
New South Wales Auditor-General's Report
Financial Audit

Volume Eleven 2014

Focusing on Planning and Environment



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 Audit 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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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Eleven of my 2014 report.

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir

Auditor-General

3 December 2014

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Section One

Planning and Environment



Executive Summary

This report sets out the results of the 30 June 2014 financial statement audits of the 29 Planning and Environment cluster agencies and associated staff agencies. Twenty eight unqualified audit opinions were issued and one audit was incomplete at the time of this report.

The report provides Parliament and other users of the financial statements with an analysis of the agencies' results and key observations in the following areas:

- Financial and Performance Reporting
- Financial Controls
- Governance
- Service Delivery.

The Department of Planning and Environment (the Department) is the cluster lead agency.

A snapshot of the cluster agencies at 30 June 2014 is shown below:

Planning and Environment Cluster

Departments

- Planning and Environment (cluster lead)
- Office of Environment and Heritage
- Office of Local Government
- Boards of Management (six)

State Owned Corporations

- Landcom (Trading as UrbanGrowth)

Other Bodies

- Australian Technology Park Sydney Limited
- Building Professionals Board
- Centennial Park and Moore Park Trust
- Central Coast Regional Development Corporation
- Corporation Sole, "Minister Administering the *Environmental Planning and Assessment Act 1979*"
- Corporation Sole, "Minister Administering the *Heritage Act 1977*"
- Environment Protection Authority
- Environmental Trust
- Historic Houses Trust of New South Wales
- Hunter Development Corporation
- Jenolan Caves Reserve Trust
- Lord Howe Island Board
- Luna Park Reserve Trust
- Royal Botanic Gardens and Domain Trust
- Parramatta Park Trust
- Sydney Harbour Foreshore Authority
- UrbanGrowth NSW Development Corporation
- Western Sydney Parklands Trust
- Zoological Parks Board of New South Wales

Combined expenses \$2.1 billion
Combined net assets \$9.9 billion
Combined surplus \$57.4 million

Financial and Performance Reporting

Over the past two years, financial reporting by cluster agencies has improved significantly.

The following matters for two cluster agencies were reported in the Statutory Audit Report to the Minister, the Treasurer and the Secretary or agency's Executive Officer:

- the Department's liabilities exceeded its assets by \$1.2 million at 30 June 2014
- a probity audit commissioned by the Historic Houses Trust found it had managed a possible conflict of interest appropriately. The probity audit was for the tender of the Rouse Hill House and Farm Master Plan.

The early close procedures mandated by NSW Treasury have facilitated earlier resolution of many accounting issues, helped agencies meet earlier reporting deadlines and reduced misstatements from 98 to 47 over the last two years.

Most cluster agencies prepared well for the year-end financial reporting process. However, the Lord Howe Island Board submitted its financial statements for audit after the statutory deadline, the financial statements of Worimi Board of Management are not yet signed and the audits of the Biamanga and Gulaga National Park Boards of Management were completed after the statutory deadline.

Adopting early close procedures may help these and other smaller agencies in the cluster meet reporting deadlines, reduce pressure on staff at year-end and the risk of error.

The Department should improve its financial management processes to ensure grants are paid to local councils on a timely basis and strengthen its budgetary controls to achieve planned outcomes in line with its budget expectations.

The Department did not pay \$33.2 million in grants to local councils because funding agreements had not been finalised before 30 June 2014. This was despite the councils having met the funding conditions and the Minister for Planning approving the invoices for payment. This meant it had to record a liability to the Consolidated Fund for the unexpended appropriation and retain the grant liabilities on its balance sheet at 30 June 2014. The Department also underspent \$23.7 million it had drawn down for budgeted expenditure it expected to incur in 2013-14. This was also reflected as a liability to the Consolidated Fund at 30 June 2014. As a consequence the Department had total liabilities to the Consolidated Fund of \$56.9 million at 30 June 2014.

Sydney Harbour Foreshore Authority entered into significant contracts without adequately assessing and documenting the accounting implications throughout the life of the contract. Reviews of two significant contracts identified material errors in accounting for the transactions. While these errors were corrected in the financial statements, agencies entering into complex contractual arrangements need to perform rigorous analysis of those contracts to determine the accounting implications and the appropriate accounting treatments.

