction of the Minister for the Environment.

As stated earlier, on 5 October 2011, the New South Wales Premier announced the establishment of EPA as an independent, statutory authority, separate from OEH.

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

Audit Opinion

The audit of the Environmental Trust's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Environmental Trust supports environmental projects that do not receive funds from the usual government sources. The Trust's main responsibility is to make and supervise the expenditure of grants. The Trust is administered by the Office of Environment and Heritage (OEH), an office within the Department of Premier and Cabinet (DPC).

In July 2008, the Trust was appointed as fund manager for the Biobanking Trust Fund (the Fund). The Fund is an element of the Biodiversity Banking and Offsets Scheme established under the *Threatened Species Conservation Amendment (Biodiversity Banking) Act 2006*. OEH administers the activities of this scheme. Refer to the Environment Overview for further details of the scheme's operations.

The Trust paid grants totalling \$88.7 million in 2010–11.

Other Information

Trust Activities

During 2010–11, the Trust disclosed the following achievements in its annual report:

- the Trust became responsible for administering \$50.0 million of the \$97.0 million River Red Gum Program support package. This package will help the timber industry in the Riverina area of southwest New South Wales after it became permanently protected under the *National Park Estate (Riverina Red Gum Reservations) Act 2010*. The package includes:
 - providing \$36.5 million to support restructuring and help displaced workers in the timber industry
 - providing \$12.0 million to help communities in the Riverina, under the Regional Employment and Community Development Fund, to create new employment opportunities
 - providing \$1.5 million for affected Forest New South Wales staff in Deniliquin who work on relevant river red gum related projects
- the Trust provided \$10.0 million for waste and sustainability projects to help New South Wales in waste avoidance and resource recovery
- The Trust awarded \$16.2 million in competitive grants to community groups, state and local government, industry and Aboriginal communities
- the Trust provided \$2.0 million to OEH for the Growth Centres Biodiversity Offset Program, which has protected 320 hectares of land over the last three years
- the Trust funded eight new properties under the Land Acquisition Program, which targets important conservations issues, including:
 - building foundations for the reserve system in Western New South Wales
 - improving park boundaries
 - protecting Aboriginal cultural values
 - preserving coastal lowlands and wetlands.

Environmental Grants Administration

My Environmental Grants Administration performance audit, released in August 2009, assessed whether environmental grants were aligned with government objectives, allocated appropriately and achieved the required results for the people of New South Wales. The audit focussed on three grant programs administered by OEH (the former Department of Environment and Climate Change) and seven programs administered by the Trust.

In my report I noted aspects of good grants management, particularly in the Trust. My report recommended the Trust:

- reduce red tape and delays when administering grants
- monitor grants and evaluate funding programs in a timely way
- ensure new programs are properly planned before they are rolled out
- as a matter of priority, build on initiatives to collect meaningful information about the aggregate outcomes achieved through funding
- monitor grant outcomes to ensure performance milestones are achieved before making payments
- regularly evaluate grants programs to see what is working and what can be done better and publish the findings.

My full report is available at:

http://www.audit.nsw.gov.au/ArticleDocuments/141/190_Environmental_Grants_Administration.pdf.aspx?Embed=Y.

In October 2010, the Trust provided a report to the Public Accounts Committee on the status of implementation of my recommendations. This report explained that progress relating to my recommendations was ongoing and, in summary, indicated that the Trust was:

- exploring cost effective ways to better use web technologies
- making ongoing progress in ensuring new programs are properly planned before they are rolled out
- making ongoing progress in collecting meaningful information about the aggregate outcomes achieved.

The Trust's report advised that further progress in these areas would provide greater control over grant administration.

In the Public Accounts Committee's 'Seventh Report on the examination of the Auditor-General's Performance Audits' (December 2010), the committee strongly encouraged the Department of Premier and Cabinet to ensure grant making agencies tie payments to clear performance measures in all instances. This would help ensure stated objectives of the program are achieved and the public receives value for money.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Grants and subsidies	88,704	77,471
Other expenses	2,021	1,749
Total Expenses	90,725	79,220
Total Revenue	2,094	3,970
Net Cost of Services	88,631	75,250
Government contributions	92,066	78,368
Surplus	3,435	3,118
Other Comprehensive Income	--	--
Total Comprehensive Income	3,435	3,118

The net cost of services in 2010–11 was \$88.6 million compared to a budget of \$94.7 million. The variance of \$6.1 million was largely due to delays in expenditure relating to 2010–11 grant programs.

Grant payments were delayed on three main programs because:

- the River Red Gum Forestry Industry Restructuring project had lower demand than anticipated
- unavoidable project delays were identified in the last year of the Urban Sustainability Program which resulted in delayed final grant payments
- the government decided not to proceed with the Marine Parks buy out of fishing licences.

In 2010–11, the Trust paid \$88.7 million (\$77.5 million) in grants and subsidies to:

- State and local government authorities, \$81.1 million (\$71.5 million)
- community groups, universities and industry \$7.4 million (\$3.5 million)
- the Commonwealth Government, \$242,000 (\$412,000).

The maintenance of the Trust's accounting records and provision of administrative services is provided by the OEH. The fair value of such services is charged to the Trust.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	30,055	17,237
Total Assets	30,055	17,237
Current liabilities	12,058	2,675
Total Liabilities	12,058	2,675
Net Assets	17,997	14,562

Current assets and current liabilities both increased as the liability for certain grant payments was recognised, but remained unpaid as at 30 June 2011. These mainly related to the River Red Gum support package (in particular Forestry Industry Restructuring) mentioned above. Of the \$9.3 million increase in current liabilities, \$7.1 million was a River Red Gum accrual for the period December 2010 to April 2011, which was paid in July 2011.

At 30 June 2011, the Trust had grant commitments totalling \$51.7 million (\$49.5 million) relating to its environmental initiatives. These commitments are to be financed through future funding by the New South Wales Government.

Biobanking Trust funds are excluded from the Trust's financial statements as they cannot be used by the Trust to make grant payments to achieve its own objectives.

Trust Activities

The Trust was established under the *Environmental Trust Act 1998* to support the public and private sectors to:

- encourage and support restoration and rehabilitation projects
- promote research into environmental problems of any kind
- promote environmental education in both the public and private sectors
- fund the acquisition of land for the national parks estate
- fund the declaration of areas for marine parks and for related purposes
- promote waste avoidance, resource recovery and waste management (including funding enforcement and regulation and local government programs)
- fund environmental community groups
- fund the purchase of water entitlements for the purpose of increasing environmental flows for the State's rivers and restoring or rehabilitating major wetlands.

The Trust also reimburses New South Wales Treasury for approved forestry restructuring payments under the *Forestry Restructuring and Nature Conservation Act 1995*.

The Trust is a statutory body chaired by the Minister for the Environment. Members are the Director-General of DPC (represented by the Chief Executive of OEH) and representatives from the Local Government and Shires Associations, the Nature Conservation Council and New South Wales Treasury.

For further information on the Trust, refer to
www.environment.nsw.gov.au/grants/envtrust.htm.

Taronga Conservation Society Australia

Audit Opinion

The audits of Taronga Conservation Society Australia (Taronga) and its controlled entity's financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Operational Snapshot

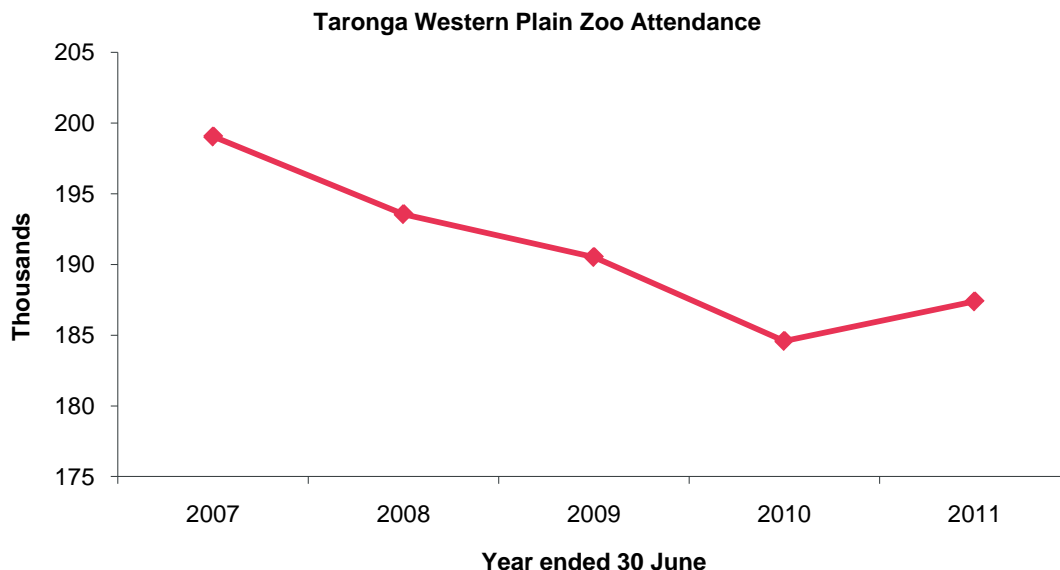
Taronga operates in two locations, Taronga Zoo in Sydney and Taronga Western Plains Zoo in the central New South Wales region of Dubbo.

Taronga raised \$15.1 million through its foundation during the year, a 128 per cent increase on the prior year. Other notable achievements included:

- winning the 2010 Qantas Australian Tourism Award as the Best Major Attraction
- investing more than \$26.8 million in capital development and maintenance
- the birth of a third Asian elephant calf and the first female calf born in Taronga Zoo
- the completion of the upgrade of the heritage listed main entry building at Taronga Zoo
- over 160,000 school students participating in curriculum-based environment programs at both Zoos, representing over 12 per cent of New South Wales students
- hatching the first ever Galapagos Tortoise in the Australasian region in March 2011
- increasing Zoo Friends membership by 28 per cent to 64,969.

Performance Information

Visitors



Paid admissions at Taronga Western Plains Zoo improved by 1.5 per cent in 2010–11 following a four year decline in attendance. There has been a concerted effort to ensure the long-term sustainability of this zoo, including a new partnership between the Society and the Herald newspapers in 2010–11. This involved promotional materials and inserts in newspapers.

Paid admissions
at Taronga
Western Plains
Zoo improved in
2010–11 following
a four year decline

Paid admissions at Taronga Zoo decreased by 13.3 per cent in 2010–11

Taronga's 'Roar & Snore' has been well received by the public

The following table shows the number of visitors and revenue for the past five years:

Year ended 30 June	Actual				
	2011	2010	2009	2008	2007
Taronga Zoo					
Paid attendance	1,080,225	1,247,205	1,085,207	1,078,865	1,148,403
Free of charge attendance	275,638	272,444	276,134	260,491	218,926
Taronga Western Plains Zoo					
Paid attendance	187,380	184,585	190,519	193,554	199,044
Free of charge attendance	29,737	33,869	38,589	37,062	42,333
Total Attendance	1,572,980	1,738,103	1,590,449	1,569,972	1,608,706
Admissions Revenue (\$'000)	33,066	36,484	28,219	26,353	24,761

Source: Taronga Conservation Society Australia (unaudited).

Paid admissions at Taronga Zoo decreased by 13.3 per cent in 2010–11 after a record high attendance in 2009–10 following the birth of two Asian elephant calves. A third Asian elephant calf 'Tukta' was born in November 2010, attracting additional visitors for the month, however overall visitor numbers decreased. This was compounded by more weather affected days, 111 days in 2010–11 compared to 79 days in 2009–10. 2010–11 was the wettest year on record.

Free of charge attendance relates to sponsors, function guests and children under the age of four.

Sleepover Programs

Taronga operates two overnight stay programs: Zoofari Lodge, which operates at Taronga Zoo and 'Roar & Snore', which operates at both zoos.

Zoofari Lodge provides accommodation where guests can stay overnight in canvas lodges and take Zoo tours during the day.

'Roar & Snore' is a sleepover program, which includes overnight stays in purpose built tents within the grounds of each Zoo, up-close animal encounters and behind the scene tours.

The two programs contributed 7.6 per cent of total 2010–11 commercial revenue. Both programs are well received by the public, although the attendance at Zoofari Lodge has been decreasing since 2008–09. The programs together hosted 20,510 people in 2010–11 (20,215 in 2009–10). Taronga continues to focus on ways to generate future revenues from these programs.

Attendance and revenue from Zoofari Lodge and Roar & Snore over the last five years is provided in the following table.

	2010–11	2009–10	2008–09	2007–08	2006–07
Zoofari Lodge					
Income (\$'000)	2,107	2,256	2,032	1,842	1,851
Attendance	7,674	8,766	9,220	8,379	9,459
Roar & Snore					
Income (\$'000)	2,483	1,886	1,282	988	744
Attendance – Taronga Zoo	10,435	9,111	6,038	5,800	5,300
Attendance – Western Plains Zoo	2,401	2,338	2,591	2,279	1,604
Total 'Roar & Snore' Attendance	12,836	11,449	8,629	8,079	6,904
Total Sleepover Attendance	20,510	20,215	17,849	16,458	16,363

Other Information

Taronga Foundation

The Foundation was created in 2000 to provide visitors and supporters with an efficient way to become involved in the zoo and support animal conservation, education and research.

Funds raised by the Foundation for the year ended 30 June 2011 amounted to \$15.1 million (\$6.6 million), including a bequest of shares valued at \$7.3 million.

The Foundation is not a separate legal entity.

12-Year Master Plan – Capital Development

Taronga is in the tenth year of its 12-year master plan to redevelop facilities and expand capacity at both Taronga Zoo Sydney and Taronga Western Plains Zoo. The 12-year master plan is budgeted to cost \$221 million. The Foundation undertook to raise \$56.0 million for capital works over a 12-year period, with \$43.8 million to be applied to master plan projects. The remaining cost of the master plan is funded by government grants or loans. The Foundation has now raised \$53.0 million since its establishment in 2000 and expects to meet its target of \$56.0 million.

The table below shows the Master Plan's revised budget at 30 June 2011 and planned and actual expenditure from inception to that date.

	Revised	To 30 June 2011	
	Master Plan \$'000	Planned \$'000	Actual \$'000
Internal funding	43,770	39,820	52,092
New South Wales Treasury Corporation loan	36,272	36,272	23,894
Government grants	140,594	139,150	139,150
Total	220,636	215,242	215,136

Source: Taronga Conservation Society Australia (unaudited).

At 30 June 2011, a total of \$215 million had been spent, with a further \$3.2 million and \$2.2 million budgeted to be spent in 2011–12 and 2012–13 respectively.

Total capital expenditure for 2010–11 was \$26.8 million (\$25.4 million). Major projects completed in 2010–11 were:

- Top Entry Plaza Taronga Zoo – completed in June 2011. This project included redevelopment of the heritage listed main entry building, a new retail building, amenities and landscaping
- Entry Plaza Western Plains Zoo – completed in November 2010. The project included a new retail precinct within the building and redeveloping the entry point.

The 12-year
redevelopment of
Taronga's
facilities will cost
\$221 million

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue	70,720	64,586	70,720	64,586
Government grants	60,392	36,906	60,392	36,906
Operating Revenue	131,112	101,492	131,112	101,492
Employee related expenses	40,171	37,650	40,036	38,558
Depreciation and amortisation	14,674	13,544	14,674	13,544
Other expenses	26,975	26,092	26,976	26,092
Operating Expenses	81,820	77,286	81,686	78,194
Surplus	49,292	24,206	49,427	23,298
Other Comprehensive Income:				
Gain on revaluation of assets	7,287	13,012	7,287	13,012
Superannuation actuarial gains/(losses)	135	(907)	--	--
Total Other Comprehensive Income	7,422	12,105	7,287	13,012
Total Comprehensive Income	56,714	36,310	56,714	36,310

Revenue increased by \$6.1 million in 2010–11, primarily due to the receipt of \$7.3 million in shares bequeathed to the Foundation. Revenue from admissions and retail decreased slightly in 2010–11 due to a reduction in visitor numbers.

Government grants increased by \$23.4 million reflecting a one-off special grant of \$36.0 million from Treasury, offset by \$12.5 million less in capital grants because the Master Plan redevelopment is nearing its end.

Expenses rose mainly due to increased depreciation charges resulting from asset additions and higher asset values following the previous year's revaluation.

Employee related expenses increased as a result of an average pay increase of 4.3 per cent from December 2010 and the hiring of additional casual staff during peak visitation periods.

In 2010–11, the Land and Property Management Authority performed a desktop revaluation of building and infrastructure assets resulting in a \$7.3 million increase in values.

Abridged Consolidated Balance Sheets

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	67,573	30,750	67,573	30,750
Non-current assets	386,960	369,737	386,960	369,737
Total Assets	454,533	400,487	454,533	400,487
Current liabilities	27,112	23,594	30,871	27,631
Non-current liabilities	32,170	38,355	28,411	34,318
Total Liabilities	59,282	61,949	59,282	61,949
Net Assets	395,251	338,538	395,251	338,538

Current assets increased by \$36.8 million as a result of a \$36.0 million grant received on 30 June 2011. Non-current assets increased by \$17.2 million primarily due to asset additions of \$26.8 million and the revaluation increment of \$7.3 million, partly offset by depreciation charges of \$14.6 million.

Taronga Activities

Taronga was established under The *Zoological Parks Board Act 1973*. Its principal objectives are to establish, maintain and control zoological parks at Sydney's Taronga Zoo and Taronga Western Plains Zoo in Dubbo.

It is subject to the control and direction of the Minister for the Environment.

For further information on the Society, refer to www.taronga.org.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	Website
Taronga Conservation Society Australia Division	*

This entity does not have a website.

Hunter Water Corporation

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NSW Auditor-General's Report

Volume Six 2011

HUNTER WATER
CORPORATION

The Corporation
wrote off
\$24.9 million of
costs when the
Tillegra Dam was
halted

Audit Opinion

The audits of the Hunter Water Corporation and its controlled entity's financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Operational Snapshot

The Corporation delivers essential and sustainable water services to the community in the lower Hunter region. It supplies drinking water, recycled water, wastewater services and some stormwater services.

The Corporation made a profit of \$24.2 million after tax in 2010–11. It paid a dividend to government of \$34.1 million based on the 2009–10 after tax profit of \$49.7 million.

Key Issues

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

Tillegra Dam

Last year I recommended the Corporation prepare a sound and comprehensive business case before any decision is made to proceed with the Tillegra Dam. In November 2010, the former NSW Premier announced the Tillegra Dam proposal would not proceed.

During the year, the Corporation wrote off \$24.9 million dam project costs relating to various studies, investigations and design. The Corporation still owns the proposed dam site of approximately 3,700 hectares of land valued at \$94.5 million. The Corporation is currently examining options for the future use of this land.

The Independent Pricing and Regulatory Tribunal (IPART) reduced the water service prices from 1 March 2011 as a result of the decision not to proceed with the dam. Customers also received approximately \$7.5 million in rebates for the Tillegra Dam component included in invoices issued between July 2009 and February 2011. IPART calculated the rebate amounts.

Employment of Contractors

In response to my recommendations last year, the Corporation endorsed and implemented Contractor Management Guidelines. The guidelines encompass the engagement and use of contractors, outlines legal risks, budget considerations, length of engagements and reporting requirements. The Corporation also created a separate 'contractor hierarchy' which is the single register for contracted employees.

In 2010–11, the Corporation engaged 137 (92 in 2009–10) contractors for a total cost of \$2.5 million (\$1.8 million). This represents 20.5 per cent (14.6 per cent) of all employees. Four contractors (11) have been with the Corporation for more than three years, including three contractors (one) for more than six years.

Excessive Overtime Payments

Last year I recommended the Corporation review the effectiveness of its existing policies for managing the use of overtime. The Corporation considers its current level of overtime reasonable. The main drivers of overtime expense are out-of-hours repairs. There are operating licence requirements, and societal expectations, that these asset failures are dealt with speedily and not left until business hours recommence.

The Corporation employs over 600 people and incurred \$52.3 million (\$48.3 million) on personnel services. Of this amount, approximately \$1.7 million (\$1.6 million) was paid as overtime. These costs represent 3.2 per cent (3.4 per cent) of total employees' base pays for the year.

Performance Information

IPART Operational Audit

The audit found the Corporation managed its resources to achieve predominantly full compliance with standards in its Operating Licence. The results of the 2009–10 audit are summarised below. At the time of writing IPART has not issued the results of 2010–11 operational audit.

Year ended 30 June	2010 %	2009 %
Full compliance	79	76
High compliance	17	20
Moderate compliance	4	4

Source: IPART Hunter Water Corporation Operational Audit 2009–10.

IPART noted that the Corporation addressed the recommendations arising from its previous audit. IPART identified areas for improvements in the Corporation's knowledge management, continuous improvement and quality assurance in several licence areas. The Corporation is addressing these matters for the 2010–11 operational audit.

Operational Performance Indicators

Year ended 30 June	2011	2010	2009	2008	2007
Average volume of water consumed (kilolitres) per residential property	174.9	184.0	179.7	177.0	195.0
Water quality complaints per 1,000 properties	2.8	3.4	3.2	2.8	3.9
Average number of unplanned water supply interruptions per 1,000 properties	258.4	255.5	271.2	225.2	372.3
Water losses (kilolitres/water main kilometre/day)	3.4	3.5	3.7	3.9	4.2
Sewer main breaks and chokes per 100 kilometres of sewer main	59.9	58.2	44.4	51.7	63.5
Wastewater biosolids available for reuse (% reused/recycled)*	95.0	104.0**	88.0	100.0	104.4**

Source: Hunter Water Corporation (unaudited).

* Does not include biosolids from Burwood Beach Waste Water Treatment Works – not stabilised and stockpiles at Shortland and Dora Creek.

** Use of historic stockpiles.

The Corporation promotes a number of water saving schemes although water restrictions have not applied to the Hunter region since the early 1990's due to favourable water storage levels (96.2 per cent of capacity at 30 June 2011).

The level of complaints in 2010–11 decreased and is consistent with historical trend. There was an increase in water quality complaints in 2009–10 due to the power failure of a water pumping station.

The level of sewer main breaks and chokes remained high in 2010–11. This is mainly caused by tree root intrusion into the sewerage network as a result of drier weather conditions in 2009–10. There is normally a time lag of up to 12 months between dry weather conditions and sewage overflows due to tree root intrusion. Analysis of historical sewage overflows and applying the principles of a maintenance risk model has resulted in an increase allocation of more funding to rehabilitate the sewer mains, where benefits outweigh the costs and future chokes caused by tree roots will be eliminated. Strategy development with a focus on preventative maintenance of sewer mains that have overflow issues is ongoing.

In 2010–11, the Corporation reused 95 per cent (100 per cent) of biosolids produced. Biosolids are solid or semisolid material obtained from treated wastewater, often used as fertilizer in land application program.

Maintenance Activities

The table below shows the Corporation completed its planned maintenance for 2010–11. The Corporation advised it had no maintenance backlog at year-end. The results are consistent with the previous year.

Year ended 30 June	2011	2010	2009
Total planned maintenance completed for network and treatment assets (%)	97.0	95.1	99.3
Total planned maintenance completed for critical assets (%)	100.0	100.0	100.0
Maintenance work completed on time (%)	71.5	73.2	83.1
Budgeted maintenance expenditure (\$m)	48.4	47.1	46.9
Actual maintenance expenditure (\$m)	49.0	46.6	46.5

Source: Hunter Water Corporation (unaudited).

Review of Major Capital Projects

The Corporation's capital expenditure in 2010–11 was \$175 million (excluding capitalised interest).

The original and current cost estimates and service delivery dates for capital projects with an original cost above \$10.0 million and excluding Tillegra Dam are listed in the table below. I commented on Tillegra Dam under Key Issues.

Project	Original Cost Estimate \$m	Actual/Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ estimated Service Delivery Date
Completed during 2010–11:				
Burwood Beach WWTW Stage 2 Upgrade	26.1	43.9	March 2011	March 2011
Dora Creek WWTW Upgrade	21.8	32.0	December 2010	December 2010
Paxton WWTW Stage 2 Upgrade	19.8	19.8	March 2011	March 2011
Dungog Additional Clear Water Tank	17.7	12.0	June 2011	June 2011
In progress at 30 June 2011:				
Branxton Waste Water Treatment Work (WWTW) Stage 3 Upgrade	48.3	46.7	December 2011	December 2011
Cessnock Water Distribution Stage 1 Upgrade	20.3	20.3	June 2012	June 2012
Clarence Town Sewerage Scheme	17.2	12.6	May 2011	July 2011
Morpeth Wastewater Transportation Upgrade	16.4	16.4	December 2013	December 2013
Boulder Bay WWTW Stage 2 Upgrade	15.6	25.5	September 2011	September 2011
Watermain Replacement-Beresfield to Stoney Pinch	11.4	7.3	December 2011	June 2012
Shortland WWTW	10.8	11.4	March 2012	March 2012

Source: Hunter Water Corporation (unaudited).

Higher than expected cost estimates for the Burwood Beach WWTW Stage 2 Upgrade, the Boulder Bay WWTW Stage 2 Upgrade, the Dora Creek WWTW Upgrade and Shortland WWTW are due to changes in the scope and technologies used. These changes resulted in tender prices higher than originally estimated.

Lower than expected cost estimates for the Dungog clearwater tank and Clarence town sewerage scheme projects emerged on receipt of tenders. The termination of original transportation contract caused some delays in completion of the Clarence town sewerage scheme project.

Lower than expected cost estimate for the watermain replacement-Beresfield to Stoney Pinch is due to project savings. The project is on track for completion in December 2011 although connection cannot take place until winter when demand for water is low. The connection will require the shutdown of the trunkmain feeding the Maitland and Cessnock local government areas. During the connection these areas will be provided with water from the Stoney Pinch Reservoir which has between 24 and 48 hours storage depending on the demand for water.

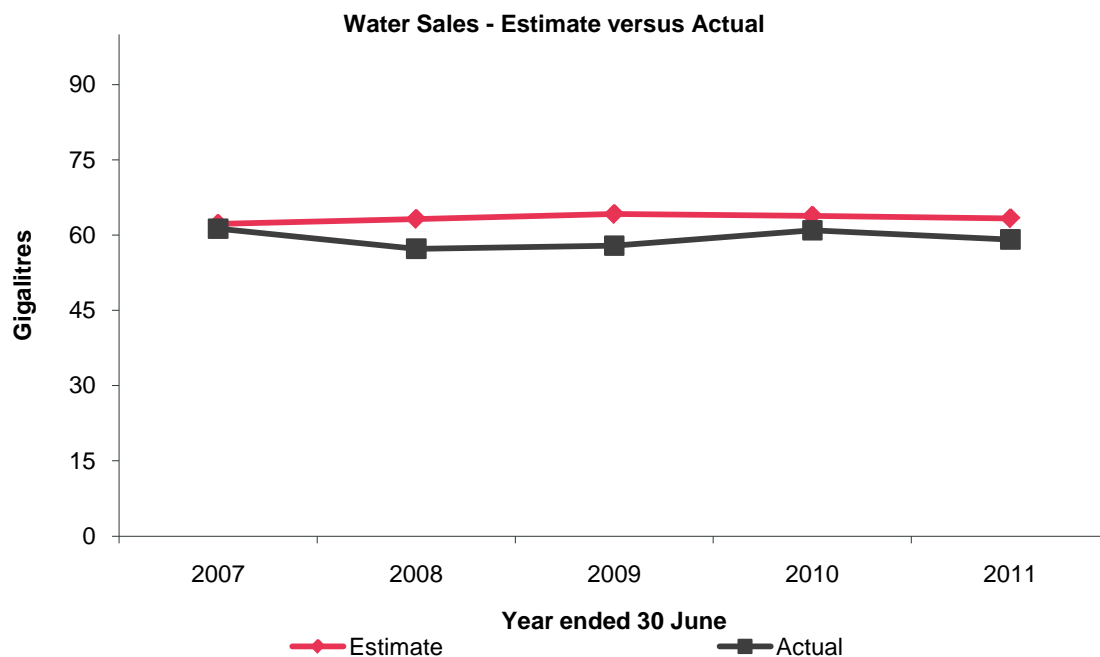
The Corporation considers the overall risk profile of its capital program to be low.

Other Information

Water Sales

The Corporation has, over time, overestimated water sales in its price submissions to IPART. This may result in lower water prices than if water sales were estimated more accurately.

The graph below shows the comparison between the estimated volume of water sales in IPART's Determinations and actual volume of water sales of the Corporation for the past five years.



Source: Hunter Water (unaudited).

Higher water sale estimates were due to:

- IPART adopts a long-term average water demand when determining prices. This can result in differences to shorter-term actual water demand
- higher than average rainfall patterns and cooler temperature overall experienced in 2007–08 and 2008–09
- behavioural changes in residential customers during 2009–10 and 2010–11.

The Corporation is currently analysing behavioural changes in customers and reviewing future residential demand estimates for the next price determination process in 2012 which will come into effect from July 2013.

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Tariff charges	222,334	217,566	222,334	217,566
Other revenue	39,373	36,523	31,055	28,659
Operating Revenue	261,707	254,089	253,389	246,225
Employee related expenses	35,161	31,666	19,010	17,553
Maintenance and operational services	71,910	68,663	82,900	77,619
Depreciation	35,683	36,455	34,919	35,781
Finance costs	57,079	47,409	57,310	47,591
Other expenses	27,910	3,896	27,121	3,308
Operating Expenditure	227,743	188,089	221,260	181,852
Profit Before Income Tax	33,964	66,000	32,129	64,373
Income tax expense	9,716	16,339	8,127	14,449
Profit After Tax	24,248	49,661	24,002	49,924
Other Comprehensive Income				
Revaluation of property, plant and equipment (net of tax)	355,099	58,639	355,099	58,639
Superannuation actuarial gains/(losses)	820	(5,183)	730	(4,335)
Total Other Comprehensive Income	355,919	53,456	355,829	54,304
Total Comprehensive Income	380,167	103,117	379,831	104,228

The increase in tariff charges is consistent with the increase in prices as determined by IPART.

Finance costs increased due to additional borrowings during the year to deliver an increased capital works program.

Other expenses increased due to \$24.9 million write-off of Tillegra Dam project costs.

In 2010–11, the Corporation revalued buildings and waste water treatment works using independent valuation as well as having an impairment reversal. The Corporation also reported actuarial gains for defined benefits superannuation due to continued improvement in economic conditions.

Abridged Statements of Financial Position

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	54,593	59,196	50,442	57,495
Non-current asset	3,481,657	2,836,877	3,486,731	2,839,903
Total Assets	3,536,250	2,896,073	3,537,173	2,897,398
Current liabilities	128,740	276,850	128,701	277,234
Non-current liabilities	1,355,918	931,198	1,358,756	933,679
Total Liabilities	1,484,658	1,208,048	1,487,457	1,210,913
Net Assets	2,051,592	1,688,025	2,049,716	1,686,485

Current assets decreased due to land, previously classified as held for sale at year-end being sold as well as significantly less cash being held by the Corporation at 30 June 2011.

Non-current assets rose primarily due to a \$239 million revaluation increment of property plant and equipment, an impairment reversal of \$270 million and \$148 million of non-current asset acquisitions during the year.

Liabilities increased mainly due an increase in deferred tax liabilities from revaluation increment and impairment of property plant and equipment and additional borrowings to finance the Corporation's capital works program.

Corporation Activities

The Corporation is a statutory State owned corporation that operates within the Lower Hunter Region. It collects, conserves, preserves and distributes water, provides sewerage facilities, and constructs, controls and maintains certain stormwater channels.

Its charter is to be commercially successful as a company while delivering water, wastewater and associated services.

For further information on the Corporation, refer to www.hunterwater.com.au.

Controlled Entities

The following controlled entity has not been reported separately on 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
Hunter Water Australia Pty Limited	www.hwa.com.au

State Property Authority

66

NSW Auditor-General's Report

Volume Six 2011

STATE PROPERTY
AUTHORITY

Audit Opinion

The audit of the State Property Authority's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Authority is the primary provider of office accommodation to other government agencies.

During 2010–11, the value of properties leased to other agencies was \$825 million (\$810 million in 2009–10), which earned the Authority an average gross return of 8.7 per cent (8.2 per cent). The Authority also subleased properties it leases from the private sector.

The Authority also manages the funding and remediation responsibilities of various parcels of land at Newcastle on behalf of the government.

Key Issue

Contaminated Land

As I reported in Volume Nine of my 2010 Report to Parliament, the Authority is required to remediate three residential properties at Hunters Hill. It has identified two options to remediate the properties, which meet environmental regulatory requirements.

The first option is to excavate and transfer the contaminated waste to Kemps Creek at a cost of \$10.7 million. The second is to encapsulate the contaminated waste on site at a cost of \$12.1 million. The Authority prefers the first option as it will be cost efficient.

The government is evaluating the options as residents at Hunters Hill and Kemps Creek are opposed to the material being stored in their suburb.

Other Matters

Vesting Program

Premier's Memorandum 2008-06, 'State Property Authority and Government Property Principles' established the framework for managing government property assets. The key initiatives of the framework include vesting all government owned office accommodation with the Authority.

Since 2008, 1,061 government owned and leased properties have been vested with the Authority. The number of properties vested continues to grow..

Remediation costs for Newcastle sites

As I reported last year, the Authority is responsible for remediating various contaminated lands in Newcastle.

At 30 June 2011, the Authority held cash of \$92.4 million for remediation which will cost an estimated \$96.9 million. Management advises it plans to consult Treasury to determine funding solutions should a future cash shortfall become evident.

Performance Information

Lease management

Year ended 30 June	Target*	Actual		
	2011	2011	2010	2009
Owned Properties				
Number of tenancies by property	Na	335	337	333
Lease revenue (\$m)	Na	71.4	66.5	80.6
Value of properties (\$m)	Na	825	810	823
Gross return on leased properties (%)	Na	8.7	8.2	9.8
Vacancy Rate (%)	< 1.4	0.5	0.5	1.2
Leased properties				
Number of tenancies by property	na	1043	661	235
Lease revenue (\$m)	na	290	182	104
Lease expenditure (\$m)	na	284	177	103
Gross margin (%)	na	2.1	2.8	1.0

Source: State Property Authority (unaudited).

* Target is set by management.

na not available.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Property rental income	360,627	253,769
Grants and contributions	31,109	18,854
Other income	13,169	3,221
Total Revenue	404,905	275,844
Property related outgoings	311,481	201,956
Depreciation and amortisation	27,045	25,313
Other operating expenses	9,680	20,358
Employee related expenses	16,184	16,021
Total Expenses	364,390	263,648
Surplus	40,515	12,196
Other Comprehensive Income:		
Gain/(loss) on disposal and revaluation of property	1,488	(15,520)
Other gains/losses	1,355	(221)
Gain on revaluation of property	21,065	73,787
Total Other Comprehensive Income	23,908	58,046
Total Comprehensive Income	64,423	70,242

Property rental income and outgoings reflects increased lease activities from vesting of 23 owned and 341 leased properties.

Government funding for major capital projects and asset renewals increased the grants and contributions revenues.

There was a significant gain in the value of parcels of land transferred to Newcastle Ports Corporation in 2009–10.

The Authority paid \$36.8 million (\$97.7 million) in financial distributions to the government. The distributions comprise \$30.0 million (\$32.6 million) from rental properties and \$6.8 million (\$65.1 million) from the proceeds of asset sales.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	187,926	174,393
Non-current assets	1,095,663	983,870
Total Assets	1,283,589	1,158,263
Current liabilities	97,834	69,136
Non-current liabilities	232,916	206,009
Total Liabilities	330,750	275,145
Net Assets	952,839	883,118

Current assets include restricted cash of \$92.4 million (\$99.9 million) set aside for remediation of Newcastle port lands and \$6.7 million (\$2.8 million) for property acquisitions.

Current and non-current provisions for remediation totalled \$108 million (\$115 million).

Authority's Activities

The *State Property Authority Act 2006* established the Authority as a statutory body from 1 September 2006. The Authority's principal objectives are to:

- improve operational efficiencies in the use of properties by government agencies
- manage properties of government agencies in a way that supports the delivery of government services by agencies
- advise government on property matters
- operate at least as efficiently as any comparable business.

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

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

Audit Opinion

The audit of Sydney Water Corporation's financial statements for the year ended 30 June 2011 resulted in a qualified audit opinion within the Independent Auditor's Report. The qualification related to assets and liabilities of the Build-Own-Operate (BOO) schemes not being recognised in the Corporation's statement of financial position. The audit opinion for 2009–10 was similarly qualified.

The audits of the financial statements of Sydney Desalination Plant Pty Limited and Australian Water Technologies Pty Ltd for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Operational Snapshot

The Corporation delivers essential and sustainable water services to the community. Its principal objectives are to protect public health and the environment, and be a successful business.

The Corporation supplies drinking water, recycled water, wastewater services and some stormwater services to over four million people in Sydney, the Illawarra and the Blue Mountains.

The Corporation made a profit of \$274 million after tax in 2010–11 and paid a dividend to government of \$232 million based on the 2009–10 after tax profit of \$440 million.

Key Issues

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

Corruption Prevention

The Independent Commission Against Corruption (ICAC) has investigated allegations of corruption involving employees of the Corporation and others, and found seven Corporation employees and two other persons had engaged in corrupt conduct. In March 2011, it issued its report 'Investigation into corrupt conduct of Sydney Water employees and others', which contained 18 recommendations. The Corporation has implemented 14 of the recommendations and is progressing with the remainder. It expects to implement these before the end of 2011–12. They include:

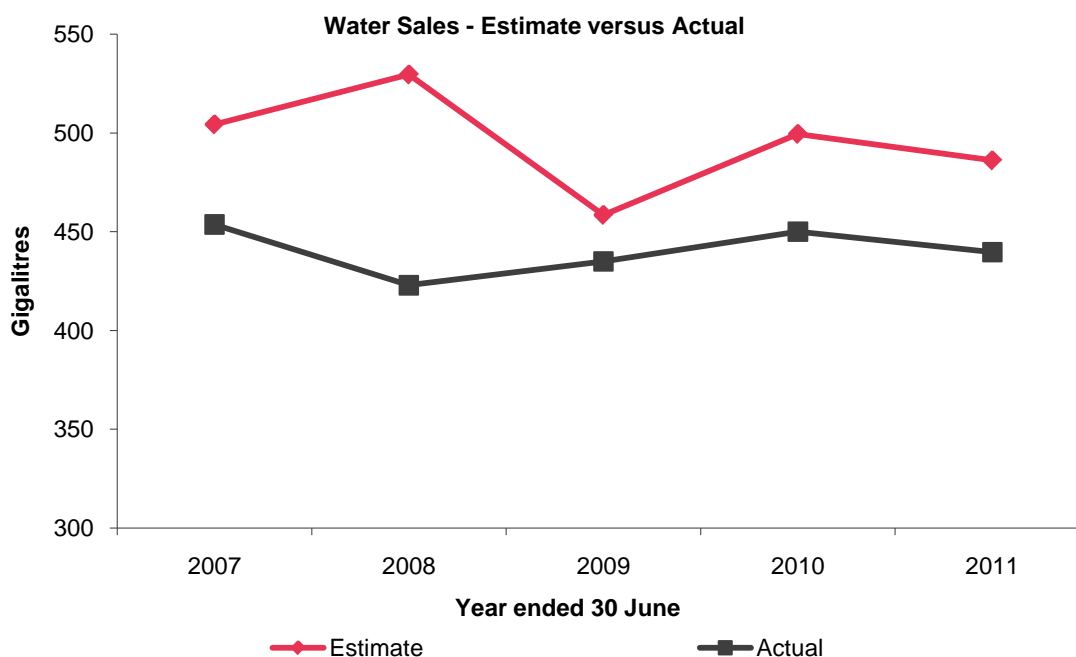
- the Corporation ensuring staff in identified risk areas of operational and/or fraud risk are subject to intrusive supervision
- the Corporation providing training to its managers in relation to:
 - overseeing subordinates' interactions with external parties, including reviewing files
 - detecting and acting upon warning signs that their subordinates may be behaving improperly
- the Corporation reviewing its organisational structure to identify and remedy other situations where supervisory arrangements are split or unclear
- Internal Audit including in its audit plan evaluation of the implementation and operation of divisional corruption prevention plans derived from the current risk assessment workshops.

The Corporation is responding to all ICAC recommendations to reduce the risk of corruption occurring in the future

Water Sales

The Corporation has, over time, overestimated water sales in its price submissions to the Independent Pricing and Regulatory Tribunal (IPART). This has impacted IPART's pricing decisions.

The graph below compares estimated volumes of water sales used in IPART's Determinations and actual volumes of water sales over the last five years:



Source: Sydney Water (unaudited).

Higher water sales were estimated because:

- the 2005 price determination assumed drought restrictions would gradually ease and be lifted by January 2007. This did not occur. Instead, drought restrictions increased to level 3 for the period of the determination, which remained in force until 30 June 2008
- the 2008 price determination assumed drought restrictions would be gradually lifted during the first year. This did not occur. Instead, they were replaced with Water Wise Rules until late June 2009. Under Water Wise Rules, the determination also assumed customers would increase total water use by around 50 to 60 gigalitres per year. This was not the case as residential, business and institutional average water use has not increased
- the 2008 price determination assumed total property numbers would be higher. Instead, the total number of dwellings connected to the Corporation's networks by 30 June 2012 is expected to be around 50,000 less than forecast, or three per cent of total residential properties
- generally, growth in 'greenfield' or new development areas has been around half that forecast, except for the Rouse Hill area, which achieved around 75 per cent of its forecast growth. Lower growth rates in 2008 and 2009 have been partly attributed to the global financial crisis
- accurately forecasting the community's response to water use during and immediately after such a severe and sustained drought has been difficult.

Water Wise Rules have been in place for over two years, and the Corporation believes it is now possible to forecast future water use more accurately.

IPART is currently reviewing the Corporation's pricing and is looking at alternate approaches to forecasting water use.

Desalination Plant

The government asked the Corporation to appoint advisors to examine options for the possible financial restructure of the Sydney Desalination Plant. The appointment of advisors was announced on 26 July 2011 and the examination of options is in progress.

The Corporation entered into a new water supply agreement with the plant. From 1 July 2010, the Corporation pays a monthly fixed payment of \$12.7 million and volumetric charge of \$0.62/kilolitre, with both charges indexed annually by the consumer price index. IPART is currently formulating a price determination for the sale of desalinated water for the period from 1 July 2012 to 30 June 2017.

During 2010–11, the desalination plant delivered 76 gigalitres (20.3 gigalitres in 2009–10) of desalinated water, in line with the targeted 80 gigalitres for the year, and generated \$201 million (\$35.4 million) revenue for plant.

The plant will be operating at full capacity until mid June 2012 as part of the commissioning process and since then when dam levels are below 70 per cent and continue until dam levels are 80 per cent.

The desalination plant has the capacity to provide over 15 per cent of Sydney's current average water consumption by producing 250 megalitres of water per day. It has the capacity to scale up to 500 megalitres, 30 per cent of Sydney's drinking water, if needed.

Information Technology Projects

The Corporation's IT department spent approximately \$68.8 million on capital projects during 2010–11. It completed seven large projects, which are shown below:

Project	Original Budget \$m	Actual Cost \$m	Approved Budget \$m	Original Service Delivery Date	Actual Service Delivery Date
Customer Management System	21.0	50.2	55.3	August 2009	March 2011
Maximo Consolidation	18.4	39.6	40.1	August 2009	June 2011
Email Exchange	5.9	5.0	5.9	July 2010	July 2010
Security Zones	5.8	5.7	5.8	August 2010	October 2010
Sydney Water Information Management Phase 1 Intranet	6.9	9.9	10.6	July 2010	November 2010
Identity Management	2.3	2.9	2.9	November 2010	November 2010
ITSM	2.1	3.1	3.2	March 2011	May 2011

Source: Sydney Water (unaudited).

The design phase of the Customer Management System was completed within the revised delivery date and revised budget of \$55.3 million. The original budget and service delivery date were found to be inadequate after quotes from prospective service providers were received. The project aims to improve customer service, reduce customer support operating costs by over \$1.9 million a year.

The Maximo consolidation project was completed within the revised delivery date and slightly over the revised budget of \$40.1 million. The main reasons for revising the delivery date and budget were project complexity, changes to the approved timeline, extending the timeframe for operational acceptance testing and effort required by the Corporation's resources and the system integration service provider.

In 2010-11, the desalination plant delivered 76 gigalitres of water against a target of 80 gigalitres

The Corporation's capital program includes several significant information technology projects, which are still in progress. Some of these and the key deliverables are shown below:

Project	Original Budget \$m	Revised Budget \$m	Original Service Delivery Date	Revised Service Delivery Date
Service Platform Refresh Contract	18.0	18.0	March 2015	March 2015
Sydney Water Information Management Phase 2 – Document Management and Legacy Migration	9.8	9.8	May 2012	May 2012
MS Office Upgrade	6.6	6.6	December 2011	December 2011
Sydney Water Website Re-design	6.3	6.3	March 2012	July 2012

Source: Sydney Water (unaudited).

The Corporation's website re-design project is delayed due to a hold up in awarding the contract to the web design agency and changes in scope. The Corporation is currently assessing the budget implications of this.

Overtime

Last year, I recommended Sydney Water review the effectiveness of its existing policies for managing overtime. Its subsequent analysis found that:

- the maintenance business incurred most overtime, which includes allowances for weekend/afternoon shift and standby rosters. This business has a planned overtime approach, which the Corporation considers the most reliable and efficient way to manage emergency call outs (a reactive and unpredictable workload)
- experienced team leaders working in areas that service key aspects of the network, such as the Sydney CBD, are earning the higher proportion of overtime. The complexity and size of incidents and planned work in these areas result in significant out-of-hours work because of the need to schedule night work to avoid traffic issues and customer impacts.

The analysis also identified the following improvement opportunities:

- revising the overtime approval policy
- trialling an electronic claiming system in the Operations Division
- implementing a 'modern mobile workforce' initiative in Maintenance to increase the number of skilled team leaders and allow emergency call out work to be shared more evenly.

During 2010–11, the Corporation incurred overtime costs of \$23.7 million (\$24.3 million). These costs represent eight per cent (eight per cent) of total employee related expenses and 12.6 per cent (13 per cent) of total employees' base pays during the year.