Most cluster agencies' actual revenues, expenses, assets and liabilities varied from budget by more than five per cent. Cluster agencies should review their budgeting processes to improve financial management and performance in order to achieve planned outcomes.

Financial Controls

The 30 June 2014 audits identified and reported on risks to management. These included:

- not adequately assessing and documenting accounting implications for significant and complex contracts
- not having appropriate processes to ensure compliance with laws and regulations
- a lack of centralised contract registers.

Cluster agencies should improve their management of annual leave to achieve NSW Treasury's requirement, particularly at the Office of Environment and Heritage, where 25.5 per cent of staff have more than 35 days accrued annual leave.

Governance

The Department is developing a governance framework for the new cluster, which includes establishing a structure with cluster agencies reporting to the Department's Secretary.

Local councils need to improve the quality and timeliness of financial reporting to comply with the requirements of the *Local Government Act 1993*. Seven councils received qualified audit opinions on their 2012-13 financial statements and 22 councils did not meet the legislative reporting deadlines. Seven councils did not meet the 2013-14 reporting deadlines and four are yet to submit financial statements to the Office of Local Government.

Service Delivery

This cluster is the lead for several goals in the Government's ten year strategic plan, 'NSW 2021 - A Plan to Make NSW Number One' (NSW 2021).

NSW 2021 does not include sufficient information to measure the cluster's progress against some goals. Some targets do not have a measure and baseline.

Some cluster agencies do not have visitor targets for visitor satisfaction or numbers and some agencies do not collect data on visitor satisfaction.

A key measure in NSW 2021 was the introduction of new planning legislation by the end of 2012. The *Planning Bill 2013* and *Planning Administration Bill 2013*, introduced into Parliament in 2013, are yet to pass into legislation.

Air quality did not meet the particle quality standard on 42 days in 2013-14, which is 75 per cent higher than the previous year.

The 2014 Performance Audit on *Managing Contaminated Sites* made several recommendations. The Environment Protection Authority accepted all relevant recommendations and is implementing them.

Recommendations

Cluster agencies should:

1. voluntarily adopt NSW Treasury's early close guidance. This will help ensure the year end accounting processes are controlled and well managed
2. assess and document the accounting impact of all contracts and any variations in a timely manner. This assessment should cover the whole of the contract term
3. develop measures and baselines for all NSW 2021 targets
4. where relevant, collate data on park and site visitor satisfaction and set targets for visitor numbers and visitor satisfaction.

Office of Environment and Heritage should:

5. develop leave plans for employees with annual leave balances in excess of NSW Treasury's requirement.

The Department of Planning and Environment should:

6. improve its processes to ensure grants are paid to local councils on a timely basis and strengthen its budgetary controls to achieve planned outcomes in line with its budget expectations.

Financial and Performance Reporting

Financial and performance reporting is important to good governance. People can hold their Government to account when they have accurate and timely information about what their Government is doing.

Financial Reporting

Financial and Performance Reporting

2013-14 Audit Observations

Financial Reporting

- No qualified audit opinion issued
- Accuracy of agencies' financial statements improved
- Early close procedures largely successful

Performance Reporting

- The actual results of most cluster agencies varied significantly to approved budgets

Timely and accurate financial reporting is a key element in the transparency of Government agencies. The commentary below shows how well cluster agencies improved the accuracy and timeliness of their financial statements.

Quality of Financial Reporting

Unmodified audit opinions were issued on all cluster agency financial statements where the audit has been completed.

The table below summarises the audit outcomes for those Planning and Environment cluster agencies where the 30 June 2014 audit has been completed.