Use of Contractors

Last year, I recommended that the Corporation create and maintain a single register for contractors and review the effectiveness of existing policies for employing contractors.

In response, the Corporation advised it uses the payroll system to register and track contract employees. The system enables the Corporation to analyse the number of contractors and their length of service. The Corporation is upgrading the system to help ensure it has the information it needs to identify, analyse and review the use of contract employees.

Performance Information

IPART Operational Audit

IPART found the Corporation achieved full compliance with its operating licence.

The table shows the Corporation's performance is stable. At the time of writing this report, IPART had not issued the results of its 2010–11 operational audit.

Year ended 30 June Compliance with Operating Licence	2010 %	2009 %	2008 %	2007 %	2006 %
Full compliance	100	100	100	97	86
High compliance	--	--	--	3	12
Partial compliance	--	--	--	--	2

Source: IPART Sydney Water Corporation Operational Audit 2009–10.

The Corporation achieved high compliance with a 2009–10 ministerial requirement for Infrastructure Performance. The Corporation achieved high compliance for the method it uses to analyse water infrastructure design. In IPART's view the sample size used to analyse water infrastructure design was not sufficiently representative of the Corporation's customer base.

In accordance with IPART's recommendation, the Corporation presented IPART and the auditor with detailed information that demonstrated its validation of water infrastructure design methodology and assumptions at a workshop held on 29 March 2011. IPART and the auditor indicated that the presentation met the ministerial requirement and addressed the auditor's concerns about the validation of water infrastructure design.

Water Conservation

Under its operating licence, the Corporation must maintain water consumption equal to, or less than, 329 litres per capita per day by 30 June 2015. Water consumption over time is detailed in the table below.

Year ended 30 June	Target	Actual				
	2015	2011	2010	2009	2008	2007
Water consumption per capita per day (litres) including the effect of water restrictions*	329	304	309	310	308	326

* Both target and actuals are climate corrected.

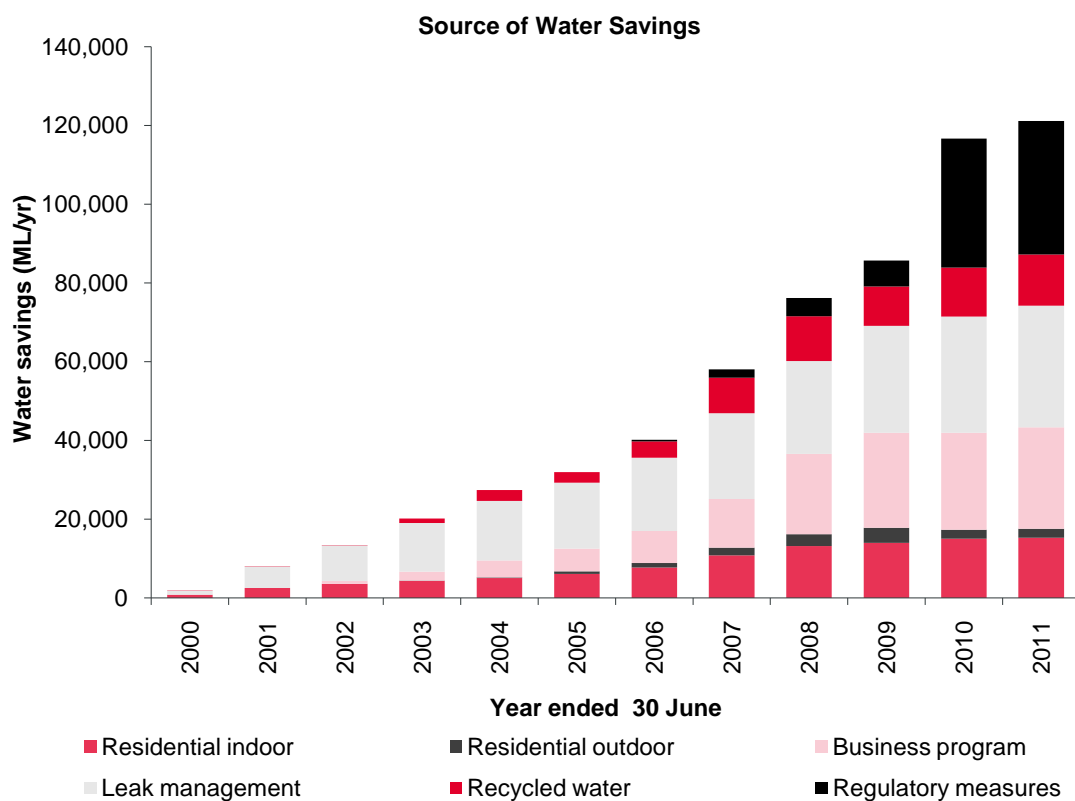
Source: Sydney Water (unaudited).

The Corporation found customer behaviour and water conservation initiatives contributed to a decline in water use by two per cent during 2010–11. Customers appear to have retained water efficient behaviours established during the recent drought. Over the past 20 years, total water use has declined by about 25 per cent while the population has increased by almost 21 per cent.

Over the past 20 years, total water use has declined by about 25 per cent while the population has increased by almost 21 per cent.

Sydney Water's
leak management
and water
efficiency
program are
saving water

The graph below shows savings for all water conservation initiatives compared to water use before restrictions.



Source: Sydney Water (unaudited).

The Corporation is responsible for implementing some actions under the New South Wales Government's 2010 Metropolitan Water Plan. The plan describes the measures to ensure Sydney, the Illawarra and the Blue Mountains have enough water now and in the future.

Under the plan, the Corporation is responsible for a wide range of initiatives to diversify supply and use water wisely. The Corporation is contributing to the following targets in the plan:

- by 2015, water efficiency and leak reduction programs will reduce Sydney's water needs by 145 gigalitres a year
- by 2015, recycling will save 70 gigalitres a year, supplying 12 per cent of Sydney's water needs.

Other agencies, such as the Office of Environment and Heritage (OEH), are also responsible for contributing to these targets.

The Corporation advises that water efficiency and leak management programs have saved around 108 gigalitres a year and its recycled water projects have saved 13 gigalitres of drinking water a year.

Recycling

The table below shows the volume of water recycled by the Corporation over the last three years.

Year ended 30 June	2011	2010	2009
Volume of recycled water (gigalitres)	47.5	33.7	25.4
Recycled water as a percentage of total effluent discharged (%)	9.1	7.5	5.3

Source: Sydney Water (unaudited).

The New South Wales Government's '2010 Metropolitan Water Plan' target is for about 70 gigalitres of wastewater a year to be recycled for industry, irrigation and residential use by 2015.

Total recycled water supplied in 2010–11, from both the Corporation and private sector recycling initiatives, was about 50 gigalitres (35.8 gigalitres).

A barrier to the Corporation completing recycled water projects is obtaining customer commitment for a project's life. IPART excludes recycling costs from water charges except when a minister directs the Corporation to participate in a project. The Corporation received ministerial directions for the Rosehill-Camellia Recycled Water Scheme and the St Marys Water Recycling Plant.

The Rosehill-Camellia Recycled Water plant operator is commissioning the plant and expects it to be fully operational during November 2011. The plant will deliver a minimum of 10.5 megalitres of recycled water per day and has a capacity is 20 megalitres per day. The operator can expand the plant by five megalitres per day as demand increases. The plant will supply recycled water to the Corporation's six foundation customers. I understand AquaNet, the plant owner and operator, is seeking additional customers. The Corporation entered into a public private partnership agreement for a recycled water scheme in the Rosehill and Smithfield area in 2008-09.

The St Marys Water Recycling Plant is operational. During the year the plant produced almost 16 gigalitres (about two gigalitres) of recycled water. Recycled water from this plant will replace 18 gigalitres per year of dam water currently used to provide environmental flows in the Hawkesbury river system.

The Corporation is also constructing the Hoxton Park Recycled Water Scheme in South Western Sydney. The Scheme will ultimately supply about 900 megalitres of recycled water to businesses and about 7,000 homes. This major recycled water scheme will be commissioned in two stages from 2013 and will eventually serve Edmondson Park, Middleton Grange, Ingleburn Gardens, Yarrunga Industrial Area and Panorama Estate.

Construction of the Hoxton Park Recycled Water Scheme's water pipelines started in May 2008 and is almost complete. In January 2011, construction of the water recycling plant for the Scheme commenced.

Since 1995, Sydney Water has increased the amount of recycled water used in its sewage treatment plants from 17 to 45 megalitres per day, significantly reducing the volume of drinking water used at the plants.

Water Loss from the Water Distribution System

Water loss from Sydney Water's water distribution system has reduced from 68,652 megalitres in 2002–03 to 38,620 megalitres in 2010–11, a reduction of 43.7 per cent.

The table below summarises water losses from breaks and leaks in the water distribution system.

Year ended 30 June	2011	2010	2009
Volume of water loss (megalitres)	38,620	35,323	38,445
Water loss compared to water supplied* (%)	7.3	7.0	7.3
Costs incurred to reduce water loss (\$m)	148.7	139.1	140.0

Source: Sydney Water (unaudited).

* Compared with the baseline water supplied in 2005–06.

Under the operating licence, water loss cannot exceed 105 megalitres per day (38,325 megalitres per year). IPART has determined that this target is complied with if water loss is within minus or plus 16 megalitres per day of the target (32,485–44,165 megalitres per year). The Corporation met this target.

The water loss figure for 2010–11 is higher than 2009–10. The Corporation believes this is not a real rise, but the result of natural variation due to the wide uncertainty range of the data. The Corporation will monitor the results closely in 2011–12 to confirm whether an upward trend does exist and review programs accordingly.

The Corporation believes its Active Leak Detection Program is the main reason for the significant decrease in water loss since 2002–03.

Savings from the water pressure management program and systematic renewals of the water delivery network also contributed to managing water loss. The water pressure program involves setting up multiple pressure control zones to reduce pressure, which in turns reduces breaks, leaks and water usage.

The Corporation believes it is operating near the middle of its assessed economic level of leakages. This suggests water loss is at the point where the costs of water loss equal the benefits derived from water savings. Reducing water loss beyond this point may cost more than producing water from another source. In 2010–11, the economic level of leakage was assessed to be in the range of 32,000 to 44,000 megalitres per year.

Response Times

The table below shows the percentage of calls reporting water main breaks and leaks responded to by the Corporation within the target times set out in the operating licence.

Year ended 30 June	Target 2011 %	Actual* 2011 %
Priority 6 (stop water loss within 3 hours)	90	91.0
Priority 5 (stop water loss within 6 hours)	90	91.4
Priority 4 (stop water loss within 5 days)	90	94.1

Source: Sydney Water (unaudited).

* Prior year comparatives are not applicable due to new definition in 2010–11.

In 2010–11, the Corporation met all response time targets.

A Priority 6 is defined as a high flow of water causing an immediate danger to people, property or the environment, for example, water gushing or spurting from the ground and resulting in a major loss of water. A Priority 5 is water running at a rate greater than the full flow of a garden tap. A Priority 4 is a leak which results in a minor loss of water.

Wastewater Services

The Corporation operates wastewater treatment plants and sewer pumping stations in accordance with licence conditions set by the OEH.

The OEH issued one (nil) penalty infringement notice related to wastewater services during 2010–11 for a delayed clean up of a sewage overflow.

The Corporation had 189 (180) instances of licence non-compliances during the year. The majority of these related to overflows from the reticulation networks, with tree roots being the major cause. The Corporation also had eight monitoring noncompliances, which largely related to being unable to collect samples due to technical problems.

The Corporation achieved its operating licence target for sewage overflows in 2010–11 when 9,158 private properties were affected by uncontrolled dry weather sewage overflows. The target is less than 14,000 properties affected by sewage overflow each year.

Maintenance Activities

The table below shows the Corporation completed most of its planned maintenance for 2010-11. The results are not significantly different from the previous year.

Year ended 30 June	2011	2010	2009	2008
Total planned maintenance completed for network and treatment assets (%)	96.7	104.1	103.2	97.4
Total planned maintenance completed for critical assets (%)	101.3	100.0	100.6	96.8
Maintenance work completed on time (%)	82.0	80.0	84.0	92.0
Budgeted maintenance expenditure (\$m)	231.6	223.0	212.4	187.7
Actual maintenance expenditure (\$m)	231.1	229.8	211.6	196.6
Backlog maintenance (number of jobs)	3,745	4,123	5,046	6,924
Backlog maintenance (\$m)	4.2	8.9	9.3	8.8

Source: Sydney Water (unaudited).

The Corporation's strategy is to optimise asset maintenance to help ensure service delivery occurs at the lowest life cycle cost within acceptable risk.

During 2010-11, the Corporation completed 179,564 (205,005) maintenance jobs. Breakdown maintenance continues to trend downward. Optimisation of civil network asset preventative maintenance has reduced the number of maintenance jobs.

Total planned maintenance completed for network and treatment assets reduced to 96.7 per cent in 2010-11. This was mainly due to the ocean outfall diffuser inspection program being delayed by unfavourable sea conditions. This was corrected during the first months of 2011-12.

Backlog maintenance job numbers declined to 3,745 jobs in 2010-11 (4,123), valued at \$4.2 million (\$8.9 million). The reduction in the value of this backlog maintenance is due to an increased focus on completing high cost sewer main inspections. The Corporation believes this level of backlog maintenance allows efficient scheduling and continuation of workflow. Backlog maintenance is lower priority maintenance work. No formal plan is in place to reduce backlog maintenance by a certain date and/or by a certain percentage. The Corporation monitors backlog maintenance each month to help ensure critical work is not delayed.

Carbon Neutrality

The Corporation is committed to being carbon neutral by 2020 for its energy and electricity use. It offset approximately 53 per cent of its gross emissions of 438,169 tonnes of CO² equivalents from energy and electricity use during 2010-11. The Corporation's surrender of 231,732 internally generated New South Wales Greenhouse Gas Abatement Certificates brought the net emissions from energy and electricity use down to 206,437 tonnes of CO² equivalents during 2010-11.

Capital Structure

The Corporation has established capital structure targets to help it achieve a standalone credit rating of Baa1 no later than June 2016. The Corporation's most recent rating from Moody's is Baa2, unchanged from the previous rating. This is an investment grade rating.

The Corporation advises the capital structure needed to achieve the higher credit rating will provide more resilience against any adverse change in the economic environment.

The board last reviewed the Corporation's capital structure in February 2010.

Other Information

Rouse Hill Dispute

A package of work known as First Release Precincts (Package 1) was awarded to Australian Water Holdings. The work has been completed with some disputed variation claims now agreed.

Australian Water Holdings believes it has the right to complete all water related infrastructure works in the North West Growth Sector under the Other Stages Deed signed in 1992. The Corporation disputes this. A further package of works known as Package 2 is due to be awarded in mid 2012. Australian Water Holdings were issued a proposal to undertake Managing Contractor services for Package 2 in February 2011. Agreement has not been reached on the proposal. Action is in progress to resolve both these issues.

The Corporation completed settlement of the stage 3 works previously reported in my 2009 Report to Parliament.

Review of Major Capital Projects

The Corporation's capital expenditure in 2010–11 was \$636 million (excluding capitalised interest). The Corporation's Statement of Corporate Intent had a target of \$703 million.

The original and current cost estimates and service delivery dates for capital projects (excluding ongoing programs of work, e.g. water mains renewals) with an original cost above \$50.0 million are listed in the table below.

Project	Original Cost Estimate (and year) \$m	Actual/Current Cost Estimate \$m	Original Service Delivery Date	Achieved/estimated Service Delivery Date
Completed during 2010–11:				
Replacement Flows	265 (2006)	205	Late 2009	October 2010
Freemans Reach, Glossodia, Wilberforce Sewerage Scheme	138 (2008)	117	Late 2011	January 2011*
North West Growth Centre (Package 1)	133 (2007)	97	Late 2010	February 2011
Hawkesbury Heights, Yellow Rock Sewerage Scheme	56 (2008)	50	Late 2010	December 2010*
In progress at 30 June 2011:				
Hoxton Park Recycled Water	65 (2006)	90	Mid 2009	Mid 2013
Appin Sewerage Scheme	82 (2010)	80	Late 2012	Mid 2012
South West Growth Centres (SWGC) – First Release Precincts	88 (2010)	66	Mid 2013	Mid 2013

Source: Sydney Water (unaudited).

* service delivery date to complete sewerage reticulation and available for connection to properties.

The majority of major projects completed during the year were within the original/revised cost estimates and revised delivery dates

Most projects in progress are tracking within original cost estimates or are forecast to spend less than the original cost estimates. The increases in cost estimates and delays in service delivery of Hoxton Park Recycled Water Scheme are largely due to a revised scope of works. The reduction in cost estimate of SWGC First Release Precincts is due to favourable market prices.

The Corporation achieved approximately \$52.0 million in capital efficiencies in 2010–11 (\$94.0 million largely from savings achieved from desalination water delivery alliance and the reduction of contingencies) mainly from favourable market rates, delivery efficiency and solutions.

The Corporation considers the overall risk profile of its capital program to be low.

Financial Information

Abridged Consolidated Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Service charges	1,014,899	950,527	1,014,899	950,527
Usage charges	999,711	943,988	999,711	943,988
Other	291,958	292,866	294,785	305,197
Operating Revenue	2,306,568	2,187,381	2,309,395	2,199,712
Employee related expenses	310,904	311,877	311,084	313,458
Bulk water	189,666	195,374	390,442	230,823
Water treatment	103,465	104,420	103,465	104,420
Maintenance and operational services	257,337	223,835	230,342	225,838
Finance costs	473,051	291,153	383,646	287,960
Depreciation and amortisation	224,276	169,581	194,266	167,809
Other	307,537	253,447	269,491	260,495
Operating Expenses	1,866,236	1,549,687	1,882,736	1,590,803
Profit Before Income Tax	440,332	637,694	426,659	608,909
Income tax expense	166,565	191,840	152,813	192,710
Profit After Tax	273,767	445,854	273,846	416,199
Other Comprehensive Income				
Gain on revaluation of assets	298,803	23,543	282,313	23,543
Superannuation actuarial gains/losses	3,452	(51,450)	3,452	(51,450)
Other gains/(losses)	(53)	37	--	(5)
Total Other Comprehensive Income/(Expense)	302,202	(37,870)	285,765	(27,912)
Total Comprehensive Income	575,969	417,984	559,611	388,287

The increase in service and usage charges is consistent with the increase in prices determined by IPART.

The increases in maintenance and operational services, depreciation and amortisation and other expenses are mainly due to the services and expenses relating to the first full year's operation of desalination plant and related assets.

The increase in finance costs is due to an increasing debt portfolio used to fund the Corporation's capital works program. There was a significant reduction in finance costs capitalised during the year due to completion of the desalination plant in the prior year.

Abridged Consolidated Statements of Financial Position

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	395,242	322,537	389,262	319,184
Non-current assets	14,675,087	13,633,870	13,460,025	12,411,160
Total Assets	15,070,329	13,956,407	13,849,287	12,730,344
Current liabilities	966,805	978,615	944,172	956,030
Non-current liabilities	8,190,381	7,410,547	7,045,380	6,244,190
Total Liabilities	9,157,186	8,389,162	7,989,552	7,200,220
Net Assets	5,913,143	5,567,245	5,859,735	5,530,124

The increase in current assets is mainly due to a current tax asset at year-end of \$24.0 million (current tax liability of \$50.6 million at 30 June 2010). The pay-as-you-go income tax instalment payments during the year exceeded the income tax payable in respect of the operating result for the year.

The increase in non-current assets is mainly due to the capitalisation of project costs and the reversal of impairment losses.

The increase in non-current liabilities is due to additional borrowings of \$609 million to fund major projects and \$136 million finance lease liabilities recognised for the first time arising from the renegotiated Macarthur water filtration plant agreement. There is also an increase in deferred tax liabilities of \$239 million, which is consistent with the tax effect of movements in profit or loss, asset revaluation reserve and unfunded defined benefits superannuation.

The Corporation's Activities

The Corporation is a statutory State owned corporation established under the *Sydney Water Act 1994*. It provides sustainable water services to the communities it services, and has as its principal objectives the protection of public health, the protection of the environment and to be a successful business.

For further information on the Corporation, refer to www.sydneywater.com.au.

Controlled Entities**Sydney Desalination Plant Pty Limited**

Year ended 30 June	2011 \$'000	2010 \$'000
Profit/(Loss) After Tax	9,722	(2,304)
Other Comprehensive Income		
Gains/(losses) on revaluation of assets	17,148	--
Total Comprehensive Income/(Expense)	26,870	(2,304)
Assets	1,310,324	1,306,985
Liabilities	1,189,409	1,214,540
Net Assets (at 30 June)	120,915	92,445

The company is a wholly owned subsidiary of the Corporation and owns the desalination plant. It is the contracting party for the plant construction and operation including the renewable energy contract.

The movements in the balances and result for the year reflect the impact of operating the desalination plant for a full year for the first time.

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
Australian Water Technologies Pty Ltd	*

* This entity does not have a website.

The Corporation sold AWT International (Thailand) Limited on 30 May 2011. A gain on sale of the company of \$16,000 was recognised in the financial statements of the consolidated entity. AWT International (Thailand) Limited ceased to be a controlled entity of the Corporation on the day of sale.

Waste Assets Management Corporation

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WASTE ASSETS
MANAGEMENT
CORPORATION

The Corporation does not have appropriate controls in place to ensure it receives all the revenue it is entitled to

Audit Opinion

The audit of the Corporation's financial statements for the period 23 March 2010 to 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The government established the Corporation through the *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010* to own and operate several landfill sites that were formerly owned by WSN Environmental Solutions (WSN) following the sale of WSN to the private sector on 31 January 2011.

The Corporation operates two landfill sites (Eastern Creek and Belrose) and manages the rehabilitation of six closed landfill sites.

It also controls the environmental impacts of landfill sites by generating electricity from gas emissions. Annual generation of electricity is about 106,000 megawatt hours.

Key Issues

Revenue

Recommendation

The Corporation should ensure it has appropriate controls in place to ensure it receives complete and accurate waste tonnage data from the operator of its weighbridges.

Under the terms of the contractual arrangements put in place by the Crown, the Corporation charges a private sector entity to dispose of waste at its landfill sites. However, this entity operates the weighbridges at these sites and provides the waste tonnage data the Corporation needs to generate its invoices. The Corporation does not have appropriate controls in place to verify the accuracy and completeness of the data it receives. All weighbridge data is subject to third party audits by the Office of Environment and Heritage. Whilst I was able to obtain sufficient audit evidence to satisfy myself there were no material inaccuracies in the data provided to the Corporation during the period, failure to have appropriate controls in place increases the risk of inaccurate invoicing, revenue leakage and inaccurate waste levy payments to the government.

Other Information

Receipt of Assets and Liabilities from the Sale of WSN

The Government transferred net assets of \$29.2 million to the Corporation. These are shown below:

At 31 January 2011	\$ '000
Cash	28,066
Receivables	1,104
Property, plant and equipment	52,321
Total Assets	81,491
Payables	14,833
Provision for rehabilitation	18,600
Provision for excavation work	18,888
Total Liabilities	52,321
Net Assets	29,170

Restricted Funds

The government paid the Corporation \$48.9 million to fund the rehabilitation of landfill sites until 2055. The Corporation identified total cash of \$69.1 million as restricted funds mainly for rehabilitation at 30 June 2011.