Agency	Audit result		Reported misstatements for the year ended 30 June		
	Modified opinion	Number of significant and governance matters	2014	2013	2012
Departments					
Department of Planning and Environment (cluster lead)	No	1	8	3	7
Office of Environment and Heritage	No	--	--	N/A	N/A
Office of Local Government	No	--	3	N/A	N/A
Biamanga National Park Board of Management	No	--	1	6	N/A
Mt Grenfell Historic Site Board of Management	No	--	--	5	N/A
Mutawintji Board of Management	No	--	--	6	N/A
Gaagal Wanggaan (South Beach) National Park Board of Management	No	--	--	5	N/A
Gulaga National Park Board of Management	No	--	1	6	N/A
State owned corporation					
Landcom (trading as UrbanGrowth)	No	--	--	1	5
Other bodies					
Australian Technology Park Sydney Limited	No	--	1	3	6
Building Professionals Board	No	--	2	1	1
Centennial Park and Moore Park Trust	No	--	--	3	3
Central Coast Regional Development Corporation	No	--	2	1	2
Corporation Sole "Minister Administering the Environmental Planning and Assessment Act 1979"	No	--	1	5	5
Corporation Sole "Minister Administering the Heritage Act 1977"	No	--	1	2	1
Environment Protection Authority	No	--	2	--	5
Environmental Trust	No	--	--	1	1
Historic Houses Trust of New South Wales	No	1	--	3	7
Hunter Development Corporation	No	--	1	--	--
Jenolan Caves Reserve Trust	No	--	11	9	11
Lord Howe Island Board	No	--	5	9	16
Luna Park Reserve Trust	No	--	--	1	--
Parramatta Park Trust	No	--	2	6	--
Royal Botanic Gardens and Domain Trust	No	--	1	6	10
Sydney Harbour Foreshore Authority	No	--	3	12	12
UrbanGrowth NSW Development Corporation	No	--	1	3	2
Zoological Parks Board of New South Wales	No	--	--	--	2
Western Sydney Parklands Trust	No	--	1	1	2
Total			47	98	98

N/A Not applicable, agency did not exist in that year.

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

Significant and Governance Matters

The following matters for two cluster agencies were reported in the Statutory Audit Report to the Minister, the Treasurer and the Secretary or agency's Executive Officer.

- The Department of Planning and Environment (the Department) was in a net liability position at 30 June 2014. The Departments liabilities exceeded its assets by \$1.2 million at 30 June 2014. Refer to 'Key Issues from Financial Audits' below for further detail.
- The Historic Houses Trust commissioned a probity audit during 2013-14. The audit considered the tender process for the Rouse Hill House and Farm Master Plan after a potential conflict of interest was identified. The probity auditor concluded the Trust managed the specific conflict appropriately.

Misstatements in the Financial Statements

Over the past two years, financial reporting by cluster agencies has improved significantly.

Misstatements across cluster agencies fell to 47 in 2013-14 from 98 in the prior two years, a 52 per cent reduction. The Audit Office attributes this to the early resolution of accounting issues as a result of early close procedures performed by the agencies to help them meet earlier reporting deadlines and improve the quality of financial reporting.

Against this trend, misstatements in six cluster agencies increased in 2013-14.

Timeliness of Financial Reporting

Except for three Boards of Management and the Lord Howe Island Board, all cluster agencies met the 30 June 2014 financial reporting obligations. NSW Treasury Circular TC14/02 *Mandatory early close procedures for 2014* did not require these agencies to perform early close procedures.

Recommendation

Cluster agencies should voluntarily adopt NSW Treasury's early close guidance. This will help ensure the year end accounting processes are controlled and well managed.

Adopting early close procedures may help these and other smaller agencies in the cluster meet reporting deadlines, reduce pressure on staff at year end and the risk of error.

The timeliness of agency financial reporting in the cluster is shown in the below table.

Agency	Early close procedures		Financial statements		Audit	
	Received by statutory date	Days late	Received by statutory date	Days late	Completed by statutory date	Days late
Departments						
Department of Planning and Environment (cluster lead)	Yes	--	Yes	--	Yes	--
Office of Environment and Heritage	Yes	--	Yes	--	Yes	--
Office of Local Government	Yes	--	Yes	--	Yes	--
Mt Grenfell Historic Site Board of Management	N/A	N/A	Yes	--	Yes	--
Mutawintji Board of Management	N/A	N/A	Yes	--	Yes	--
Gaagal Wanggaan (South Beach) National Park Board of Management	N/A	N/A	Yes	--	Yes	--
Biamanga National Park Board of Management	N/A	N/A	Yes	--	No	11
Gulaga National Park Board of Management	N/A	N/A	Yes	--	No	28
Worimi Board of Management	N/A	N/A	Yes	--	No	Not yet complete
State owned corporation						
Landcom (trading as UrbanGrowth)	Yes	--	Yes	--	Yes	--
Other bodies						
Australian Technology Park Sydney Limited	Yes	--	Yes	--	Yes	--
Building Professionals Board	N/A	N/A	Yes	--	Yes	--
Centennial Park and Moore Park Trust	Yes	--	Yes	--	Yes	--
Central Coast Regional Development Corporation	N/A	N/A	Yes	--	Yes	--
Corporation Sole "Minister Administering the Environmental Planning and Assessment Act 1979"	Yes	--	Yes	--	Yes	--
Corporation Sole "Minister Administering the Heritage Act 1977"	N/A	N/A	Yes	--	Yes	--
Environment Protection Authority	Yes	--	Yes	--	Yes	--
Environmental Trust	Yes	--	Yes	--	Yes	--
Historic Houses Trust of New South Wales	Yes	--	Yes	--	Yes	--
Hunter Development Corporation	Yes	--	Yes	--	Yes	--
Jenolan Caves Reserve Trust	N/A	N/A	Yes	--	Yes	--
Lord Howe Island Board	N/A	N/A	No	5	Yes	--
Luna Park Reserve Trust	Yes	--	Yes	--	Yes	--
Parramatta Park Trust	N/A	N/A	Yes	--	Yes	--
Royal Botanic Gardens and Domain Trust	Yes	--	Yes	--	Yes	--
Sydney Harbour Foreshore Authority	Yes	--	Yes	--	Yes	--
UrbanGrowth NSW Development Corporation	Yes	--	Yes	--	Yes	--
Western Sydney Parklands Trust	Yes	--	Yes	--	Yes	--
Zoological Parks Board of New South Wales	Yes	--	Yes	--	Yes	--

N/A Indicates early close procedures were not required by TC 14/02.

Most cluster agencies prepared well for the year-end financial reporting process. However, the Lord Howe Island Board submitted its financial statements for audit after the statutory deadline, the financial statements of Worimi Board of Management are not yet signed and the audits of the Biamanga and Gulaga National Park Boards of Management were completed after the statutory deadline. The audit of Worimi Board of Management will be completed when the Board approves the financial statements, which is expected to occur soon.

Results of Early Close Procedures

Cluster agencies which were required to comply with NSW Treasury's early close procedures delivered early close financial statements on time.

We identified some areas where the early close financial statements for some cluster agencies should be improved. These include:

- reviewing service group information as part of the early close process to ensure management agrees the methodology underlying the Service Group Statements on a timely basis
- assessing and determining the accounting impacts of Australian Accounting Standards that are effective for the first time. Some cluster agencies were either late in making these assessments or deferred making the assessments until year end
- fully reconciling key account balances
- resolving accounting issues early. Some cluster agencies did not resolve known accounting issues until after the early close process was completed.

Key Issues from Financial Audits

Department of Planning and Environment's Financial Position

Recommendation

The Department should improve its processes to ensure grants are paid to local councils on a timely basis and strengthen its budgetary controls to achieve planned outcomes in line with its budget expectations.

The Department was in a net liability position at 30 June 2014, with liabilities exceeding assets by \$1.2 million. The Department's cash of \$94.4 million was reduced to \$46.4 million at 30 June 2014 because it was required to return \$56.9 million to the Consolidated Fund. The \$46.4 million it retained was held for restricted purposes.

This situation arose because the Department did not pay \$33.2 million in grants to local councils as the funding agreements had not been finalised before 30 June 2014. This was despite the councils having met the funding conditions and the Minister for Planning approving the invoices for payment. This meant it had to record a liability to the Consolidated Fund for the unexpended appropriation and retain the grant liabilities on its balance sheet at 30 June 2014. The Department also underspent \$23.7 million it had drawn down for budgeted expenditure it expected to incur in 2013-14. This was also reflected as a liability to the Consolidated Fund at 30 June 2014. As a consequence the Department had total liabilities to the Consolidated Fund of \$56.9 million at 30 June 2014.