Financial Information

Abridged Statement of Comprehensive Income

Period ended 30 June	2011 \$'000
Waste charges revenue	30,198
Grants and contribution	72,856
Other revenue	1,589
Total Revenue	104,643
Personnel services	1,870
Depreciation and amortisation	3,878
Finance costs	1,256
Landfill rehabilitation	30,342
Legal settlement and other expenses	42,585
Total Expenses	79,931
Total Comprehensive Income	24,712

Abridged Statement of Financial Position

At 30 June	2011 \$'000
Current assets	87,631
Non-current assets	50,340
Total Assets	137,971
Current liabilities	40,749
Non-current liabilities	43,340
Total Liabilities	84,089
Net Assets	53,882

Corporation Activities

The Corporation was established to own and operate several landfills sites and to manage Eastern Creek and Belrose Waste Management Centres. It will manage the rehabilitation and aftercare of several closed landfills across the Sydney metropolitan region.

The Corporation was constituted under the *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010*.

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

Waste Recycling and Processing Corporation (WSN Environmental Solutions)

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WASTE RECYCLING AND
PROCESSING CORPORATION
(WSN ENVIRONMENTAL
SOLUTIONS)

WSN was sold for
\$234 million
resulting in an
accounting loss
\$19.8 million

As reported in Volume One of my 2011 Report to Parliament, the sale of WSN Environmental Solutions (WSN) to the private sector was completed on 31 January 2011.

The following is summary of the sale transaction including the transfer of assets and liabilities to other government agencies and post sale transactions.

Sale Outcome

WSN was sold for \$234 million resulting in an accounting loss of \$19.8 million, as shown below:

	\$'000
Sale proceeds	234,424
Net assets sold to private sector	245,257
Transaction costs	8,950
Accounting loss on Sale	19,783

Sale to the Private Sector

The following were sold to private sector purchaser, SembSita Australia Pty Ltd:

- three landfill sites
- two alternative waste treatment facilities
- eight transfer stations
- three material recovery facilities
- exclusive access to Eastern Creek and Belrose sites
- a commitment to build a new alternative waste treatment facility
- trade and other payables

Transfer of Assets and Liabilities to Other Government Agencies

Waste Assets Management Corporation

The government established the Waste Assets Management Corporation (WAMC) through the *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010*. WAMC was created to own and operate several landfills sites formerly owned by WSN, but excluded from the sale transaction. Separate comment on the operations of WAMC is included elsewhere in this volume of my Report to Parliament.

The government transferred net assets of \$29.2 million to WAMC. These are shown below:

At 31 January 2011	\$ '000
Cash	28,066
Receivables	1,104
Property, plant and equipment	52,321
Total Assets	81,491
Payables	14,833
Provision for rehabilitation	18,600
Provision for excavation work	18,888
Total Liabilities	52,321
Net Assets	29,170

Property, plant and equipment comprised land and buildings at the Eastern Creek and Belrose landfill sites and the Castlereagh closed site.

Crown Entity

The sale transaction also resulted in the transfer of \$131.6 million of net liabilities to the Crown Entity. These are shown below:

At 31 January 2011	\$ '000
Cash	2,890
Receivables and others	1,294
Tax assets	26,856
Total Assets	31,040
Payables	2,445
Interest bearing liabilities	136,243
Tax liability	23,931
Total Liabilities	162,619
Net Liabilities	131,579

Post Sale Transactions

Subsequent to the sale, the Crown paid \$72.9 million in grants to WAMC to settle the following liabilities:

	\$ '000
Landfill rehabilitation fund	48,942
Legal settlement	13,500
Environment waste levy	8,453
Others	1,961
Total	72,856

Barangaroo Delivery Authority

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BARANGAROO DELIVERY
AUTHORITY

Construction has
commenced on
Barangaroo
South and the
Headland Park

Audit Opinion

The audits of the Barangaroo Delivery Authority and its controlled entity's financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

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

Operational Snapshot

Barangaroo Delivery Authority

The Barangaroo development is a \$6.0 billion landmark waterfront project that will be delivered at no cost to taxpayers. The delivery of the development comprises three stages; Barangaroo South, Central and the Headland Park.

The Barangaroo South development will include 490,240 square metres of commercial, residential and retail space and accommodate over 23,000 workers and residents.

The private sector developer and the Authority received formal approvals for the development during the year and started construction of Barangaroo South and the Headland Park respectively. The overall construction of the site is expected to take 12 years to 2023 to complete.

Key Issue

Project Governance Risks

The Authority engaged external consultants to identify and manage project management risks. It identified following major risks:

- delays in the developer receiving approvals from the relevant authorities, which may diminish confidence from potential tenants and impact investor confidence
- delayed or inadequate transport infrastructure, which may impact investor confidence
- pedestrian link may not be fully operational in time of opening of the commercial towers, which may result significant pedestrian travel issues.

Management advises it has an appropriately skilled team and adequate processes in place to proactively manage these risks on a continuous basis.

Other Information

Headland Park Project

Headland Park will feature a new cultural centre, with an expected floor area of between 10,000 and 20,000 square metres. The park will be funded through payments from the developer of Barangaroo South and is expected to be completed by 2015.

The table below shows forecast completion dates and costs:

Year ended 30 June 2011	Initial Estimated Completion Date	Forecast Completion Date	Initial Project Estimate \$m	Cost to 30 June 2011 \$m	Forecast Final Cost \$m
Headland Park	2014	2015	177	19.4	na

Source: Barangaroo Delivery Authority (unaudited).

na not available.

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Contributions	2,117	--	2,117	--
Other Revenue	339	172	339	172
Total Revenue	2,456	172	2,456	172
Employee related/personal service expense	3,207	2,449	3,207	2,449
Finance costs	6,302	9,133	6,302	9,133
Other expenses	13,124	30,363	13,124	30,363
Total Expenses	22,633	41,945	22,633	41,945
Deficit	20,177	41,773	20,177	41,773
Other Comprehensive Income				
Gain on revaluation of land	--	20,000	--	20,000
Total Other Comprehensive Income	--	20,000	--	20,000
Total Comprehensive Expense	20,177	21,773	20,177	21,773

Contributions from the Development Agreement commenced this year.

The Authority repaid \$33.0 million of its borrowings during the year resulting in lower finance costs.

The decrease in other expenses was largely due to higher property development expenses in the prior year.

Gain on revaluation represents the movement in the market value of land assets in 2009–10.

Abridged Statement of Financial Position

At 30 June	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	108,708	621	108,708	621
Non-current assets	340,173	414,346	340,173	414,346
Total Assets	448,881	414,967	448,881	414,967
Current liabilities	62,206	68,442	62,206	68,442
Non-current liabilities	294,429	234,102	294,429	234,102
Total Liabilities	356,635	302,544	356,635	302,544
Net Assets	92,246	112,423	92,246	112,423

Total assets largely comprise the value of the Barangaroo land assets. Total liabilities include provisions for property development and borrowings.

The decrease in current liabilities largely reflects the repayment of borrowings during the year.

The Authority received \$90.0 million from the developer during the year based on the Development Agreement. This receipt has been recognised as deferred income and included in non-current liabilities. This receipt will be recognised as income in the statement of comprehensive income on commencement of the long-term lease of the respective portion of the land.

Authority Activities

The Authority is a statutory body under the *Barangaroo Delivery Authority Act 2009*.

Its principal role is to manage the development of the Barangaroo site as a vibrant, commercial, sustainable location for national and global business.

For further information on the Authority, refer to www.barangaroo.com.

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	Website
Office of the Barangaroo Delivery Authority	*

* This entity does not have a website.

Corporation Sole 'Minister Administering the Environmental Planning and Assessment Act, 1979'

Audit Opinion

The audit of the financial statements for the year ended 30 June 2011 for the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act, 1979*' resulted in a qualified audit opinion within the Independent Auditor's Report. The qualification related to the completeness and accuracy of the Corporation's land assets. The audit opinion for 2009–10 was similarly qualified.

Operational Snapshot

The Corporation was established to acquire land for planning purposes within the Sydney region. This includes acquiring land for:

- expansion of the transport system
- regional open space, including recreational and conservation areas
- specific projects, such as the Rouse Hill Regional Centre.

In 2010–11, the Corporation purchased land for \$41.7 million. It transferred land with a value of \$105 million to the Transport Construction Authority for the South West Rail Link.

Key Issue

Completeness and Accuracy of Land Holdings

Recommendation

The Corporation needs to address its processes for identifying, valuing and recording land it controls as a matter of priority so it can effectively manage the full extent of its land holdings.

Certain parcels of land within New South Wales may be controlled by the Corporation, but have not been recognised in its accounting records. In 2011–12, the Corporation advises that it intends to liaise with other relevant agencies to consider the treatment of these assets. Until this exercise is complete, I am unable to obtain all the information I require to form an opinion on the value of land assets that should be recognised in the financial statements.

Other Information

I identified opportunities for improvements to accounting and internal control procedures and will report them to management.

Financial Information

Abridged Operating Statement

Year ended 30 June	2011 \$'000	2010 \$'000
Personnel services and payroll expenses	3,401	2,073
Other operating expenses	5,503	7,896
Finance costs	19,339	18,317
Grants and Subsidies	16,308	8,141
Operating Expenses	44,551	36,427
Operating Revenue	31,474	29,761
(Loss)/gain on disposal of assets	(25,327)	4,073
Deficit	38,404	2,593

The Corporation
does not know the
full extent of its
land holdings

Grants and subsidies increased by \$8.2 million mainly due to:

- \$4.2 million to the former Land and Property Management Authority toward the acquisition of the Currawong site at Pittwater
- \$3.5 million to the Roads and Traffic Authority for the construction of Erskine Park Link Road

The Corporation incurred a loss of \$25.3 million (gain of \$4.1 million in 2009–10) on disposal of assets. This is largely influenced by the location and type of land sold.

Abridged Balance Sheet

As at 30 June	2011 \$'000	2010 \$'000
Current assets	138,623	67,407
Non-current assets	1,022,742	1,222,322
Total Assets	1,161,365	1,289,729
Current liabilities	94,851	58,834
Non-current liabilities	283,029	257,092
Total Liabilities	377,880	315,926
Net Assets	783,485	973,803

Current assets increased by \$71.2 million predominantly due to the reclassification of land to be disposed from non-current to current.

Non-current assets decreased by \$200 million due to:

- the transfer of land valued at \$107 million to other State Government agencies
- the reclassification of \$53.4 million of land to be disposed to current assets
- a net revaluation decrement of \$44.7 million
- the disposal of land valued at \$35.8 million.

This was offset by acquisitions of land valued at \$41.7 million.

Total liabilities increased by \$62.0 million predominantly due to increased borrowings of \$45.7 million to fund land acquisitions.

Corporation's Activities

The Minister for Planning is incorporated as the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act, 1979*'. The Corporation's main activities are to acquire land, control and manage its vested lands and dispose of surplus land.

The Office of Strategic Lands administers the functions of the Corporation.

The Public Sector Employment and Management (Departments) Order 2011 moved the office from the former Land and Property Management Authority to the Department of Planning and Infrastructure.

Department of Planning and Infrastructure

Audit Opinion

The audit of the Department of Planning and Infrastructure's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The role of the Department is to deliver strategies and decisions to facilitate sustainable growth and employment in New South Wales. The Department advises government on:

- strategic land use planning
- major development and infrastructure projects
- diverse housing and employment opportunities.

Net cost of services for the Department's operations were \$61.7 million for the year.

Key Issue

Special Infrastructure Contributions

Recommendation

The Department should develop accounting policies to ensure the transparency of Special Infrastructure Contributions and related expenditure on infrastructure.

The Department collects special infrastructure contributions to fund regional infrastructure in the North West and South West Growth Centres. This activity is undertaken on behalf of the Crown Entity.

Contributions and infrastructure provided by way of 'in kind' arrangements have not been recognised in the financial statements of the Department or the Crown Entity.

In my view, the recognition of non-monetary special infrastructure contributions and related infrastructure will provide greater transparency over contributions received by the government and allow stakeholders to assess the cost of infrastructure provided.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related	85,438	72,083
Other operating expenses	20,403	17,081
Grants and subsidies	22,539	28,421
Other expenses	2,187	1,839
Total Expenses	130,567	119,424
Sale of goods and services	44,583	33,006
Other revenue	24,243	10,553
Total Revenue	68,826	43,559
Other losses	--	3,590
Net Cost of Services	61,741	79,455
Government contributions	84,342	66,224
Actuarial gain on defined benefit plans	1,177	--
Total Comprehensive Income/(Expense)	23,778	(13,231)

The Public Sector Employment and Management (Departments) Order 2011 transferred a number of staff from the former Land and Property Management Authority to the Department. The majority of the transferred staff provided services to the Sydney Harbour Foreshore Authority under a personnel services arrangement. This increased employee related expenses by \$9.6 million and other revenue by \$8.3 million.

Sales of Goods and Services increased by \$11.6 million predominantly due to the increase in development applications and associated planning reform fees. This also increased other revenue by \$3.2 million due to additional developer contributions.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	68,569	29,743
Non-current assets	10,038	14,347
Total Assets	78,607	44,090
Current liabilities	32,729	20,581
Non-current liabilities	23,092	17,405
Total Liabilities	55,821	37,986
Net Assets	22,786	6,104

Current assets increased by \$38.8 million largely due to:

- the receipt of \$21.9 million from the Crown Entity to pay a grant to the Sydney Harbour Foreshore Authority. This was not paid until July 2011
- receivables from statutory corporations increased by \$12.6 million to fund leave and superannuation obligations of employees transferred to the Department in April 2011.

Non-current assets decreased by \$4.3 million mainly due to the transfer of Heritage Branch assets to the Department of Premier and Cabinet in April 2011.

Current liabilities increased by \$12.1 million to recognise the leave and superannuation obligations of employees transferred to the Department in April 2011.

Non-current liabilities increased due to a \$5.5 million loan to fund precinct planning in the Growth Centres.

Service Group Information

Year ended 30 June	Net Cost of Services			Net Assets	
	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000
Strategies and land release	36,697	22,447	22,141	(15,649)	(14,320)
Plan making and urban renewal	55,083	21,074	33,218	22,835	14,195
Development assessment	23,106	17,043	24,096	15,600	6,229
Personnel Services	--	1,177	--	--	--
Total All Service Groups	114,886	61,741	79,455	22,786	6,104

The actual net cost of services was \$53.1 million lower than budget primarily due to:

- the late payment of a grant to the Sydney Harbour Foreshore Authority of \$21.9 million
- delays in grant payments related to the Priority Infrastructure Fund which required independent determination. The fund was established to assist NSW councils to fund public amenities and public services.

Department Activities

The former Department of Planning was amended by the Public Sector Employment and Management (Departments) Order 2011. Its name was changed to the Department of Planning and Infrastructure and the following occurred:

- the Office of Strategic Lands was transferred to the Department from the former Land and Property Management Authority
- the Heritage Branch was transferred to the Department of Premier and Cabinet
- the staff of the former Land and Property Management Authority who were employed to enable the following Statutory Corporations to exercise their functions were transferred to the Department:
 - Sydney Harbour Foreshore Authority
 - Hunter Development Corporation
 - Central Coast Regional Development Corporation
 - Luna Park Reserve Trust.

The Department oversees and implements government policies on land use planning and development, and facilitates and manages sustainable growth.

It advises the minister and the government on the approval of major development and infrastructure projects of significance to the New South Wales' economy and employment.

The Department leads and coordinates State wide planning strategies to guide growth and development, and to inform infrastructure planning, staging and delivery.

Key legislation includes the *Environmental Planning and Assessment Act 1979*, the *Heritage Act 1977* and the *Coastal Protection Act 1979*.

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

Hunter Development Corporation

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HUNTER DEVELOPMENT
CORPORATION

Audit Opinion

The audit of the Hunter Development Corporation's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Corporation facilitates private investment in its property located in the Hunter Region. It spent \$3.0 million during the year on land inventory acquisition and development. It also manages the remediation of some parcels of land at Newcastle on behalf of the State Property Authority.

As part of its non-commercial operations, it spent \$4.0 million during the year on the delivery of community works, including development of the public domain and on landscaping.

Other Information

Remediation of Land at Newcastle

The Corporation manages the remediation of land at Newcastle on behalf of the State Property Authority. It incurred \$6.7 million in remediation expenses and recovered this amount from the State Property Authority. It has entered into contracts for remediation works of \$25.3 million over the next 12 months out of total estimated remediation costs of \$110 million.

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Revenue	17,576	7,470
Expenses	19,691	10,636
Deficit	2,385	3,166
Net assets (at 30 June)	48,451	50,836

The increase in revenue and expense relates to the remediation activities the Corporation manages on behalf of the State Property Authority.

Entity Activities

The Hunter Development Corporation is constituted under *the Growth Centres (Development Corporations) Act 1974*.

The Corporation strives to facilitate private sector investment in projects which contribute to economic growth, employment, residential, commercial and industrial opportunities in the Hunter.

For more information on the Corporation, refer to

www.hunterdevelopmentcorporation.com.au.

Audit Opinion

The audit of Landcom's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

Landcom develops and sells residential, commercial and industrial properties. As part of urban management, it develops land for residential purposes and redevelops inner city land for medium/high density housing. It also provides for the development of shopping centres, aged care and commercial facilities to complement its residential developments.

Landcom delivered 1,758 dwellings to the market during the year. It earned a profit of \$54.3 million.

Performance Information

Financial Performance

The table below compares Landcom's financial results against targets set in its Statement of Corporate Intent. Landcom exceeded most of its financial targets for 2010–11.

Year ended 30 June	Target*	Actual			
	2011	2011	2010	2009	2008
Earnings before interest and income tax (\$m)	60.7	82.8	53.1	51.6	59.5
Dividend to Consolidated Fund (\$m)	23.7	36.6	51.8	42.9	36.0
Income tax to Consolidated Fund (\$m)	14.5	23.0	12.6	15.3	15.1
Return on equity (%)	10.1	15.9	9.6	9.6	9.8
Return on assets (%)	8.4	7.1	4.5	4.8	5.0
Debt to total equity (%)	88.3	34.9	27.1	32.8	48.3

* Performance indicators included in Landcom's 2010-11 Statement of Corporate Intent.

Landcom's five-year performance against economic, social, environmental and governance targets have been published in its Annual Report for 2011.

Other Information

Major Projects

Landcom is involved in a number of major projects in the Greater Sydney Metropolitan Area, the Hunter, the Illawarra and the Southern Highlands. Most projects are residential, but also include retail, commercial, industrial and mixed-use developments. Significant projects include:

Project	What will be delivered?	Where is it up to?
The Ponds (Blacktown)	3,200 dwellings and around 80ha of open space including 40ha of riparian and biodiversity corridors.	Delivery phase, with the first 1,500 lots sold. Civil works for services, infrastructure and the public domain are currently underway. Bushland conservation and regeneration works are being undertaken.
Green Square Town Centre (Zetland)	2,500 dwellings, 410,000m ² of mixed use gross floor area and 120,000m ² of commercial and retail area.	Construction to commence in 2012.

Landcom
exceeded most
financial targets
set for 2010–11

Project	What will be delivered?	Where is it up to?
Oran Park Town (Camden)	2,700 dwellings, a major town centre, a retirement village, public open space, riparian conservation corridors, community and leisure facilities and schools.	The first residential stages were launched in 2010. There are now 120 dwellings completed in addition to the existing 43 home display village. A retirement village is under construction and the first school will open in 2012.
Minto Renewal Project	1,200 dwellings. Also included are a reconfigured road and footpath network, cycleways, six public reserves and a multi-purpose community facility.	Delivery phase. Stages 1 to 4 have been completed. The Stage 5 and 6 construction works commenced in April 2011 and are due to be completed in mid 2012.
Sanctuary (Fletcher)	862 dwellings with a local playing field, retail and community facilities.	Delivery phase. To date, the first three stages have been completed, providing 127 lots. A home display village and purpose-built sales suite were completed in 2008.
Bunya (Bungaribee)	Bunya is a master planned residential community which will comprise 730 lots when complete.	All lots in Precinct 1 have been sold, with Precinct 2 construction underway.
Edmondson Park	Potential for 8,200 dwellings, a town centre with up to 45,000m ² of retail and commercial area, community facilities, schools and 150ha of regional open space. Landcom will develop 3,530 dwellings.	Planning and delivery phase. Construction on Stage 1 began in September 2009 and the first lots were released at the end of 2010.
Renwick (Mittagong)	600 dwellings, a village centre including retail, child care and community facilities, and 30ha of open space.	Delivery phase. Construction of Stage 1 is complete, and the first sales release will be in August 2011.
Mount Annan and Spring Farm	2,150 dwellings, public open space, a neighbourhood centre and community facilities.	Construction at Mount Annan is continuing, with land and housing sales underway and final lot sales expected in 2012. Spring Farm is launching in late 2011.

Source: Landcom Annual Report 2010–11.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Sales income	402,851	384,526
Cost of sales	(264,983)	(290,735)
Gross Profit	137,868	93,791
Other income	7,968	8,074
Employee related expenses	(16,582)	(15,917)
Other expenses	(46,454)	(32,852)
Profit Before Interest and Income Tax	82,800	53,096
Finance income	4,480	3,710
Finance expense	(9,933)	(12,959)
Income tax equivalent expense	(23,024)	(12,627)
Profit	54,323	31,220
Other Comprehensive Income		
Superannuation actuarial gains/losses (net of income tax)	44	(1,065)
Total Comprehensive Income	54,367	30,155

Sales income increased by \$18.3 million primarily due to higher average land selling prices.

The gross margin increased from 24.4 per cent to 34.2 per cent due to higher margins on The Ponds and Middleton Grange projects and a \$41.0 million increase in managed land sales where Landcom does not own the land.

Other expenses rose mainly due to a \$7.8 million increase in adjustments of inventory to net realisable value and a \$4.7 million increase for project management costs.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Inventory	592,049	498,696
Other Assets	177,640	193,336
Total Assets	769,689	692,032
Borrowings	119,585	88,088
Other Liabilities	307,469	279,076
Total Liabilities	427,054	367,164
Net Assets	342,635	324,868

Inventory increased by \$93.4 million primarily due to additional development acquisitions and works for the North Penrith Defence Land, Green Square Town Centre Development Site, The Ponds and Oran Park Town.

Total liabilities increased mainly due to:

- \$29.9 million increase in provisions for costs to complete projects
- \$31.5 million increase in borrowings
- \$15.7 million increase in current tax liabilities, offset by a \$15.2 million decrease in the dividend to the Treasury.

Landcom Activities

Landcom is constituted under the *Landcom Corporation Act 2001*.

The principal objectives of Landcom are to:

- be a successful business, and to this end:
 - to operate at least as efficiently as any comparable business
 - to maximise the net worth of the State's investment in it
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- protect the environment by complying with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*
- approach regional development and decentralisation responsibly
- undertake, or assist the government in undertaking, strategic or complex urban development projects
- assist the government in achieving its urban management objectives
- be a responsible developer of residential, commercial and industrial land.

For further information on Landcom, refer to www.landcom.nsw.gov.au.

Luna Park Reserve Trust

Audit Opinion

The audit of the Luna Park Reserve Trust's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Trust has incurred a deficit of \$2.9 million managing the Luna Park site over the past five years. The average annual cost has been gradually decreasing from \$1.0 million in 2006–07 to \$400,000 in 2010–11.