The Need to Assess Contracts for Accounting Purposes

Recommendation

Agencies should assess and document the accounting impact of all contracts and any variations in a timely manner. This assessment should cover the whole of the contract term.

Sydney Harbour Foreshore Authority (the Authority) entered into significant contracts for the Darling Harbour redevelopment without adequately assessing and documenting the accounting implications throughout the life of the contract. Reviews of two significant contracts identified material errors in accounting for the transactions.

While these errors were corrected in the financial statements, agencies entering into complex contractual arrangements need to perform rigorous analysis of the contracts to determine the accounting implications and the appropriate accounting treatments. This will reduce the risk of error. When negotiating complex transactions, agencies should involve a senior member of the finance team to provide advice on the accounting implications of proposed decisions.

Infrastructure NSW is responsible for the functions of the Sydney Harbour Foreshore Authority in the redevelopment of the Sydney International Convention, Exhibition and Entertainment Precinct. For further detail on the Sydney International Convention, Exhibition and Entertainment Precinct Project refer to Volume Six of the 2014 Auditor-General's Report to Parliament.

Financial Sustainability across the Cluster

Agencies must manage their finances to meet current and future commitments, achieve service delivery objectives, invest in and maintain assets and remain financially sustainable. To do this, agency management need to have strong financial management processes.

Most agencies in the cluster are funded through government grants and contributions. Agencies not fully funded by government grants can raise funds from other sources.

Financial Analysis Indicators for Departments

The table below summarises the performance of departments within the cluster against some key financial indicators at 30 June 2014. The major source of revenue for most departments is State Government funding.

Cluster agencies	Surplus/(deficit) t) \$'000	Liquidity	State government funding (%)	Expense growth rate (%)
Departments				
Department of Planning and Environment	(13,862)	1.1	50.7	8.2
Office of Environment and Heritage	(115,137)	1.6	70.7	N/A
Office of Local Government	1,480	1.7	71.3	N/A
Mt Grenfell Historic Site Board of Management	110	36.0	25.9	(38.3)
Mutawintji Board of Management	(291)	212.9	80.7	97.3
Gaagal Wanggaan (South Beach) National Park Board of Management	255	33.5	96.0	(93.3)
Biamanga Board of Management	30	38.6	70.1	(61.9)
Gulaga National Park Board of Management	(72)	13.1	93.5	(62.8)

Note: Refer to Appendix Three for descriptions of ratios. Note: The surplus/(deficits) and percentage of State Government funding for the Office of Environment and Heritage and Office of Local Government is for the period 24 February 2014 to 30 June 2014.

N/A Not applicable. The Office of Environment and Heritage and Office of Local Government did not become separate reporting entities until 24 February 2014.

Source: Financial statements (audited).

With the exception of the Office of Local Government and three Boards of Management, all departments within the cluster recorded a deficit for the year ended 30 June 2014. Operating results are influenced by how departments are funded. For example, departments are funded for asset additions, but not for depreciation, which can give rise to a deficit. Also, when a department receives significant capital funding, it is more likely to record a surplus.

Liquidity ratios are 1.0 or higher, which indicates the departments can meet their short term obligations.

The level of State government funding varies across the departments. The Department of Planning and Environment generates much of its revenue from other sources, such as developer contributions.

Financial Analysis Indicators for Other Bodies

The table below shows the performance of the State Owned Corporation, Landcom (trading as UrbanGrowth) and other bodies in the cluster against some relevant and accepted sustainability indicators for the year ended 30 June 2014.

Cluster agencies	Underlying result (%)	Liquidity	Self-financing (%)	Overall assessment
State owned corporation				
Landcom (trading as UrbanGrowth)	18.0	1.3	20.0	●
Other bodies				
Australian Technology Park Sydney Limited *	23.2	1.4	34.4	●
Building Professionals Board	20.5	5.5	18.0	●
Centennial Park and Moore Park Trust	26.1	3.7	39.1	●
Central Coast Regional Development Corporation	(222.5)	2.2	--	●
Corporation Sole "Minister Administering the <i>Environmental Planning and Assessment Act 1979</i> "	(0.7)	3.1	--	●
Corporation Sole "Minister Administering the <i>Heritage Act 1977</i> "	2.3	42.4	--	●
Environment Protection Authority	2.5	0.8	0.7	●
Environmental Trust	(1.1)	7.2	--	●
Historic Houses Trust of New South Wales	18.4	4.1	19.6	●
Hunter Development Corporation **	(1.1)	6.2	29.3	●
Jenolan Caves Reserve Trust	8.8	1.9	15.3	●
Lord Howe Island Board	0.8	7.2	26.0	●
Luna Park Reserve Trust	8.7	7.9	57.8	●
Parramatta Park Trust	0.9	7.1	21.7	●
Royal Botanic Gardens and Domain Trust	3.8	1.8	22.0	●
Sydney Harbour Foreshore Authority	16.2	2.6	3.9	●
UrbanGrowth NSW Development Corporation	33.8	3.5	43.2	●
Western Sydney Parklands Trust	70.2	8.7	71.9	●
Zoological Parks Board of New South Wales	(3.1)	2.4	17.0	●

Note: Refer to Appendix Three for descriptions of ratios and the risk assessment criteria.

* Underlying result excludes a one-off \$13.6 million loss on revaluation of property, plant and equipment and investment property.

** Underlying result excludes a non-recurring \$6.9 million loss on sale of land inventory to Newcastle Port Corporation.

Source: Financial statements (audited).

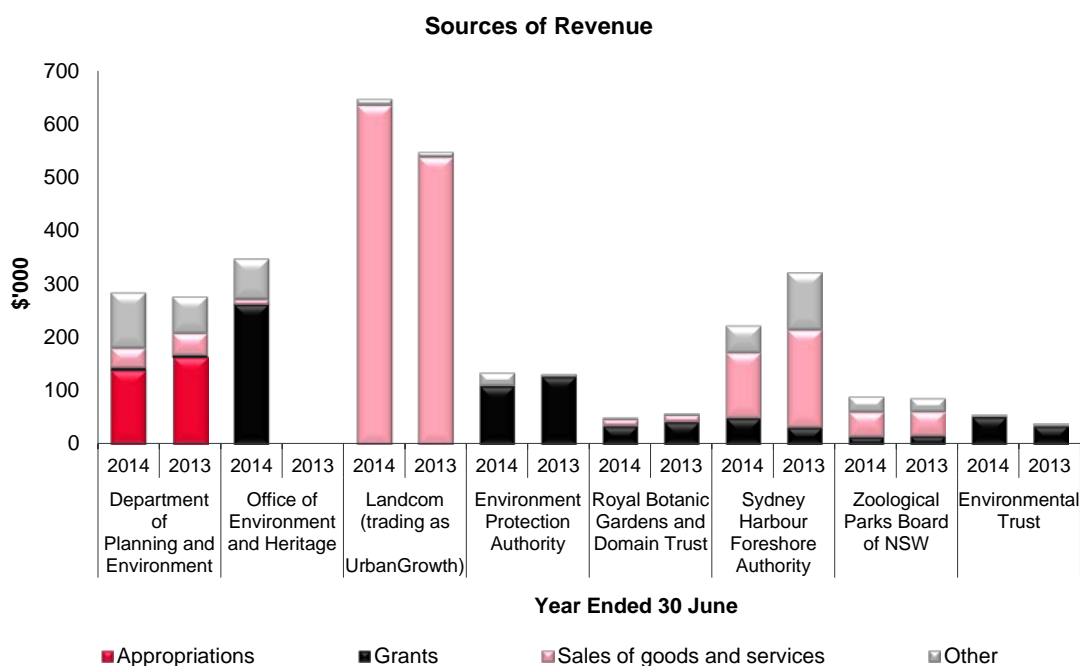
Central Coast Regional Development Corporation's overall risk assessment is high due to its negative underlying result in 2013-14. It also had a negative underlying result in the previous year. The Corporation incurred increased operating expenses on projects, such as the redevelopment of the Gosford waterfront and the Mt Penang Parklands development. It has a \$7.0 million debt facility to meet its obligations in the short term. Over the longer term it expects to breakeven through the sale of part of the Mt Penang development area and other initiatives.