Key Issue

Going Concern of the Park Operator (Repeat Issue)

Recommendation

I again recommend the Trust monitors the park operator's ability to continue as a going concern.

The Trust advised that there has been no major change in the Park Operator's financial operations from the previous year and that it continues to trade profitably and meets its obligations including rental payments to the Trust.

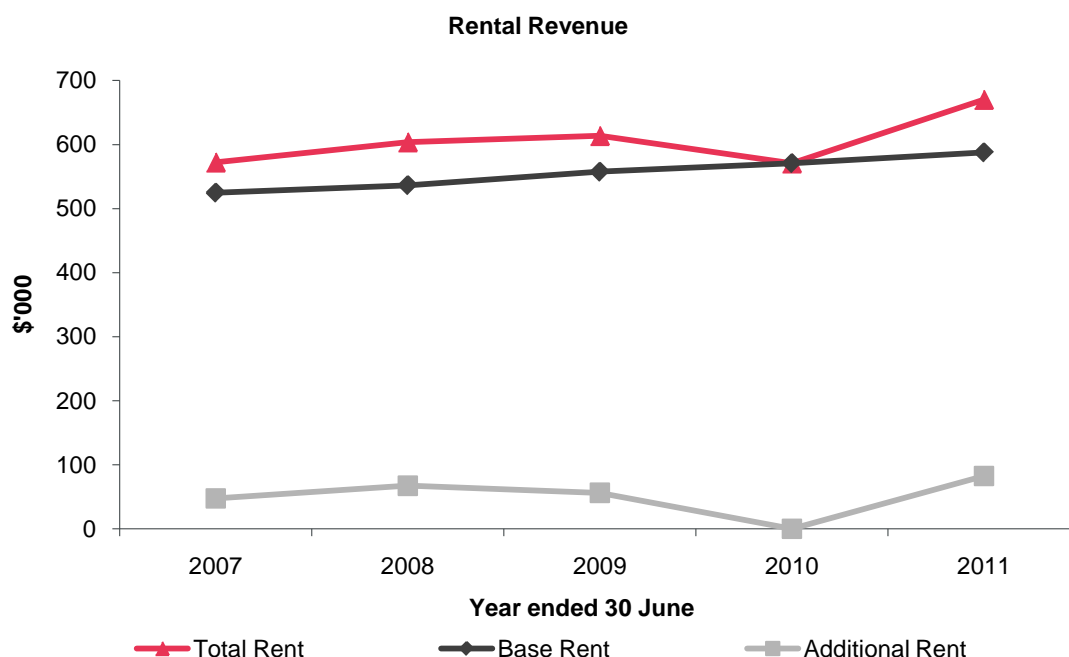
The Trust also advised the Operator is continuing to review their capital structure. They have been in negotiations over the past twelve months with the Operator in relation to their commercial and financial arrangements. The negotiations are ongoing.

Performance Information

The Trust provided the following information regarding its performance.

Rental Revenue

Trust's rental revenue from the park site continues to increase as shown below.



Base rent represents a fixed amount adjusted for inflation whilst the additional rent accrues at two per cent of the park's turnover.

The Luna Park Reserve Trust must continue to monitor the financial viability of the operator

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Revenue	1,555	1,425
Expenses	1,980	1,787
Deficit	425	362
Net assets (at 30 June)	31,319	31,744

The increase in expenses reflects additional depreciation following revaluation of the Trust's property in 2009–10.

Trust Activities

The Luna Park Reserve Trust was created in October 1990 under the *Luna Park Site Act 1990*. The Trust controls the Luna Park site, an area dedicated for public amusement, recreation and entertainment. Sydney Harbour Foreshore Authority manages the Trust.

The Minister for Planning and Infrastructure has administrative responsibility for the *Luna Park Site Act 1990* and for the *Crown Lands Act 1989* so far as it relates to the Luna Park site.

Audit Opinion

The audits of the Authority and its controlled entity, the Australian Technology Park Sydney Limited (the Company), financial statements for the year ended 30 June 2011 resulted in qualified audit opinions within the Independent Auditor's Reports.

The qualified audit opinions were due to the Company's recognition of the right to use 350 car spaces as an asset. It received the right to use these car spaces under a series of leases that it accounts for as operating leases. This treatment is inconsistent with the requirements of Australian Accounting Standards AASB117 'Leases'.

The Independent Auditor's Reports also drew attention to significant uncertainties relating to the applicability of taxes and rates to the Company.

The audit of the Authority's other controlled entity, the Office of the Redfern-Waterloo Authority's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

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

Operational Snapshot

The Authority along with its controlled entity continues to redevelop the Australian Technology Park. It leased out properties valued at \$164 million (\$159 million in 2009-10) and earned an annual average rental of nine and a half per cent. The group also manages events, conferences and the Eveleigh Markets.

The controlled entity's constitution requires all surplus revenue to be reinvested into it so it can meet its objectives.

The Authority, along with Housing NSW, plans to continue redeveloping the Redfern-Waterloo precinct, including the renewal of social housing sites in the area that will result in up to 3,500 dwellings becoming available over the next 25 years.

Key Issues

Right to Use Car Park Spaces

Recommendation

The Company should reassess its accounting treatment for the right to use car park spaces to ensure it complies with Australian Accounting Standards.

The Company leased land from the Authority (its parent) for 99 years and subleased a portion of it to a private sector entity for 84 years. It has accounted for both transactions as operating leases. In consideration for the sublease it received an exclusive right to use 350 car park spaces. The Company has, after consideration of this matter involving independent accounting advice and discussions with my Office, recognised the right to use the car park spaces as an asset with a corresponding deferred income liability.

This treatment is inconsistent with the requirements of Australian Accounting Standard AASB 117 'Leases', which do not allow recognition of such rights obtained under operating leases as assets. As a consequence, assets are overstated by \$7.9 million and liabilities by \$9.4 million at 30 June 2011, and the surplus for the year is understated by \$1.8 million.

Assets overstated
by \$7.9 million,
liabilities by \$9.4
million and
surplus
understated by
\$1.8 million

Uncertainty exists
 over the
 Company's
 exemptions from
 taxes and rates

Taxes and Rates (Repeat Issue)

Recommendation

I again recommend the Company continues to liaise with relevant authorities to resolve the issue of the applicability of taxes and rates to it.

The Company is seeking confirmation of its existing taxes and rates exemptions from the relevant authorities. Until the outcome of these matters is known, there is significant uncertainty relating to the extent to which liabilities for taxes and rates should be recognised in the financial statements.

Other Matters

Future Windup of the Authority

On 17 December 2010, the New South Wales Government established the Sydney Metropolitan Development Authority under the *Growth Centres (Development Corporations) Act 1974* to take over the operations of the Redfern Waterloo Authority.

The Government approved the future windup of the Authority on 5 September 2011, but the actual cessation of the Authority will ultimately be a matter for the NSW Parliament to determine, and legislation will need to be enacted to bring this change into effect.

Performance Information

The Authority provided the following information regarding its performance.

Property Management

Year ended 30 June	2011	2010	2009	2008	2007
Value of properties(\$m)	163.8	158.5	176.8	213.2	166.6
Rental revenue (\$m)	15.6	14.9	12.8	10.2	9.4
Return on rental properties (%)	9.5	9.4	7.2	4.8	5.6
Average vacancy rate (%)	<2.0	2.7	2.5	<2.0	<2.0

Source: Redfern-Waterloo Authority (unaudited)

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Venue hire revenue	4,545	3,929	--	--
Rental revenue	15,598	14,865	997	997
Grants and contributions	16,620	15,235	16,620	15,235
Other revenue	4,644	3,007	6,220	5,368
Total Revenue	41,407	37,036	23,837	21,600
(Gain)/Loss on valuation of investment property	(3,500)	18,715	(3,353)	18,832
Employee related expense	4,508	4,199	2,290	2,748
Depreciation and amortisation	1,121	1,885	126	1,156
Other expenses	17,922	17,587	6,526	5,466
Total Expenses	20,051	42,386	5,589	28,202
Surplus/(Deficit)	21,356	(5,350)	18,248	(6,602)
Other Comprehensive Expense	(60)	(33)	--	--
Total Comprehensive Income/(Expense)	21,296	(5,383)	18,248	(6,602)

The increase in grants and contributions was largely due to \$10.6 million (\$8.6 million) of funds received from the Government for the future sale of the Company.

Changes in market conditions gave rise to a gain in investment property valuations of \$3.5 million (\$18.7 million loss).

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	64,372	53,371	34,187	20,604
Non-current assets	190,176	185,100	165,943	166,843
Total Assets	254,548	238,471	200,130	187,447
Current liabilities	6,339	6,112	1,358	1,515
Non-current liabilities	47,923	53,368	38,369	43,776
Total Liabilities	54,262	59,480	39,727	45,291
Net Assets	200,286	178,991	160,403	142,156

The increase in current assets was mainly due to grants and contributions received.

Authority Activities

The Authority was constituted by the *Redfern-Waterloo Authority Act 2004* (the Act).

The Authority has an operational area as described in the Act and has principal functions that require the Authority to promote, coordinate, manage, undertake and secure the orderly and economic development and use of the operational area. This includes the development and management of land, the provision of infrastructure, and the creation of public areas.

For further information on the Authority, refer to www.redfernwaterloo.com.au.

Controlled Entities
Australian Technology Park Sydney Limited

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Revenue	22,408	20,947
Expenses	20,404	20,804
Surplus	2,004	143
Net assets (at 30 June)	45,916	43,912

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

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
Office of the Redfern-Waterloo Authority	*

This entity does not have a website.

Audit Opinion

The audits of the Authority and its controlled entities' financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

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

Operational Snapshot

The Authority owns and operates prime venues such as the Sydney Entertainment Centre and the Sydney Convention and Exhibition Centre.

The Authority leases commercial properties valued at \$400 million and earns an average rental return of 12 per cent per year from these properties.

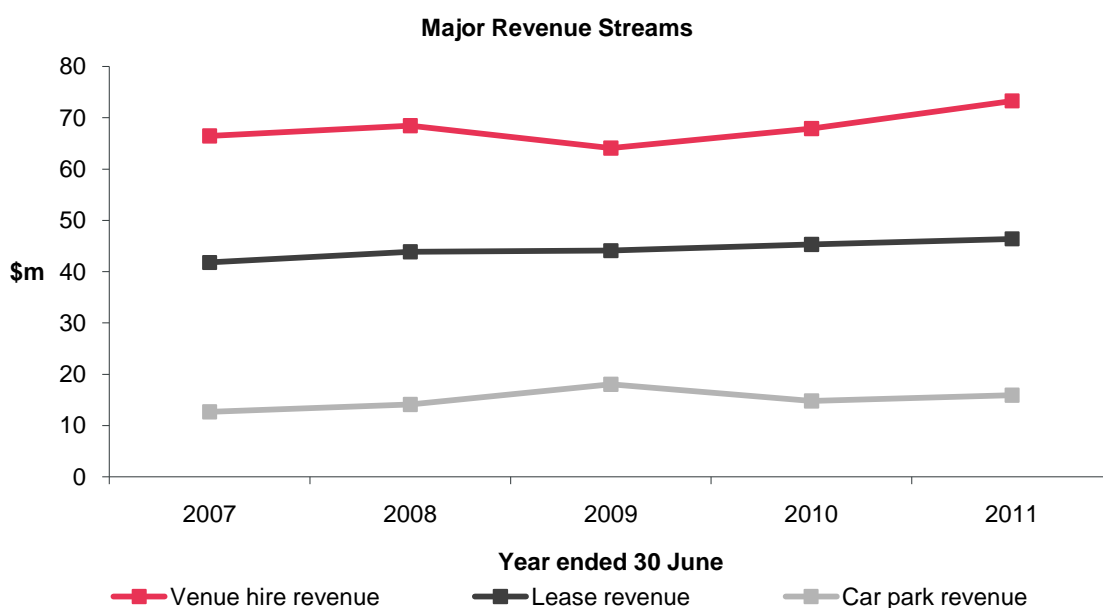
Its non-commercial operations support more than 30 major public events and community festivals annually in the Rocks and Darling Harbour vicinities.

Performance Information

The Authority provided the following information regarding its performance.

Major Revenue Streams

The following chart shows the Authority's main sources of revenue from venue hire, building rentals and car parks.



Lease Management

Year ended 30 June	Target*	2011	2010	2009	2008	2007
Number of lease properties	na	134	134	133	132	133
Total number of leases	na	281	273	270	286	258
Value of leased properties (\$m)	na	395	376	320	370	357
Lease revenue (\$m)	na	46.4	45.3	44.1	43.9	41.8
Return on leased properties (%)	na	11.8	12.0	13.8	11.9	11.7
Commercial Vacancy Rate (%)	< 9.3	15.1	17.1	17.9	15.9	2.3
Retail Vacancy Rate (%)	< 5.4	4.8	2.4	1.6	1.8	4.1

Source: Sydney Harbour Foreshore Authority (unaudited).

* Target is set by management.

na not available.

The value of the leased properties increased due to market conditions.

Management advised that the commercial vacancy rate at 31 October 2011 has declined to 12.9 per cent. A number of leases are awaiting execution which will result in a further decline in this rate to 12.5 per cent. The commercial vacancy rate will drop to 4.5 per cent if the current lease negotiations are successful.

Major Assets Occupancy Rate

Year ended 30 June	Target*	2011	2010	2009	2008	2007
Sydney Convention and Exhibition Centre :						
Convention Rooms Tenanted Occupancy (%)	na	46.0	46.8	48.3	51.5	52.0
Exhibition Halls Tenanted Occupancy (%)	na	52.0	48.0	53.0	63.0	63.0
Sydney Entertainment Centre-Event day (%)	na	37.5	35.4	na	na	na
Carparks (%)	na	50.5	45.5	42.5	41.0	37.5

Source: Sydney Harbour Foreshore Authority (unaudited)

* Target is set by management.

na not available.

Other Information

Payroll System

Following changes resulting from the government administrative restructure that occurred in 2010–11, the Authority is strengthening its internal control environment over payroll processing. Management advises it plans to replace its current payroll system with one that better meets the Authority's requirements. The new payroll system is planned to commence in June 2012.

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Venue hire revenue	73,302	67,916	73,302	67,916
Rental revenue	46,436	45,296	46,436	45,296
Car park revenue	15,928	14,818	15,928	14,818
Other	63,706	68,627	63,706	68,627
Total Income	199,372	196,657	199,372	196,657
Property related expenses	85,371	73,065	85,371	73,065
Employee related/ personnel services expense	25,658	27,785	25,658	27,785
Depreciation and amortisation	17,075	16,940	17,075	16,940
Other expenses	37,035	40,362	37,035	40,362
Total Expenses	165,139	158,152	165,139	158,152
Surplus	34,233	38,505	34,233	38,505
Income Tax Equivalent Expense	532	--	532	--
Surplus After Income Tax Expense	33,701	38,505	33,701	38,505
Other Comprehensive Income				
Gain on revaluation of land and buildings	39,708	--	39,708	--
Total Other Comprehensive Income	39,708	--	39,708	--
Total Comprehensive Income	73,409	38,505	73,409	38,505

Venue hire revenue increased with a rise in the number of events for major event venues.

The decrease in other revenue was mainly due to revenue from a legal settlement in the prior year.

Property related expenses increased by \$12.3 million mainly due to additional maintenance required for the venues.

Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	114,643	120,123	114,643	120,123
Non-current assets	1,194,610	1,142,181	1,194,610	1,142,181
Total Assets	1,309,253	1,262,304	1,309,253	1,262,304
Current liabilities	63,902	55,709	63,902	55,709
Non-current liabilities	12,575	19,028	12,575	19,208
Total Liabilities	76,477	74,737	76,477	74,737
Net Assets	1,232,776	1,187,567	1,232,776	1,187,567

The increase in non-current assets reflects revaluation of major event venue assets.

Authority Activities

The Authority's roles are to:

- protect and enhance the natural and cultural heritage of the foreshore area
- promote, coordinate, manage, undertake and secure the orderly and economic development and use of the foreshore area, including the provision of infrastructure
- promote, coordinate, organise, manage, undertake, secure, provide and conduct cultural, educational, commercial, tourist, recreational, entertainment and transport activities and facilities.

The Authority owns and manages land within its precincts, including The Rocks and Darling Harbour. It also manages the Cooks Cove project in Arncliffe and the Luna Park Reserve Trust.

The Authority was established under the *Sydney Harbour Foreshore Authority Act 1998*.

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

Controlled Entities

Cooks Cove Development Corporation

In January 2006, the Corporation contracted with a private entity for a development at Cooks Cove site. The project was halted due to the developer going into voluntary administration. Since October 2010, the Corporation has been negotiating a settlement with the project financiers.

The future of the project is currently being reviewed.

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
Sydney Harbour Foreshore Authority Casual Staff Division	*

* This entity does not have a website.

Forestry Commission of New South Wales (trading as Forests NSW)

Audit Opinion

The audits of the Forestry Commission of New South Wales (trading as Forests NSW) and its controlled entities' financial statements for the year ended 30 June 2011 resulted in unmodified opinions within the Independent Auditor's Reports.

At the time of finalising this report, the audit of Timber and Carbon Plantation Pty Ltd (a controlled entity of the Commission) was incomplete.

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

Operational Snapshot

The Commission:

- manages 1.9 million hectares of native forests, 234,000 hectares of softwood and 28,000 hectares of hardwood plantations across New South Wales
- made a profit of \$76.4 million after allowing for total operating expenses for the year of \$205 million.

Key Issues

Valuation of Softwood Plantations and Native Forests

Recommendation

The Commission should continue to review and improve its valuation method for its plantation and native forests.

Cash flow projections for the softwood plantation show positive cash flows. The resulting valuation of these estates was \$751 million as at 30 June 2011 (\$661 million at 30 June 2010). Cash flow projections for native forests and hardwood show a negative cash flow position. As a result, the valuation of these estates was nil as at 30 June 2011 (nil at 30 June 2010).

The valuation approach was implemented in 2008–09. It is a complex approach and the Commission is committed to continuous refinement. In 2010–11, the Commission implemented more tightly defined procedures to improve valuation process transparency and consistency. These improvements included:

- using a three-year average for key inputs to reduce volatility from year to year
- using 12 months scheduled harvest to ensure a close relationship between predicted and actual cash flows for the first period of the projections
- spatial resource models used to increase transparency in modelled outcomes
- restructuring the Commission's Macquarie region's valuation model to better accommodate management practice. This model will be rolled out across the other regions
- implementing new software for projecting yearly forest logs and that information feeds into the valuation model.

During the year, the Commission introduced staged log price increases. It will continue to focus on initiatives with a goal of being cash flow neutral in its native forest operations by 2014.

The Commission should finalise and implement its corporate-level fire management plan and policies.

Combating Bushfire Season

Recommendation

The Commission should finalise and implement its corporate-level fire management plan and policies.

The Commission currently reviews its fire prevention strategy every year on a regional basis but not as a best practice review. An independent audit resulted in a qualified opinion on the Commission's fire management processes.

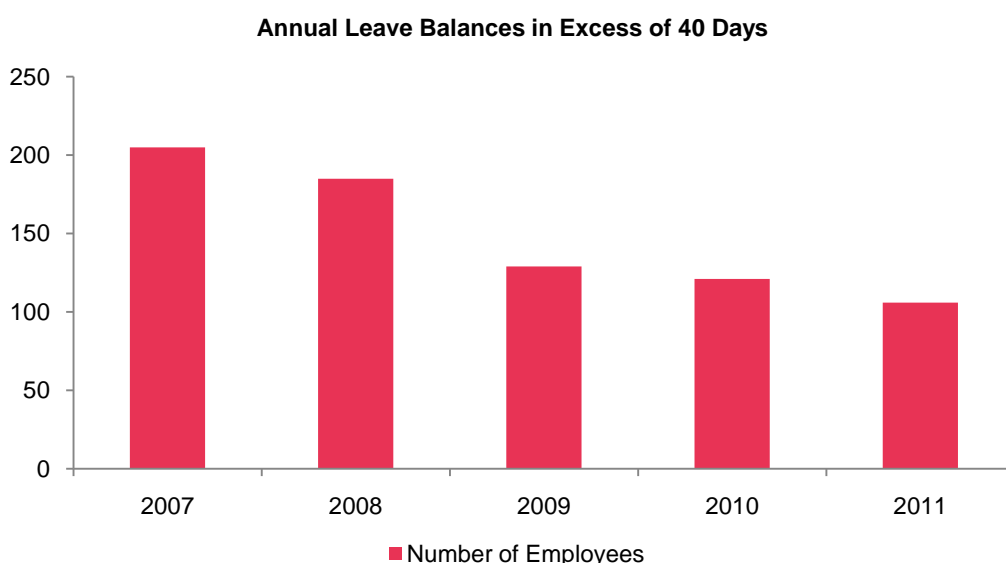
In 2010–11, the Commission engaged consultants to help improve its fire management processes. It is currently developing a corporate-level coordinated long-term hazard reduction plan, redrafting its fire management policy and developing a model of fire cover. The Commission is assessing the level of fire it can manage before requiring intervention from the New South Wales Rural Fire Service.

Other Information

Annual Leave

Last year, I recommended the Commission continue to enforce individual plans with employees to reduce excessive annual leave balances within an acceptable timeframe.

Forest NSW's management is addressing the matter and monitors progress. Staff with balances over 40 days has decreased from 129 to 106, a reduction of 17.8 per cent in the two years from June 2009. Management aims to reduce the number considerably by January 2012.



Excess leave balances can adversely affect an organisation as liabilities generally increase over time as remuneration rates increase, which impacts future cash flow requirements. The health and welfare of staff can also be affected if they do not take sufficient leave.

Employment of Contractors

Last year, I recommended the Commission maintain a central register for contractors not paid through the human resource systems to reduce the risk of noncompliance with taxation and employment related legislation.

The Commission has advised it has implemented changes to policies, practices and procedures to better manage taxation compliance risks associated with contractors. However, the Commission still does not hold a central register for contractors unless paid through the human resources systems.

Retention of contract employees for extended periods may result in additional costs to the Commission. The Commission should consider implementing a central register of all contractors not paid through human resources systems to help ensure it is achieving the desired outcomes from using contractors and is complying with employment laws and regulations.

Company Acquisition

During 2009–10, the Commission acquired Tokyo Electric Power Company International. The company's principal activity was in forestry development and the production of carbon credits. Prior to acquisition, the Commission provided the company with forestry services. After acquisition, the Commission changed the company's name to Timber and Carbon Plantation Pty Ltd. The company was purchased for \$4.6 million and held 7,058 hectares of plantation forests.

In 2010–11, the Commission decided to wind up the company. All company assets were transferred to the Commission in consideration for the forgiveness of the company's debts. On 7 October 2011, the Australian Securities and Investments Commission approved the Commission's application for voluntary deregistration.

Other Control Issues

I have identified areas where opportunities exist to improve internal controls. These have been discussed and reported to the Commission.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Forest sales	291,457	286,864	291,457	286,864
Other revenue	35,850	41,848	37,093	42,515
Total Revenue	327,307	328,712	328,550	329,379
Expenses from operations	204,608	213,565	205,964	213,560
Employee related	24,193	26,615	--	--
Personnel services	40,737	62,349	65,758	91,280
Other	19,596	21,574	18,092	24,348
Total Expenses	289,134	324,103	289,814	329,188
Profit Before Fair Value Adjustment	38,173	4,609	38,736	191
Gain/(loss) in fair value of estates	88,641	(8,723)	90,070	(9,443)
Profit/(Loss) before Tax	126,814	(4,114)	128,806	(9,252)
Income tax expense	50,385	228,103	50,385	228,103
Profit/(Loss) after Tax	76,429	(232,217)	78,421	(237,355)
Other Comprehensive Income				
Revaluation/(devaluation) of property, plant and equipment	(259)	805	(259)	805
Superannuation actuarial loss	(830)	(2,316)	--	--
Income tax benefit on other comprehensive income	119	350	119	350
Total Other Comprehensive Expense	(970)	(1,161)	(140)	1,155
Total Comprehensive Income/(Expense)	75,459	(233,378)	78,281	(236,200)

Employee related expenses together with personnel services expenses decreased by 27 per cent. This was largely due to \$19.2 million reduction in superannuation cost on defined benefit schemes resulting from stronger performance in investments during the year.

Income tax expense decreased by 77.9 per cent. In 2010, \$239 million of brought forward tax assets were disallowed as a tax deduction.

The movement in the value of the forests estates was mainly due to changes in assumptions and improvements in the valuation model as mentioned earlier. The areas with the largest impact were the use of three-year weighted averages for key inputs, and the rate to discount the valuation to present values decreased from 9.8 per cent to 9.6 per cent.

Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	128,555	128,751	128,555	128,862
Non-current assets	1,791,844	1,744,152	1,791,844	1,741,219
Total Assets	1,920,399	1,872,903	1,920,399	1,870,081
Current liabilities	130,179	144,193	130,338	144,353
Non-current liabilities	678,992	658,890	678,833	658,730
Total Liabilities	809,171	803,083	809,171	803,083
Net Assets	1,111,228	1,069,820	1,111,228	1,066,998

Commission Activities

The commission is a corporation sole constituted by the *Forestry Act 1916*. Its objectives include:

- conserving and utilising the timber on Crown timber lands and other land it controls
- supplying timber from these lands for building, commercial, industrial, agricultural, mining and domestic purposes
- preserving and improving, in accordance with good forestry practice, the soil resources and water catchment capabilities of these lands
- encourage the use of timber derived from trees grown in the State.

It manages approximately 1.9 million hectares of native forests across New South Wales. The largest areas are concentrated on the coast and coastal escarpment. The commission has established softwood and hardwood plantations to complement wood products harvested from native forests. Plantations include approximately 234,000 hectares of softwood and approximately 28,000 hectares of hardwood.

Forests NSW is aligned with the Department of Primary Industries, a Division of the Department of Trade and Investment, Regional Infrastructure and Services. It continues to operate as a self funded Public Trading Enterprise.

For further information on the commission, refer to www.dpi.nsw.gov.au/forests.

Controlled Entities

The following controlled entities have not been reported on separately as they are not considered material by size or the nature of their operations to the consolidated entity.

Entity Name	Website
Forestry Commission Division	*
Timber and Carbon Plantation Pty Ltd	*

* This entity does not have a website.

The NSW Food Authority, with local councils, conducted over 61,000 inspections with a compliance rate exceeding 90 per cent

Audit Opinion

The audit of the Authority and its controlled entities' financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

Operational Snapshot

The Authority:

- monitors and regulates the safe production, processing, wholesale and distribution of all primary produce and seafood for human consumption
- uses 152 local councils in New South Wales to help it monitor and regulate more than 36,000 food retail and food service businesses across the State
- in partnership with local councils conducted 61,066 primary inspections, with over 90 per cent compliance rate
- was funded by grants and contributions of \$12.2 million and industry levies and licence fees of \$6.6 million.

Other Information

The 'Name and Shame' Register

The Authority maintains a 'Name and Shame' register, which gives consumers access to important food safety information. The register publishes the names of food businesses around the State that received penalty notices or convictions for alleged food breaches. The register only publishes breaches assessed to have the potential to cause a public health and safety issue. The name and shame register continued to be accessed by the public, with five million (four million in 2009–10) hits on the site recorded since its inception three years ago. The register is available at the Authority's website.

Food Regulation Partnership

The Food Regulation Partnership (FRP) between the 152 local councils in New South Wales and the Authority has continued to evolve since its inception in July 2008. It is responsible for food surveillance in the food retail and food service industry in New South Wales. Local councils became food safety enforcement agencies under the FRP and help the Authority monitor and regulate more than 36,000 food retail and food service businesses across the State. Under the partnership, councils are required to report annually to the Authority on how they carry out their functions.

The third twelve month 'summary report of New South Wales enforcement agencies activities' for the period July 2010 to June 2011 highlighted:

- 61,066 (50,055) primary inspections conducted by councils, with over 90 per cent compliance rate
- 6,914 (8,044) warning letters issued
- 4,341 (4,517) food complaints received, of which 98.8 per cent (99.0 per cent) were investigated
- 1,455 (1,399) improvement notices issued
- 1,374 (2,049) penalty notices issued
- 12 (22) council generated prosecutions initiated.

Source: NSW Food Authority (unaudited).

Compliance and Enforcement

The Authority investigates food businesses across the State for breaches of the *Food Act 2003*. It has enforcement strategies in place to ensure food sold in New South Wales is safe and correctly labelled.

The table below shows the Authority's compliance and enforcement activities:

Activity	2011	2010	2009
Improvement notices issued (a)	681	753	876
Prohibition orders issued (b)	12	16	10
Penalty notices	244	249	220
Prosecutions	86	120	53

Source: NSW Food Authority (unaudited).

- a Issued where cleaning, repair, replacement, revision of a food safety program, implementation of a food safety program or implementation of the Food Safety Standards is required.
- b issued to control certain activities where there is failure to comply with an improvement notice or to prevent or mitigate a serious danger to public health.

In 2010–11, there was 98 per cent (98 per cent) compliance following the Authority issuing a statutory improvement notice.

Food Safety Supervisors

The Food Safety Supervisor (FSS) initiative was developed to encourage safer handling of food, reduce the incidence of foodborne illnesses and improve consumer confidence in the food served by the hospitality industry in New South Wales. Poor food handling practices in hospitality businesses cause over a third of foodborne illness outbreaks in New South Wales and cost the community around \$416 million every year according to NSW Food Authority's analysis.

This mandatory program will ensure most retail foodservice and hospitality businesses in New South Wales have a designated and appropriately trained 'food safety supervisor'.

The *Food Amendment (Food Safety Supervisors) Act 2009* was passed by parliament on 11 November 2009 to introduce mandatory food handler training. The Food Safety Supervisors must be trained by a Registered Training Organisation. The scheme became fully operational from 1 October 2011 and businesses are required to appoint their 'food safety supervisors'.

Scores on Doors

'Scores on Doors' is a food safety assessment scheme where participating food businesses are assessed against relevant legislation and awarded a 'rating' via a 'scorecard' displayed on their door or window. The rating system ranges from five stars (excellent-highest level of compliance) to three stars (good).

This allows consumers to make informed choices about the places where they eat or buy food, which will encourage businesses to maintain and improve their hygiene standards. The Authority piloted the program in 2010–11 with 20 councils and 266 food businesses across New South Wales. An evaluation report (released in March 2011) showed positive support for the scheme, with some changes recommended. A revised scheme is being trialled State-wide (on a voluntary basis) during 2011-12.

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Grants and contributions	12,233	11,461
Industry levies and licence fees	6,580	5,227
Other revenue	5,118	4,399
Expenditure	21,962	20,405
Surplus	1,969	682
Net assets (at 30 June)	12,695	10,493

Grants and contributions are received from government through the Department of Trade and Investment, Regional Infrastructure and Services.

Authority Activities

The Authority monitors and regulates the safe production, processing, wholesale and distribution of all primary produce and seafood for human consumption from the paddock or ocean to the point-of-sale.

The Authority is under the control and direction of the Minister for Primary Industries. It was established under the *Food Act 2003* and also has certain legislative responsibilities under the *Dairy Industry Act 2000* and the *Meat Industry Act 1978*.

On 3 April 2011, the Authority became a partner agency of the newly formed Department of Trade and Investment, Regional Infrastructure and Services under the Public Sector Employment and Management (Departments) Order 2011.

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

Controlled Entities

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Website
Milk Marketing (NSW) Pty Limited	*
Office of the NSW Food Authority	*
Pacific Industry Services Corporation Pty Limited	*

* This entity does not have a website.

Milk Marketing (NSW) Pty Ltd

Milk Marketing (NSW) Pty Ltd was a controlled entity of the NSW Food Authority until 1 March 2011. On 2 March 2011, ownership of the company was transferred to the Department of Primary Industries (a Division of the Department of Trade and Investment, Regional Infrastructure and Services).

Pacific Industry Services Corporation Pty Limited

The company has not operated for a number of years and is in the process of being wound up by 2012.

Audit Opinion

The audit of the State Water Corporation's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Corporation owns, maintains, manages and operates major infrastructure to deliver bulk water to approximately 6,300 licensed water users on the State's regulated rivers and environmental flows. Regulated rivers contain structures to manage water flow along the river.

The Corporation made a profit of \$20.4 million after tax in 2010-11 and paid a dividend to government of \$3.1 million based on the 2009-10 after tax profit.

Key Issues

Overtime

In response to my recommendations last year, the Corporation advised it now monitors overtime claims and costs monthly.

Floods in Dubbo and other parts of New South Wales in December 2010 increased employee workloads and overtime costs compared with the prior year. The Corporation incurred overtime costs of \$795,000 in 2010-11 (\$573,000 in 2009-10), which represented three per cent (three per cent) of total employees' base pays. During the year, 125 (138) employees received overtime payments, 35.5 per cent (40.6 per cent) of the Corporation's employees.

Employment of Contractors

In response to my recommendations last year, the Corporation advised it now has a register for contractors and reviews the number, length of service and cost of contractors monthly.

The Corporation had 31 (38) contractors during the year for a total cost of \$771,000 (\$945,000). One contractor has been engaged for more than five years, but the majority have been engaged with the Corporation for less than two years.

Performance Information

Independent Pricing And Regulatory Tribunal (IPART) Operational Audit

The Corporation's compliance with its operating licence improved during 2009-10. This was mainly due to the implementation of new business systems and some improvement in verifying data prior to reporting to IPART.

Compliance With Operating Licence Year ended 30 June	2010 %	2009 %
Full compliance	86	81
High compliance	8	8
Moderate compliance	5	8
Low compliance	1	3

Source: IPART State Water Corporation Operational Audit 2008-09.

IPART stated that the Corporation achieved less than full compliance in several areas and needed to further improve the quality of data reported. IPART reported that the areas of low compliance were not impacting its customers or core responsibilities.

IPART released its 2009-10 report in November 2010. The audit assessed the Corporation's performance against its operating licence standards.

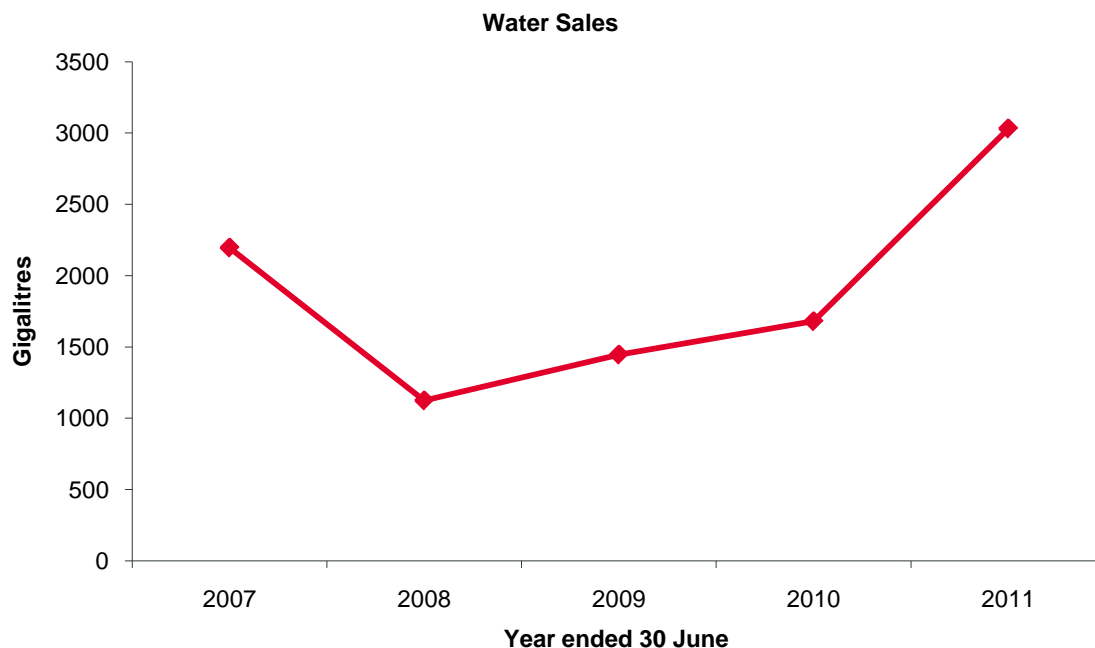
At the time of writing, IPART has not issued the results of the 2010-11 operational audit.

Other Information

Water Sales

The Corporation's revenue is sensitive to changes in the level of available water to sell. This sensitivity is more pronounced in the Corporation than other State controlled water bodies.

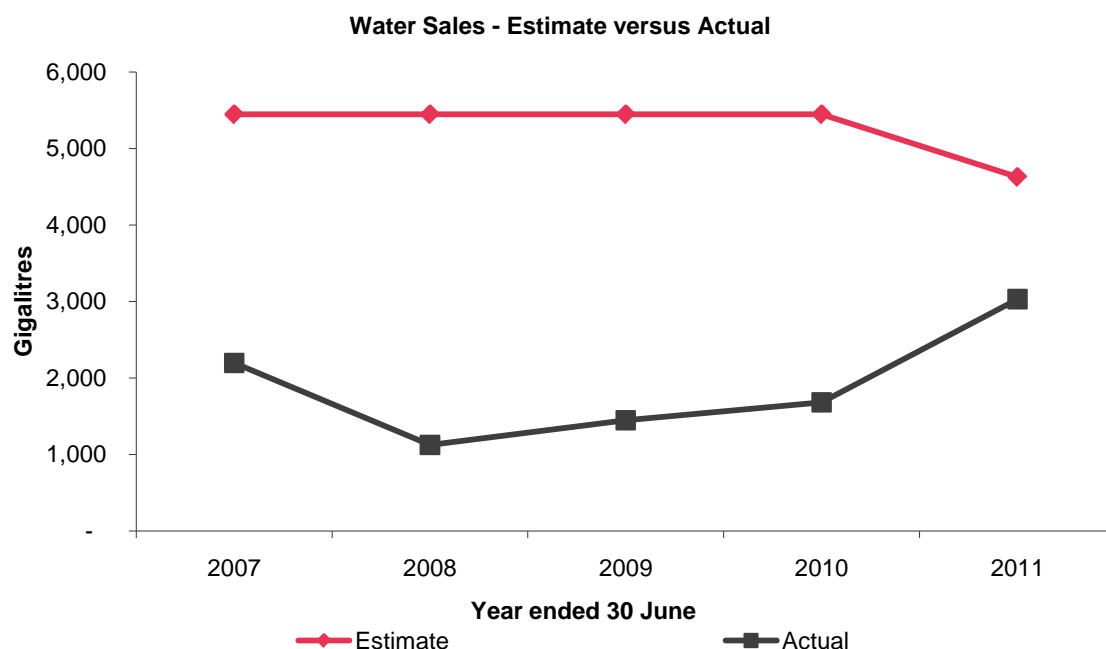
Heavy rainfall in 2010–11 resulted in New South Wales being drought free for most of the year. This meant the Corporation had more available water to sell than in prior years. Water sales over time are highlighted in the graph below:



Source: State Water Corporation (unaudited).

The Corporation has difficulty estimating water sales over the medium term due to fluctuating climatic conditions. Over the past five years, drought conditions across the State meant the Corporation had significantly less allowable water distributions. The NSW Office of Water determines the Corporation's allowable water distributions, which establishes maximum potential sales.

IPART uses long term average water sales in reaching its price determination. The graph below compares the estimated volume of water sales in IPART's Determination and the Corporation's actual volume of water sales for the past five years:



Source: State Water (unaudited).

In 2010–11, the Corporation delivered 3,031 gigalitres (1,680 gigalitres) of water sales. In addition, the Corporation delivered 302 gigalitres (275 gigalitres) to interstate parties. These water deliveries were about 65 per cent of the 20-year average sales of 4,627 gigalitres.

Wetter conditions in 2010–11 increased water storage levels from 23 per cent of capacity in July 2009 to 81 per cent of capacity at 30 June 2011. The higher rainfall levels are more aligned with the Corporation's long-term average expectations.

Dam Safety Compliance

The Corporation continued work on the first phase of its dam safety compliance program. During the year, the Corporation spent \$58.0 million (excluding borrowing costs of \$7.4 million) on this program. The table below shows the timing of the works and estimated cost of the major components of the program.

	Original Cost Estimate \$m	Forecast Estimate \$m	Original Completion Date	Estimated Completion Date
Blowering	39	39	June 2010	December 2010
Keepit	117	117	November 2011	June 2016
Burrendong	29	38	July 2012	June 2016
Copeton	48	58	February 2013	June 2013
Split Rock	5	8	May 2013	March 2012
Wyangala	34	54	October 2012	June 2016
Chaffey	13	14	August 2012	February 2011

Source: State Water Corporation (unaudited).

The variations in original cost estimates and completion dates are due to reordering of works and either revised estimates or contract costs.

For Chaffey Dam, the Corporation has commenced the second phase of its dam safety compliance program. A risk assessment is being undertaken to determine the extent, cost and timing of other dam upgrades included in potential second phase works.

	Original Cost Estimate \$m	Forecast Estimate \$m	Original Completion Date	Estimated Completion Date
Chaffey Upgrade	17	17	June 2014	June 2014
Chaffey Augmentation	26	26	June 2014	June 2014

Source: State Water Corporation (unaudited).

The Corporation will upgrade 18 of its 20 dams to comply with the Dams Safety Committee requirements. All of the Corporation's dams are safe for day-to-day operations, but need upgrading to meet current safety requirements for large to extreme floods and earthquakes.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Revenue from storage and delivery of water	52,543	34,110
Infrastructure operation, maintenance and construction	49,004	20,570
Government contributions	31,709	22,828
Other revenue	3,213	58,885
Operating Revenue	136,469	136,323
Operational costs	93,116	64,776
Depreciation	10,858	7,387
Finance costs	4,672	3,724
Operating Expenditure	108,646	75,887
Profit Before Income Tax	27,823	60,506
Income tax expense	7,451	15,461
Profit After Tax	20,372	45,045
Other Comprehensive Income		
Net superannuation actuarial gains/(losses)	368	(2,663)
Net impairment reversal/(loss) relating to revalued assets	(7,562)	9,911
Total Other Comprehensive Income/(Expense)	(7,194)	7,248
Total Comprehensive Income	13,178	52,293

The increase in revenue from storage and delivery of water is consistent with more water available for sale and higher prices.

Revenue for infrastructure operation, maintenance and construction increased in the current year due to more work for the Murray-Darling Basin Authority.

Other revenue in 2009–10 included a \$55.1 million impairment gain which reversed an impairment loss in 2008-09. This gain did not recur in the current year.

The increase in operational costs is mainly due to increased work performed for Murray-Darling Basin Authority during the year.

Abridged Statement of Financial Position

Year ended 30 June	2011 \$'000	2010 \$'000
Current assets	48,382	34,185
Non-current assets	633,244	558,731
Total Assets	681,626	592,916
Current liabilities	63,786	54,616
Non-current liabilities	248,054	171,041
Total Liabilities	311,840	225,657
Net Assets	369,786	367,259

The increase in current assets is mainly due to higher debtors for water sales and work performed for the Murray-Darling Basing Authority.

The increase in non-current assets is mainly due to the completion of the Blowering Dam upgrade project during the year as well as the ongoing capital program at other dams.

The increase in current liabilities is mainly due to the provision for dividend of \$10.7 million (\$3.1 million).

Non-current liabilities increased due to significant funding for Water for Rivers of \$25.5 million and grants for Steven Weirs of \$4.0 million received during the year. These monies were not fully spent at year-end. Non-current liabilities include borrowings of \$151 million (\$107 million) from the New South Wales Treasury Corporation to fund capital projects.

Corporation Activities

The Corporation is a statutory State owned corporation. It incorporates all of New South Wales' bulk water delivery services outside of the areas of operation of Sydney Catchment Authority, Sydney Water Corporation, Hunter Water Corporation and other water supply authorities.

The Corporation delivers water to irrigation corporations, country town water supply authorities, farms, mines and electricity generators, by releasing flows from its dams into rivers to be accessed by water users. It also provides water for stock and domestic users and is responsible for delivering environmental flows on regulated rivers.

For further information on the Corporation, refer to www.statewater.com.au.

Sydney Catchment Authority

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NSW Auditor-General's Report

Volume Six 2011

SYDNEY CATCHMENT
AUTHORITY

Audit Opinion

The audits of the Sydney Catchment Authority and its controlled entity's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinions within the Independent Auditor's Reports.

Operational Snapshot

The Authority manages and protects drinking water catchments, dams and other water supply infrastructure assets across a 16,000 square kilometre area of south-eastern New South Wales. It also manages a network of 21 storage dams holding more than 2.5 million megalitres of water. Its customers include Sydney Water Corporation and Shoalhaven and Wingecarribee councils.

The Corporation made a profit of \$36.8 million after tax in 2010–11 and paid a dividend to government of \$31.2 million based on the 2009–10 after tax profit of \$36.7 million.

Key Issues

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

Employment of Contractors

In response to my recommendations last year, the Authority advises that it now has one contractor register. The Chief Executive Officer approves the engagement of all contractors. He also regularly reviews the number of contractors, their length of service and costs.

The Authority engaged 17 contractors during the year for a total cost of \$1.1 million. The longest engagement of a contractor was over six years. That contract ceased at the end of June 2011.

Flex Leave

Last year, I recommended the Authority continue its efforts to help ensure accumulated flex leave is taken rather than forfeited.

At 30 June 2011, no employee had accrued more than four days, the maximum flex days an employee can accumulate. During the year, employees forfeited approximately 67 (70.2) flex days. The Authority advised it is addressing this issue.

Performance Information

The Authority's performance against the following key non-financial performance measures met or exceeded targets.

Year ended 30 June	2011		2010	
	Target %	Actual %	Target %	Actual %
Health related compliance with the Australian Drinking Water Guidelines	100	100	100	100
Compliance with Bulk Water Supply Agreement with Sydney Water	>95	99.6	>95	99.7
Compliance with Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines	100	100	100	100
Environmental release compliance with Water Management Licence	100	100	100	100

Source: Sydney Catchment Authority (unaudited).

Independent Pricing and Regulatory Tribunal (IPART) Operational Audit

The IPART audit found the Authority managed its resources to achieve predominantly full compliance. The results of the 2009–10 audit are summarised below. At the time of writing, IPART has not issued the results of its 2010–11 operational audit.