All agencies had a liquidity ratio above one at 30 June 2014, except the Environment Protection Authority (EPA). Its liquidity ratio was 0.8, indicating a need for it to carefully manage its cash flows.

Separate commentary on major revenue streams is included below.

Key Financial Information

Major Revenue Streams



Note: The table includes Planning and Environment cluster agencies with revenue of more than \$50.0 million.

Note: Other represents all other revenue sources.

Note: No figures are reported in 2013 for the Office of Environment and Heritage as it was not a separate reporting entity.

Source: Financial statements (audited).

Appropriations

The only agency receiving appropriations is the Department. It drew down \$195 million from the Consolidated Fund during the year and recorded a liability to the Consolidated Fund of \$56.9 million at 30 June 2014 as discussed above. A department's ability to spend appropriated funds lapses at the end of each financial year and unspent appropriations must be returned to the Consolidated Fund.

Grants and Contributions

Cluster agencies receive grants and contributions from other NSW government agencies, federal and local government agencies and private sector bodies.

The Office of Environment and Heritage (OEH) received most of the grant funding for the cluster, \$262 million for the period 24 February 2014 to 30 June 2014. The funding is used for recurrent and capital purposes.

The EPA received \$110 million in 2013-14 (\$128 million in 2012-13). The fall in grants income was mainly due to increased fees and fines revenue previously paid directly to the Crown Finance Entity. As a result of amendments to the *Protection of the Environment Operations Act 1997*, the EPA can now retain revenue associated with licence administration and regulatory intervention.

The Authority and the Environmental Trust had the largest increases in grants and contributions revenue of 56.1 per cent and 48.9 per cent respectively. The Authority received State Government grants to fund expenditure on the Sydney International Convention, Exhibition and Entertainment Precinct Project and to construct an interim facility at Glebe Island. The Environmental Trust received grants mainly to provide competitive grant funding to other bodies, such as other NSW Government agencies and local councils.

Sale of Goods and Services

Cluster agencies earn revenue from the sale of goods and service, including:

- sale of land
- venue hire and property leases
- admissions revenue.

Landcom (trading as UrbanGrowth NSW) earned most of the cluster's sale of goods and services revenue, \$636 million in 2013-14 (\$539 million in 2012-13). The increase of \$97.5 million (18.1 per cent) was due to increased land releases and sales at the Ponds, Spring Farms and Potts Hill.

The Authority earned revenue of \$122 million in 2013-14 (\$183 million) from the sale of goods and services, a fall of \$61.2 million or 33.4 per cent. This was due to the closure of the Sydney Convention and Exhibition Centre in December 2013 and a one off financial settlement of \$26.7 million received in 2012-13 by its controlled entity, Cooks Cove Development Corporation.