Compliance with Operating Licence Year ended 30 June	2010 %	2009 %
Full compliance	72	82
High compliance	11	11
Moderate compliance	15	6
Insufficient information	2	1

Source: IPART Sydney Catchment Authority Operational Audit 2009–10.

IPART made several recommendations for the Authority to consider, including refining its Raw Drinking Water Quality Management Framework. The document should provide a single point of reference of responsibilities of different agencies and agreed coordination processes.

Maintenance Activities

The table below shows the Authority completed the majority of its planned maintenance of water supply facilities for 2010–11.

Year ended 30 June	2011	2010	2009
Total planned maintenance completed for facility assets (%)	97	99	98
Total planned maintenance completed for critical assets (%)*	97	99	100
Maintenance work completed on time (%)	91	89	88
Budgeted maintenance expenditure (\$m)	4.6	4.6	4.6
Actual maintenance expenditure (\$m)	4.8	4.8	5.0
Backlog maintenance (number of jobs)	47	83	83
Backlog maintenance (\$m)	0.2	0.1	--

Source: Sydney Catchment Authority (unaudited).

* Included jobs carried over from previous year.

Maintenance delivery for critical assets was slightly under target due to site access difficulties. The Authority advised that 17 per cent of its assets are assessed as critical for maintenance.

Backlog maintenance is calculated for planned maintenance only. With an average of over 4,700 preventative maintenance jobs issued each year, the Authority advises that the number of backlog jobs is within an acceptable range.

The Authority monitors backlog maintenance each month. It meets with maintenance contractors fortnightly to address issues including backlog works.

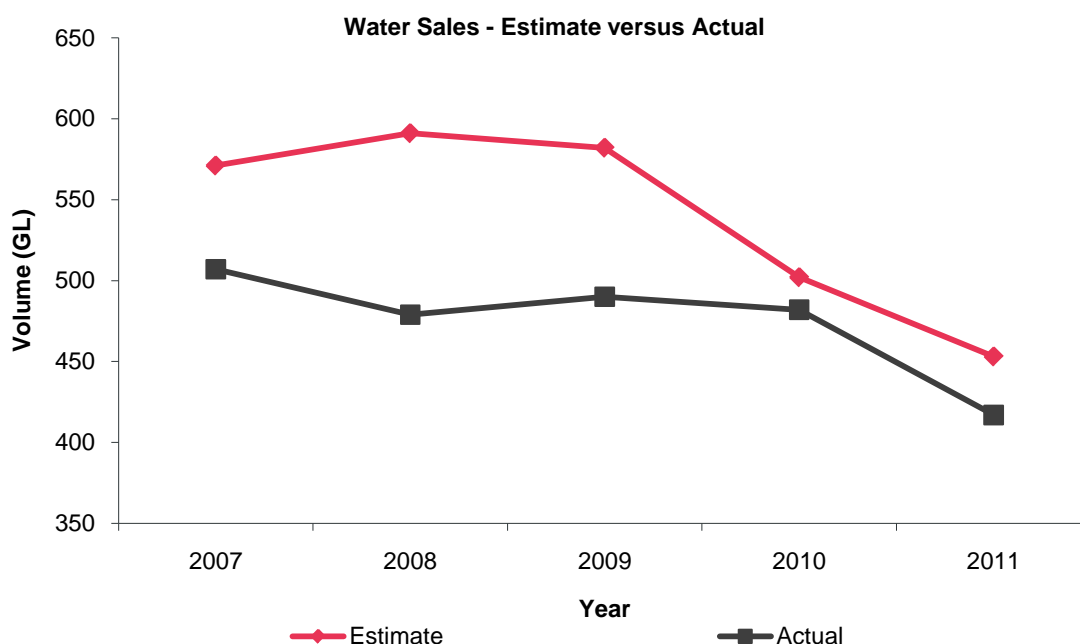
Other Information

I identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

Water Sales

The Authority receives water sale forecasts from Sydney Water Corporation (the Corporation), which it includes in its price submissions to the IPART. Over time these sales have been overestimated. The Authority's major customer is the Corporation.

The graph below shows the comparison between the estimated volume of water sales and the actual volume of water sales of the Authority for the past five years:



Source: Sydney Catchment Authority (unaudited).

Higher water sale estimates were due to difficulties in forecasting water demand accurately. Water demand relies on storage levels, water restrictions and other constraints, the weather (hot conditions result in higher demand), other water supply systems, industrial demand, and pricing.

The Authority is currently working with key customers to more accurately determine future demand.

Information Technology

The Authority's capital program includes information technology projects, some of which are outlined with their key deliverables in the table below:

Project	Original Budget \$m	Actual/Revised Budget \$m	Original Service Delivery Date	Revised Service Delivery Date
Statutory Planning Business Systems Upgrade (NorBe)	0.8	0.8	June 2010	February 2011
SCADA – upgrade	2.5	2.5	June 2010	June 2013
Maximo upgrade to version 7	0.8	0.8	November 2011	June 2012

Source: Sydney Catchment Authority (unaudited).

Further software refinement and training has delayed completion of the 'Neutral or Beneficial Effect Electronic Assessment Tool' (NorBE), a web-based decision making tool designed to help local government councils and landholders determine whether proposed developments have a neutral or beneficial effect on water quality. Landholders only need to demonstrate a neutral or beneficial effect on water quality for new developments, expansions of existing developments, or changes in activity on their land where these require consent under a council local environmental plan. The neutral or beneficial effect on water quality test does not apply to existing land uses.

The revised service delivery date of the Supervisory Control and Data Acquisition (SCADA) upgrade project is due to difficulty obtaining a technical project manager. Work has been on hold for 12 months due to resourcing constraints. SCADA relates to the design, installation and commissioning of an integrated SCADA system. The proposed SCADA will provide:

- remote control and monitoring of the water supply infrastructure from head office and regional offices
- secure access to the SCADA facilities from within the corporate network for authorised staff.

The fully integrated SCADA solution will incorporate the functionality and capabilities of a number of systems. The Authority expects this will improve operational efficiencies and productivity.

Technical refinement of the Maximo system upgrade resulted in the revised service delivery date. The Authority will use the upgraded Maximo system for asset maintenance and management.

Metropolitan Water Plan

The Authority continues to deliver projects under the New South Wales Government's Metropolitan Water Plan.

During 2010–11, the Authority completed part of a \$39.3 million project to allow water released from the Avon, Cordeaux, Cataract and Nepean dams to pass through weirs. This provides fish passage down the length of the Nepean River.

Leakage and Loss Management in the Water Supply System

The Authority estimates leakage and other losses from its water supply system amounted to 0.8 per cent (0.9 per cent in 2009–10) of water sold in 2010–11. In addition to leakage, the Authority estimates the equivalent of five per cent of water inflows during the year was lost because of evaporation.

The Authority has measures in place to address water leakage and loss from the water supply system. These include dam surveillance and data collection on evaporation to provide consistent measurements and explanations of future changes in local climate conditions.

Coal Mining

The Department of Planning and Infrastructure approves coal mining. However, the Authority actively contributes to planning processes where there is a potential impact on water resources. The Authority's mining principles provide a framework for consideration in the assessment and management of any current or proposed mining activity and impacts on the Authority's assets. The principles were refined in 2011 and detailed in a submission to the Planning Assessment Commission.

The Authority is currently developing new access consents to be issued under the Sydney Water Catchment Management Regulation 2008 for the collieries. The consents will help ensure activities by these collieries do not adversely impact on Special Areas and the Authority's infrastructure.

Review of Major Capital Projects

The Authority's capital expenditure in 2010–11 was \$27.6 million (excluding capitalised interest of \$459,000) compared to its target of \$34.4 million.

The original and current cost estimates and service delivery dates for capital projects (excluding ongoing programs of work e.g. water mains renewals) with an original cost above \$10.0 million are listed in the table below.

Project	Original Cost Estimate \$m	Actual/Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ Estimated Service Delivery Date
Completed during 2010–11:				
Tallowa Dam Environmental Flows and Fishway	31.0	31.1	April 2010	June 2011
Warragamba Dam Precinct Upgrade	22.8	22.8	December 2009	June 2011
In Progress at 30 June 2011:				
Construction of Warragamba Dam Crest Gates	36.5	35.4	November 2010	October 2011
Upper Nepean Environmental Flows	33.0	39.3	January 2010	January 2011
Wingercarabee Dam – Safety Upgrade	12.0	12.0	June 2012	December 2012

Source: Sydney Catchment Authority (unaudited).

The major projects completed during the year were within the original/revised cost estimates. The revised delivery dates for these projects were due to changes to project components and technical difficulties.

The delay in service delivery date of the construction of Warragamba Dam crest gates was due to technical investigations undertaken. The revision in budget and service delivery date for the Upper Nepean environmental flows was due to unforeseeable construction difficulties.

The Authority considers the overall risk profile of its capital program to be low.

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Water sales	190,850	196,274	190,850	196,274
Other revenue	3,368	3,968	3,368	3,968
Operating Revenue	194,218	200,242	194,218	200,242
Employee related	32,149	30,887	284	243
Contractors and consultancies	33,590	33,435	66,496	68,796
Depreciation, amortisation and impairment	22,505	19,185	22,505	19,185
Financing charges	33,665	35,833	33,665	35,833
Other expenses	19,847	21,960	19,847	21,960
Operating Expenses	141,756	141,300	142,797	146,017
Profit Before Tax	52,462	58,942	51,421	54,225
Income tax expense	15,703	15,911	15,703	15,911
Profit After Tax	36,759	43,031	35,718	38,314
Other Comprehensive Income				
Superannuation actuarial losses	(1,041)	(4,717)	--	--
Revaluation and impairment of property, plant and equipment	(3,304)	60,424	(3,304)	60,424
Other losses	(70)	--	(70)	--
Total Other Comprehensive Income/(Expense)	(4,415)	55,707	(3,304)	60,424
Total Comprehensive Income	32,344	98,738	32,344	98,738

While water sales prices increased in water volumetric charges as determined by IPART, the decrease in water sales is largely due to less amount of water required by the Corporation following the operation of the Sydney desalination plant. The Authority supplied around 61,000 megalitres of water less than supplied in 2009–10.

Abridged Statements of Financial Position

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	44,498	50,820	44,167	50,434
Non-current assets	1,332,140	1,332,738	1,332,140	1,332,738
Total Assets	1,376,638	1,383,558	1,376,307	1,383,172
Current liabilities	85,134	89,098	105,893	109,221
Non-current liabilities	578,396	586,367	557,306	565,858
Total Liabilities	663,530	675,465	663,199	675,079
Net Assets	713,108	708,093	713,108	708,093

Current assets decreased mainly due to less water sales during the year.

While \$10.0 million of borrowings payable were reclassified as current in May 2012, current liabilities decreased largely due to a reduction in capital expenditure and current tax payables.

The pay-as-you-go income tax instalment payments during the year were higher than the previous year.

Non-current liabilities decreased due to classification of some borrowings as current liabilities.

Authority Activities

The Authority is a statutory body under the *Sydney Water Catchment Management Act 1998*.

Its principal role is to manage and protect catchment areas and infrastructure works, to be a supplier of raw water, and to regulate certain activities within catchment areas.

For further information on the Authority, refer to www.sca.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	Website
Sydney Catchment Authority Division	*

This entity does not have a website.

New South Wales Rural Assistance Authority

Audit Opinion

The audit of the New South Wales Rural Assistance Authority and its controlled entity's financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

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

Operational Snapshot

The NSW Rural Assistance Authority provided support and information to regional New South Wales during the 2011 financial year through grants and interest rate subsidies on loans. Total grants and subsidies expenditure for 2010–11 was \$291 million.

Other Information

Support to regional New South Wales is provided through several schemes.

Rural Adjustment Scheme

This scheme helps farmers and small businesses by providing interest rate subsidies. The Commonwealth contributes 90 per cent of this scheme's funding and the State ten per cent. The amount of subsidy to an approved applicant can be up to \$100,000 per year. Assistance is provided under the exceptional circumstances provisions of the scheme, which requires areas to be specifically declared an exceptional circumstances area by the Commonwealth Government.

Exceptional Circumstances Interest Rate Subsidy – Primary Producers

Year ended 30 June	2011	2010	2009	2008	2007
Applications received	2,977	4,920	10,504	9,081	10,183
Applications withdrawn	18	22	15	91	61
Applications declined	315	568	765	931	899
Applications approved	3,335	4,609	8,741	9,604	7,614
Amount approved (\$'000)	154,000	188,000	245,100	385,000	242,000
Average (\$'000)	46	41	28	40	32
Pending 30 June	460	1,151	1,430	447	1,992

Source: NSW Rural Assistance Authority (unaudited).

Exceptional Circumstances Interest Rate Subsidy – Small Business

Exceptional circumstances assistance is also available for small rural businesses (those with less than 100 employees) where they face extreme hardship due to their direct reliance on primary producers. The support comes in the form of a subsidy on interest payable and costs associated with business related loans, and can be up to 80 per cent of these costs.

Year ended 30 June	2011	2010	2009	2008	2007
Applications received	335	544	1,068	1,030	640
Applications withdrawn	4	5	4	23	3
Applications declined	55	147	222	269	121
Applications approved	314	457	785	795	351
Amount approved (\$'000)	10,100	13,100	17,600	24,500	11,100
Average (\$'000)	32	29	22	31	32
Pending 30 June	62	100	165	108	165

Source: NSW Rural Assistance Authority (unaudited).

Applications for help more than doubled to 7,048 as a result of natural disasters in 2010–11

Both primary producer and small business applications for assistance have steadily declined since 2009. The decline is due to the wind down of the exceptional circumstances program, as a result of the decrease in areas declared as exceptional circumstance areas.

Natural Disaster Relief Assistance Scheme

This scheme provides loans to farmers and small businesses in rural and regional New South Wales to allow them to continue operating following a natural disaster (e.g. bushfires, hailstorms and floods). Assistance comes by way of concessional, fixed interest rate loans up to a maximum of \$130,000. There is an interest and repayment-free period of two years followed by a maximum repayment term of ten years. The interest rate for loans as at 30 June 2011 was 2.77 per cent (2.56 per cent at 30 June 2010).

In June 2007, additional assistance measures became available as part of the Community Recovery Package following activation by Premier/Prime Minister agreement. Recovery grants provide immediate relief to eligible primary producers and small businesses for clean up and restoration costs in the aftermath of extreme natural disasters. Assistance is by way of a grant up to \$15,000 per farm enterprise or small business.

In 2010–11, there was a significant increase in the number of applications for recovery grants and loans, due to several declared natural disaster events. The table below combines the results of both loan and grant applications.

Year ended 30 June	2011	2010	2009	2008	2007
Applications received	7,048	2,806	505	3,288	268
Applications withdrawn	26	32	15	61	5
Applications declined	578	473	110	399	19
Applications approved	4,614	2,575	186	2,848	139
Amount approved (\$'000)	92,500	46,000	11,500	31,200	3,400
Average (\$)	20,048	17,864	61,828	10,955	24,460
Applications Pending 30 June	1,860	30	304	110	130

Source: NSW Rural Assistance Authority (unaudited).

Special Conservation Scheme

This scheme is an incentive based scheme aimed at promoting improved land management practices in rural New South Wales. These loans are for up to 90 per cent of the net cost of eligible conservation works to a maximum of \$150,000. A maximum repayment term of 15 years is available with half yearly repayments in line with the client's cash flow. The interest rate applicable to the Scheme at 30 June 2011 was five per cent, the same as it was at 30 June 2010.

Applications received peaked in 2006–07 due to an uptake of drought related initiatives. There has been a steady decrease since then because of improved seasonal conditions and the eventual breaking of drought.

Year ended 30 June	2011	2010	2009	2008	2007
Applications received	117	214	371	371	556
Applications withdrawn	18	59	115	45	155
Applications declined	14	25	28	125	49
Applications approved	74	158	270	204	319
Amount approved (\$'000)	5,200	10,200	18,600	11,700	12,800
Average (\$)	70,270	64,557	68,888	57,352	40,125
Applications Pending 30 June	22	11	39	81	84

Source: NSW Rural Assistance Authority (unaudited).

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee related and other operating expenses	5,377	5,856	5,377	5,856
Finance costs	6,592	6,110	6,592	6,110
Grants and subsidies	290,556	232,797	290,556	232,797
Total Expenses	302,525	244,763	302,525	244,763
Total Revenue	46,359	37,493	46,359	37,493
Loss on Disposal	24	--	24	--
Net Cost Of Services	256,190	207,270	256,190	207,270
Government contributions	153,795	209,240	153,795	209,240
Surplus/(Deficit)	(102,395)	1,970	(102,395)	1,970
Other Comprehensive Income	--	--	--	--
Total Comprehensive Income	(102,395)	1,970	(102,395)	1,970

Grants and subsidies increased in 2010–11 due mainly to an increase in expenditure for the Natural Disaster Relief Assistance Scheme. The increase in expenditure resulted from an expansion in geographical areas eligible for assistance resulting from the significant number of declared natural disaster events throughout the State. Contributions from the NSW Government for increased grants and subsidies will be received in 2011–12.

Total revenue increased due to more declared natural disasters resulting in increased government reimbursements.

Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	31,939	50,795	31,939	50,795
Non-current assets	97,435	89,352	97,435	89,352
Total Assets	129,374	140,147	129,374	140,147
Current liabilities	109,151	25,650	109,151	25,650
Non-current liabilities	97,719	89,598	97,710	89,598
Total Liabilities	206,870	115,248	206,870	115,248
Net Assets/(Liabilities)	(77,496)	24,899	(77,496)	24,899

The decrease in current assets was due to a decrease in cash held at year-end, down from \$34.1 million to \$16.4 million. Management advises the decrease is due to lower cash reserves held by the Authority as a result of the winding down of the exceptional circumstances program. Non-current assets and liabilities increased due to the extent of new loans issued throughout 2010–11.

Authority Activities

The Authority was constituted under the *Rural Assistance Act 1989*. Its principal function is to assist and administer financial assistance schemes for farmers and other eligible borrowers. The Authority is subject to the control and direction of the Minister.

For further information on the Authority refer to www.raa.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	Website
Office of the Rural Assistance Authority	www.raa.nsw.gov.au

Audit Opinion

The audit of the Department of Premier and Cabinet's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

In April 2011, the Department's functions were expanded to include the environmental functions of the former Department of Environment, Climate Change and Water (DECCW). The Department also became responsible for the Heritage Branch, previously part of the Department of Planning. The Department's environmental and heritage responsibilities reside in the Office of Environment and Heritage (OEH), a separate office within the Department.

The Department provides policy and operational capabilities that allow the Premier, ministers and other departments to address whole-of-government issues. It helps coordinate and lead the public sector deliver the government's directions and policies.

OEH is an environmental regulator and a manager of parks and gardens in New South Wales. It also develops and leads policy and reform in environmental protection, sustainability, biodiversity and native vegetation, coastal protection and Aboriginal cultural heritage. It manages over seven million hectares of national parks and reserves, which is almost nine per cent of New South Wales. It supports the Premier, the Minister for Environment and the Minister for Heritage in performing their executive and statutory functions.

The Department's net cost of services for 2010–11 was \$645 million.

Key Issues

e-Recruitment Project

Recommendation

The Public Sector Commission should ensure all agencies implement the government's e-Recruitment system by 31 December 2012.

The Department managed the e-Recruitment project until 1 November 2011, when the Public Sector Commission took over responsibility for the project. The project's aim is to establish a whole-of-government, technology based system for the full recruitment process from identifying vacant positions through to appointing successful applicants. This project started in July 2008.

At 30 September 2011, 73 government agencies had implemented the e-Recruitment system. This represents 95 per cent of all government agencies. However some of the larger government agencies have yet to fully implement it. All remaining agencies, except for the Health cluster, have committed to implementing the system before April 2012.

The Department advises it is liaising with the NSW Ministry of Health to roll out the government's e-recruitment system within the health cluster. The Department advises that unless the health cluster implements the e-Recruitment system, the government will not fully achieve the benefits outlined in the original business case.

At 30 June 2011, the project had realised estimated cost savings of \$21.8 million.

Performance Information

Integrated Landscape Management Program

During 2010-11, a further 111,617 hectares of land were added to the key responsibility of managing public lands under the *National Parks and Wildlife Act 1974*. OEH now manages seven million hectares of land (8.83 per cent of the State). This additional area included a wildlife corridor in Gollawah National Park, and an Aboriginal owned national park, Gaagal Wanggaan (South Beach) National Park.

The Department now has environmental and heritage responsibilities

The government will not realise planned benefits if the health cluster does not implement the government's e-Recruitment system

OEH now manages seven million hectares of land

Department has implemented two of my three recommendations to improve sick leave management

Severance payments totalling \$5.1 million were made to 170 former ministerial staff

The *National Parks Estate (Riverina Red Gum Reservations) Act 2010* commenced on 1 July 2010, establishing over 100,000 hectares of river red gum reserves, including 65,922 hectares of national park, 15,286 hectares of regional parks and 20,684 hectares of indigenous protected areas. Significant steps were taken to establish a scientific committee jointly with Victoria to oversee the adaptive management of these areas and to deliver a Regional Community Development Grant Program.

In 2010-11, OEH issued an additional five Biobanking agreements. At the end of the year, more than 260 hectares of biodiversity sites had been conserved in the greater Sydney region. It is anticipated that between 1,600–1,700 hectares will become Biobanking sites in the near future.

Further information on Biobanking is provided in the Environment Overview in this volume.

Other Information

NSW 2021

In September 2011, the government released its ten-year plan titled NSW 2021. NSW 2021 is the government's strategic business plan, setting priorities for action and guiding resource allocation. It contains 32 goals around:

- rebuilding the economy
- returning quality services
- renovating infrastructure
- strengthening our local environment and communities
- restoring accountability to government.

The government will report annually on its progress against the plan. An audit team, including myself, will verify the performance data in the annual performance report.

For further information on NSW 2021, refer to <http://www.2021.nsw.gov.au/>.

Managing Sick Leave in the Public Sector

At 30 September 2011, the Department had implemented two of the three recommendations I made in my Performance Audit Report on Sick Leave. The Department advises:

- it now provides agencies with sick leave rates for all agencies so they can compare performance
- it now publishes the annual sick leave rate for the public sector on its website.

The Department has established a sick leave interagency working group to implement my final recommendation that the Department develop a framework to share best practice examples within the public sector. It believes this recommendation will be implemented by 31 December 2011.

For further information on the performance audit, refer to http://www.audit.nsw.gov.au/ArticleDocuments/142/209_Sick_Leave.pdf.aspx?Embed=Y.

Severance Payments to Special Temporary Employees

Following the State election, the employment services of 170 ministerial staff were terminated. These employees received \$5.1 million in severance payments, an average of \$30,000 per employee.

In June 2010, I completed a Performance Audit on Severance Payments to Special Temporary Employees. I made five recommendations, including recommending the Department seek taxation advice on whether a severance payment should be treated as a redundancy payment for tax purposes. The Department agreed to and subsequently implemented four of the five recommendations.

Large
procurement
contracts pose
inherent risks of
fraud

The Department did not agree to my recommendation that it should only pay special temporary employees in accordance with the Department's guidelines. The Director General retained his right to make exemptions to the guidelines where appropriate.

The Department advises that all severance payments made during 2010–11 were consistent with the guidelines. The Director General did not make any exemptions.

For further information on the performance audit, refer to
http://auditofficestaging.elcom.com.au/ArticleDocuments/142/201_Severance_Payments.pdf.aspx?Embed=Y.

Tendering and Procurement Process

Internal audit conducted a review of OEH's tendering and procurement during the year by examining a sample of 20 major contracts awarded. It focused on the process from planning to the awarding of contracts.

Overall, internal audit found that contracts reviewed had a high degree of compliance with the Government's tendering and procurement requirements. They reported that tender specifications contained in the contracts appeared to be adequate in order to achieve the desired outcomes and represent 'value for money' for OEH. In most cases, record keeping practices were fully transparent and organised in well-structured formal files.

The internal auditor was mostly satisfied with OEH's processes and eight recommendations were made in the audit report, all with a 'Medium' risk rating. OEH agreed with all recommendations.

There was one division within OEH where issues were identified with three out of four contracts reviewed. The amounts involved were \$900,000, \$1,900,000 and \$2,400,000. Concerns included:

- the internal auditor not allowed full access to contract files and documentation and some required documentation was not available
- due to the absence of documentation, internal audit was unable to ascertain whether all tenderers were notified of amendments made to technical tender specifications
- in two instances late tenders had been received and accepted without evidence of approval
- discrepancies in the recording of tenderer's names in the official list of submissions. Internal audit concluded that this affected the transparency of the tendering process

The internal auditor believed that these were isolated issues but recommended a further review of contracts in this division. In my view, this review should be conducted by a party independent from OEH.

The above issues identified by internal audit are of concern and must be properly addressed by OEH. The organisation has given an undertaking to do so and advised that it has put in place the necessary steps. The further review of contracts will be reported back to OEH's Audit and Risk Committee in November 2011.

Large procurement contracts pose inherent risks of fraud and the availability of documentation and complete and accurate record keeping is crucial to the transparency of the tendering process.

Human Resources in OEH

This year, I reviewed the actions being taken by OEH (former DECCW) to address the recommendations I raised last year in relation to human resources issues.

Annual Leave Balances

Last year I recommended OEH implement a policy requiring all staff with excessive leave balances to have a leave management plan in place to further reduce leave balances within an acceptable timeframe.

The Aboriginal
Trust Fund
Repayment
Scheme has
repaid \$7.7
million since its
inception

OEH advised they now have an active program to reduce excess leave balances. Quarterly reports are given to the OEH executive on excessive leave balances. Employees with excessive leave are required to have leave management plans in place. The number of staff with leave balances over 40 days reduced from 590 (15 per cent of the total headcount) in June 2010 to 364 (9 per cent of the total headcount) in June 2011. I commend OEH on the improvements in this area.

Use of Contract Staff

Last year, I recommended OEH further review the roles and responsibilities of all contract employees to ensure the appropriateness and value for money.

OEH advised that they actively review the use of contractors to ensure value for money and contractors are used primarily when there is a specific skill shortage within OEH. Where appropriate, steps are taken to make contractors permanent.

Backlog Asset Maintenance in OEH

Last year, I recommended OEH ensure its systems are able to provide accurate data to enable it to prepare specific project based submissions to the Treasury which addressed its maintenance requirements.

In 2010-11, OEH was successful in obtaining Treasury funding of \$1.7 million over a three-year period to enhance its asset maintenance system. Once completed, the asset management system will be able to provide accurate data required to prepare project specific submissions for funding its maintenance requirements.

Aboriginal Trust Fund Repayment Scheme

In 2010-11, the Department paid \$5.0 million (\$945,000 in 2009-10) to claimants under the Aboriginal Trust Fund Repayment Scheme. From the scheme's inception to 30 September 2011, it has paid \$7.7 million to claimants.

At 30 June 2011, there were 9,049 (8,931) registered claims. Of these, the Department had assessed 8,404 (2,494). The Department expects to assess the remaining claims before 30 November 2011.

Prior to 1969, successive New South Wales Governments deducted money from some indigenous peoples' pensions, family endowment payments, apprentice wages, inheritances and lump sum compensation payments. This money was paid into a trust fund. In December 2004, the government announced it would establish an Aboriginal Trust Fund Repayment Scheme to repay the money.

Until 30 March 2009, claim payments were based on the actual value deducted, indexed to present day value by using the rate set by the Office of the Protective Commissioner. The government subsequently changed the scheme and introduced a lump sum payment of \$11,000. The government also reduced the evidentiary standards and simplified the distribution arrangements.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Employee related expenses	221,377	119,463
Grant and subsidies	334,844	115,071
Other expenses	208,229	110,471
Operating Expenses	764,450	345,005
Operating Revenue	119,614	17,528
Other losses	357	194
Net Cost of Services	645,193	327,671
Government contributions	433,502	330,719
Surplus/(Deficit)	(211,691)	3,048
Other Comprehensive Income		
Net increase in Asset Revaluation Reserve	14,904	--
Total Comprehensive Income/(Expense)	(196,787)	3,048

The increase in expenses and revenues is due to the administrative restructure which transferred environmental and heritage responsibilities to the Department, effective 4 April 2011.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	327,438	44,057
Non-current assets	3,504,087	12,947
Total Assets	3,831,525	57,008
Current liabilities	249,012	26,910
Non-current liabilities	88,167	5,208
Total Liabilities	337,179	32,118
Net Assets	3,494,346	24,890

The increase in assets and liabilities was due to the previously mentioned administrative restructure.

Department Activities

The Department's role is to:

- provide policy and operational capabilities that allow the Premier, ministers and other departments to address systemic issues with a whole-of government approach
- help coordinate and lead the public sector in delivering the government's directions and policies
- draft and publish law for the government, and the Division of Local Government via the Parliamentary Counsel's Office
- help the NSW Governor execute constitutional, ceremonial and community duties, and deliver special events of state significance
- regulate industry, develop policy and deliver programs to protect and conserve the NSW environment via the Office of Environment and Heritage
- manage over 850 national parks and reserves, urban parklands and gardens, and protects natural, cultural and built heritage via the Office of Environment and Heritage
- oversee NSW 2021 – A Plan to make NSW Number One.

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

For further information on the OEH, refer to www.environment.nsw.gov.au.

Election Funding Authority of New South Wales

Audit Opinion

The audit of the Election Funding Authority's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

Operational Snapshot

The Authority implemented a new governance framework to deal with major legislative reforms to election funding and disclosures.

Other Information

Election funding and disclosure changes

Following recommendations made by the Joint Standing Committee on Electoral Matters in March 2010, major legislative reforms to election funding and disclosures commenced on 1 January 2011. Political parties, groups and individual candidates are now entitled to greater public funding. The new funding scheme also imposes caps on political donations and electoral communication expenditure.

The Authority estimates political parties, groups and individual candidates will claim \$33.0 million for electoral communication expenditure incurred during the 2011 State Government election. For the 2007 election, the Authority paid \$7.6 million to political parties, groups and individual candidates for electoral communication expenses.

At 30 June 2011, the Authority had not received any electoral communication expense claims. Political parties, groups and individual candidates had until 29 August 2011 to lodge their audited claims, which the Authority reviews before they are approved and paid.

Financial Information

Year ended 30 June	2011 \$'000	2010 \$'000
Election related expenses	90	839
Political policy and education expenses	1,963	1,807
Total Expenses	2,053	2,646
Government contributions	2,053	2,646
Total Revenue	2,053	2,646
Surplus	--	--
Total Other Comprehensive Income	--	--
Total Comprehensive Income	--	--
Net Assets	--	--

As previously mentioned, the Authority had not received any State Government election related electoral communication expense claims at 30 June 2011.

The Authority has no physical assets or employees. The New South Wales Electoral Commission administers its transactions.

**\$33 million
expected to be
paid to political
parties, groups
and candidates for
the 2011 election
compared to
\$7.6 million for the
2007 election**

Authority Activities

The Authority registers groups and candidates for elections. It is also responsible for dealing with:

- payment claims made by registered political parties, candidates and groups of candidates and for the reimbursement of election campaign expenditure
- disclosures by groups, candidates and political donors of political contributions
- claims for payment lodged by registered political parties for the purposes of political education.

For further information on the Election Funding Authority of New South Wales, refer to www.efa.nsw.gov.au.

Events New South Wales Pty Limited

Audit Opinion

The audit of the Events New South Wales Pty Limited's financial statements for the year ended 30 June 2011 resulted in an unmodified audit opinion within the Independent Auditor's Report.

The Independent Auditor's Report drew attention to the Company preparing its financial statements on a liquidation basis of accounting because it is being deregistered. The Company's asset and liability amounts and classifications were adjusted as a result of the finite period of operation.

Operational Snapshot

The Company spent \$41.0 million (\$27.9 million in 2010) on promoting and funding 93 (77) events in 2010–11.

Other Information

Transfer of operations to Destination NSW

In April 2011, the government announced it would restructure its tourism and events resources. On 1 July 2011, Destination NSW was created and the Company's operations transferred to Destination NSW on 30 September 2011. In accordance with the government's request, the Company's directors are winding up the Company. They plan on deregistering the Company by 31 December 2011.

Major events

The table below lists the major events held in 2010–11, which the Company funded. It compares the estimated actual economic impact against the Company's original forecast before it decided to invest in the events.

Event	Estimated actual economic impact \$'000	Original forecast economic impact \$'000
Vivid 2010 (total event)	na	5,000
NRL Grand Final 2010	15,660	11,000
Crave Festival 2010 (total festival)	1,759	4,900
Triathlon – Dextro Energy 2011	na	2,300
Sydney Carnival 2011	5,134	3,250
World Rally Championship	na	11,000
Socceroo's Friendly v Paraguay 2010	714	3,100

Source: Events New South Wales (unaudited).

na not available.

The Company advises that the Crave Festival was impacted by ineffective interstate and international marketing. It also advises that it had insufficient time to market the Breakfast on the Bridge component of the festival in travel brochures and magazines.

The Company advises that the original forecast economic impact of the Socceroo's event was based on the Socceroo's playing another international team. It believes the estimated actual economic impact was lower than expected because the Paraguay team's profile is not as high as other international teams.

In some cases, the estimated actual economic impact of events was not available at the time of preparing this report.

Events New South
Wales spent
\$41.0 million
promoting and
funding 93 events
in 2010–11

Economic impact
of the Crave
Festival 2010 did
not meet the
Company's
expectations

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2011 \$'000	2010 \$'000
Government contributions	51,274	35,000
Other revenue	1,158	1,246
Operating Revenue	52,432	36,246
Events funding	32,255	24,732
Events advertising and promotion	8,781	3,559
Employee related	5,288	4,511
Other expenses	6,788	3,998
Operating Expenses	53,112	36,800
Deficit	680	554
Other Comprehensive Income		
Superannuation actuarial gains/(losses)	55	(92)
Total Comprehensive Expense	625	646

The Company received more government contributions in 2011 so it could fund events such as the NRL Grand Final 2010, and to promote the New South Wales Master Events Calendar through the 'it's on' marketing campaign.

Abridged Statement of Financial Position

At 30 June	2011 \$'000	2010 \$'000
Current assets	4,949	2,640
Non-current assets	--	975
Total Assets	4,949	3,615
Current liabilities	4,938	2,288
Non-current liabilities	--	691
Total Liabilities	4,938	2,979
Net Assets	11	636

Due to the decision to transfer the Company's operations to Destination NSW, all of its assets and liabilities were classified as current at 30 June 2011. Most Company assets and liabilities at 30 September 2011 were transferred to Destination NSW.

Company Activities

The objectives of Events New South Wales were to:

- identify, attract and nurture events which will provide significant economic and/or community benefits to Sydney and New South Wales – now and in the long-term
- promote a New South Wales Master Events Calendar cultural, sporting, lifestyle, entertainment, regional and business events which bring year-round benefits
- leverage off these events to maximise the overall economic and community benefits for New South Wales
- endorse a strong regional focus to ensure economic and community benefits are shared throughout the State
- encourage investment, infrastructure development and other activities so Sydney and New South Wales can continue to be a leading host of major global events.

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

New South Wales Electoral Commission

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NSW Auditor-General's Report

Volume Six 2011

NEW SOUTH WALES
ELECTORAL COMMISSION

Electoral
Commission
spent \$40.9
million on the
2011 State
Government
election

Very few eligible
voters used the
Commission's
internet based
voting system

Audit Opinion

The audit of the New South Wales Electoral Commission and its controlled entity's financial statements for the year ended 30 June 2011 resulted in unmodified audit opinions within the Independent Auditor's Reports.

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

Operational Snapshot

The Commission is responsible for registering political parties, enrolling electors, maintaining the electoral roll and conducting elections. In March 2011, the Commission conducted the State Government election for a total cost of \$40.9 million, some \$200,000 less than the approved budget. The cost of holding the last election in April 2007 was \$38.6 million.

Key Issues

iVote system

Recommendation

The Commission should evaluate:

- why eligible voters did not use internet based voting in the 2011 election
- expanding internet based voting technology to other voter groups.

The Commission introduced internet voting at the 2011 election for vision impaired and other disabled voters. This followed legislative changes in 2010 which required the Electoral Commissioner to investigate the use of internet voting for this voter group. The Commission spent \$4.1 million implementing iVote, its internet voting system.

The following table compares actual use of iVote against the Commission's original forecasts for the 2011 election.

Group	Estimated Number of Eligible Voters	Commission's Forecast Votes	Actual Votes
Voters who are blind or vision impaired	70,000	7,000	668
Voters with other disabilities	330,000	3,300	1,296
Voters in remote, rural areas	31,000	650	1,643
Voters outside New South Wales	N/A	N/A	43,257
Total	431,000	10,950	46,864

Source: New South Wales Electoral Commission (unaudited).

N/A not applicable

While the actual number of vision impaired and other disabled voters using iVote was below the Commission's forecast, over 43,000 voters who were interstate or overseas did use it to lodge their votes.

Apart from evaluating why so few vision impaired and other disabled voters used iVote, the Commission should investigate expanding its use to other voter groups, which may reduce the average cost per vote.

The actual average cost per vote using iVote was around \$88, which compares unfavourably with traditional paper based voting. The actual average cost per vote in the 2011 election, using paper based voting, was around \$9. If 10 to 15 per cent of eligible voters used iVote, the average cost would be the same as for traditional paper based voting.

Performance Information

Recommendation

The Commission should evaluate the effectiveness of its initiatives for increasing voter participation.

The table below compares voter participation rates for the 2003, 2007 and 2011 elections.

	2011 Election	2007 Election	2003 Election
Number of Enrolments ('000)	4,636	4,374	4,272
Voter Participation (%)	92.6	92.7	91.9
Informal votes – Legislative assembly (%)	3.2	2.7	2.6
Penalty notices for not voting ('000)	234	152	207
Number of citizens asking to be excused from the fine ('000)	122	82	125
Number of requests granted ('000)	114	81	125

Source: New South Wales Electoral Commission (unaudited).

Despite a number of initiatives by the Commission to increase voter participation, the participation rate in the 2011 election was consistent with the participation rate in the 2007 election. The Commission was targeting at least a 92.7 per cent participation rate at the 2011 election.

Other Information

SmartRoll System

The Commission implemented its SmartRoll system during the year, at a cost of \$8.2 million. The original budget for this project was \$8.4 million. The SmartRoll system checks and updates the electoral roll against records held by other government agencies such as the Roads and Traffic Authority.

Between October 2010 and the 2011 election, the SmartRoll system identified 19,965 electors who had not updated their address on the electoral roll. It also identified 18,966 citizens who had not enrolled as electors.

The Commission advises it will cost \$1.7 million to operate the SmartRoll system each year.

Employment arrangements

From July 2006 to June 2011, the Commission incorrectly accounted for its staff employment arrangements. The staff, which perform the Commission's functions, have been employed by the Office of the New South Wales Electoral Commission since July 2006. The Commission had treated them as its own employees. The office is a separate division established under the *Public Sector Employment and Management Act 2002*.

The Commission has now addressed the financial reporting implications arising from this oversight. It advises it has amended relevant internal documents to reflect the correct employment arrangements and believes there are no tax implications.

Voter participation
remains static at
92.6 per cent

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee related	8,030	7,338	334	321
Personnel services	--	--	7,221	6,207
Other expenses	49,161	12,993	49,161	12,993
Total Expenses	57,191	20,331	56,716	19,521
Total Revenue	1,303	1,138	1,303	1,138
Net Cost of Services	55,888	19,193	55,413	18,383
Government contributions	61,504	25,201	61,029	24,391
Surplus	5,616	6,008	5,616	6,008
Other Comprehensive Income	--	--	--	--
Total Comprehensive Income	5,616	6,008	5,616	6,008

The increase in other expenses was largely due to the Commission spending \$37.3 million on the 2011 election. The Commission had already incurred \$3.6 million on the election in 2009-10. Of the \$37.3 million, \$20.3 million was spent on salaries and wages, \$4.8 million on rent, \$4.1 million on consultancy fees and \$3.0 million on communicating with voters.

Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	2,061	2,999	2,061	2,999
Non-current assets	22,694	15,717	22,694	15,717
Total Assets	24,755	18,716	24,755	18,716
Total Liabilities	3,171	2,748	3,171	2,748
Net Assets	21,584	15,968	21,584	15,968

The increase in non-current assets was primarily due to the costs incurred in developing the iVote and SmartRoll systems.

Commission Activities

The Commission assists the Electoral Commissioner administer the *Parliamentary Electorates and Elections Act 1912* by registering political parties, enrolling electors, preparing rolls and conducting elections. The Commission conducts statutory and industrial ballots, and if requested by the Councils, may conduct council elections under the *Local Government Act 1993*.

For further information on the New South Wales Electoral Commission, refer to www.elections.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	Website
Office of the of the New South Wales Electoral Commission	*

* This entity does not have a website.

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APPENDIX

Agencies not commented on in this Volume, by Minister

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
Minister for Environment		
Lord Howe Island Board	www.lordhoweisland.info/	30 June 2011
Flesh Footed Shearwater Coastal Habitat Recovery	www.lordhoweisland.info/	30 June 2011
Jenolan Caves Reserve Trust	www.jenolancaves.org.au	30 June 2011
Jenolan Caves Reserve Trust Division	www.jenolancaves.org.au	30 June 2011
Royal Botanic Gardens and Domain Trust	www.rbgsyd.snw.gov.au	30 June 2011
Western Sydney Parklands Trust	*	30 June 2011
Minister for Heritage		
Corporation Sole 'Minister Administering Heritage Act, 1977'	www.heritage.nsw.gov.au	30 June 2011
Minister for Planning and Infrastructure		
Central Coast Regional Development Corporation	www.ccrdc.nsw.gov.au	30 June 2011
Small Business Development Corporation of New South Wales	www.smallbus.nsw.gov.au	30 June 2011
Minister for Primary Industries		
Cobar Water Board	www.cobar.nsw.gov.au	30 June 2011
Marine Parks Authority	www.mpa.nsw.gov.au	30 June 2011
Office of the Hawkesbury-Nepean	www.ohn.nsw.gov.au	30 June 2011
Minister for Redfern and Waterloo		
Sydney Metropolitan Development Authority	www.smda.nsw.gov.au	30 June 2011
Office of Sydney Metropolitan Development Authority	www.smda.nsw.gov.au	30 June 2011
Minister for Regional Infrastructure and Services		
Agricultural Scientific Collections Trust	www.agric.nsw.gov.au/hort/ascu	30 June 2011
Belgenny Farm Agricultural Heritage Centre Trust	www.belgennyfarm.com.au	30 June 2011
Border Rivers-Gwydir Catchment Management Authority	www.brg.cma.nsw.gov.au	30 June 2011
C.B. Alexander Foundation	www.tocal.com	30 June 2011
Central West Catchment Management Authority	www.cw.cma.nsw.gov.au	30 June 2011
Chipping Norton Lake Authority	*	30 June 2011
Dams Safety Committee	www.damsafety.nsw.gov.au	30 June 2011
Dumarseq-Barwon Border Rivers Commission	www.brc.gov.au	30 June 2011
Game Council of New South Wales	www.gamecouncil.nsw.gov.au	30 June 2011
Game Council Division	www.gamecouncil.nsw.gov.au	30 June 2011

Entity Name	Website	Period/Year Ended
Hawkesbury -Nepean Catchment Management Authority	www.hn.cma.nsw.gov.au	30 June 2011
Hunter-Central Rivers Catchment Management Authority	www.hcr.cma.nsw.gov.au	30 June 2011
Lachlan Catchment Management Authority	www.lachlan.cma.nsw.gov.au	30 June 2011
Lake Illawarra Authority	www.lia.nsw.gov.au	30 June 2011
Lower Murray - Darling Catchment Management Authority	www.lmd.cma.nsw.gov.au	30 June 2011
Ministerial Corporation for Industry	www.business.nsw.gov.au	30 June 2011
Murray Catchment Management Authority	www.murray.cma.nsw.gov.au	30 June 2011
Murrumbidgee Catchment Management Authority	www.murrumbidgee.cma.nsw.gov.au	30 June 2011
Namoi Catchment Management Authority	www.namoi.cma.nsw.gov.au	30 June 2011
New South Wales Film and Television Office	www.fto.nsw.gov.au	30 June 2011
Northern Rivers Catchment Management Authority	www.northern.cma.nsw.gov.au	30 June 2011
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	www.dpi.nsw.gov.au/agriculture/livestock/he	30 June 2011
Rice Marketing Board for the State of New South Wales	www.rmbnsw.org.au	30 June 2011
Riverina Citrus	www.riverinacitrus.com.au	30/04/2011
Southern Rivers Catchment Management Authority	www.southern.cma.nsw.gov.au	30 June 2011
Sydney Metropolitan Catchment Management Authority	www.sydney.cma.nsw.gov.au	30 June 2011
Veterinary Practitioners Board	www.vsb.nsw.gov.au	30 June 2011
Western Catchment Management Authority	www.western.cma.nsw.gov.au	30 June 2011
Minister for Resources and Energy		
Mine Subsidence Board	www.minesub.nsw.gov.au	30 June 2011
Minister for Sports and Recreation		
Parramatta Park Trust	www.ppt.nsw.gov.au	30 June 2011
Premier		
Cowra Japanese Garden Maintenance Foundation Limited	www.cowra.nsw.gov.au	31 March 2011
Cowra Japanese Garden Trust	www.cowra.nsw.gov.au	31 March 2011
Independent Commission Against Corruption	www.icac.nsw.gov.au	30 June 2011
Independent Pricing and Regulatory Tribunal	www.ipart.nsw.gov.au	30 June 2011
Independent Pricing and Regulatory Tribunal Division	www.ipart.nsw.gov.au	30 June 2011

Entity Name	Website	Period/Year Ended
Infrastructure Implementation Corporation	*	30 June 2011
Internal Audit Bureau of New South Wales	www.iab.nsw.gov.au	30 June 2011
Natural Resources Commission	www.nrc.nsw.gov.au	30 June 2011
Natural Resources Commission Division	www.nrc.nsw.gov.au	30 June 2011
Office of the Information Commissioner	www.oic.nsw.gov.au	30 June 2011
Ombudsman's Office	www.ombo.nsw.gov.au	30 June 2011
Sesquicentenary of Responsible Government Trust Fund	*	30 June 2011
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State Infrastructure Trust	*	30 June 2011

* This entity does not have a website.

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