Other

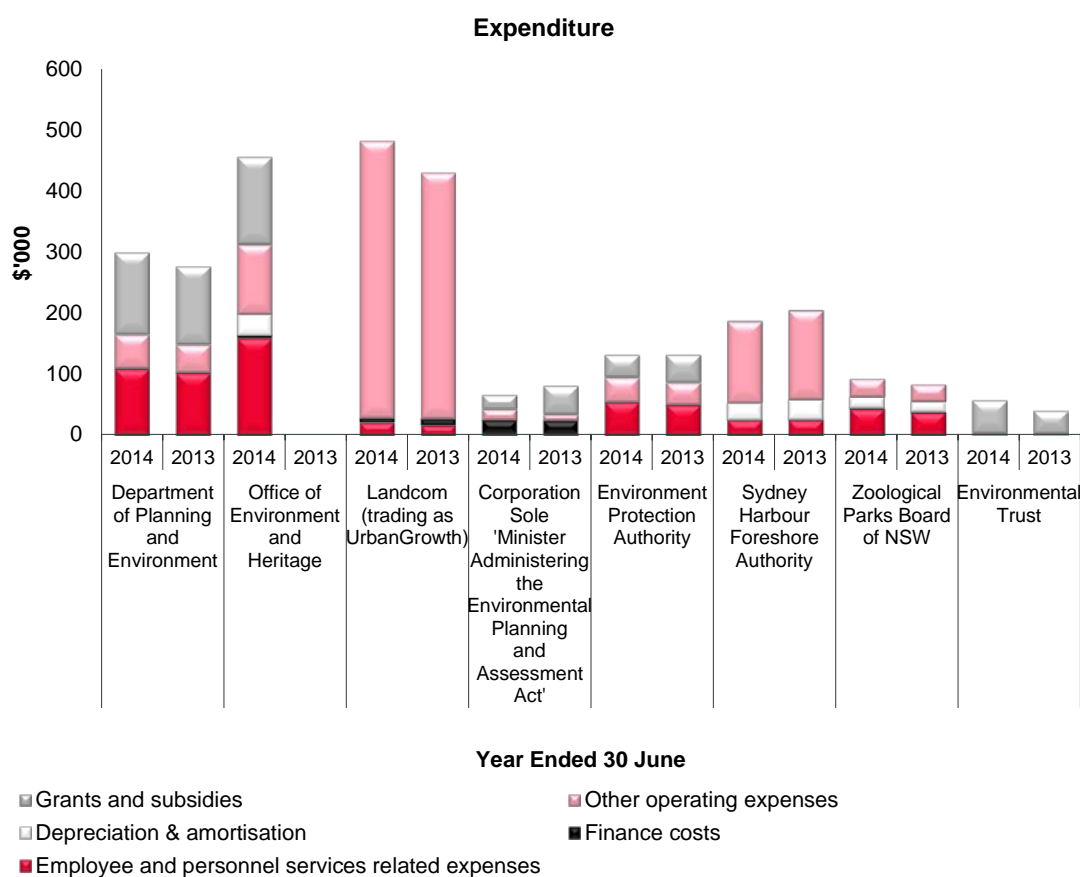
Cluster agencies earned other revenue from multiple sources, including:

- investments
- fees and fines
- personnel service arrangements
- fair value gains on investment property
- developer contributions.

Revenue from all other sources in 2013-14 was most significant at the Department and OEH, which earned \$104 million and \$75.8 million respectively. The Department earned other revenue mainly from Special Infrastructure Contributions (SIC) of \$40.4 million received by way of cash and works-in-kind, and revenue of \$28.6 million from personnel service arrangements. Personnel services revenue meets the employee related costs of Department staff who provide services to other cluster agencies. Revenue from SIC is used to fund regional infrastructure essential to the development of roads, bus depots, open spaces and land required for social services.

The EPA had the largest percentage increase in other revenue, increasing by \$20.1 million or 552 per cent. This was mainly due to fees and fines revenue increasing from \$3,000 to \$17.6 million after the legislative changes described above.

Expenditure



Note: The graph includes Planning and Environment cluster agencies with expenditure of more than \$50.0 million.

Note: There are no figures reported in 2013 for the Office of Environment and Heritage as it was not a separate reporting entity.

Source: Financial statements (audited).

Employee and Personnel Services

The OEH incurred \$158 million in employee related expenses for the period 24 February 2014 to 30 June 2014, while the Department incurred expenses of \$108 million in 2013-14 (\$101 million). These two agencies have the largest employee related expenses in the cluster and provide personnel services to other agencies within the cluster.

Landcom and the Zoological Parks Board of NSW (Zoo) experienced the largest percentage increases in employee related and personnel services expenses. Landcom's employee related expenses increased by \$4.5 million or 27.4 per cent due to a change in its business focus and model. It is transitioning from a retail land developer to a transformer of urban sites, which requires additional staff.

The Zoo's personnel services expense increased by \$5.9 million or 15.9 per cent, mainly due to a \$3.6 million increase in superannuation expense, a 2.3 per cent salary increment and higher staff numbers. The increase in superannuation expense was mainly due to a re-measurement of the defined benefit superannuation liability calculated by Pillar Administration.

All cluster agencies advise they met their salary expense cap limits for the year ended 30 June 2014.

Other Operating Expenses

Agencies incur other operating expenses in the normal course of business. For cluster agencies this includes the cost of land sales, marketing expenses, consultant expenses and maintenance expenses.

Landcom incurs most of the cluster's operating expenses through the cost of land sales. It recorded operating expenses of \$452 million in 2013-14 (\$401 million), an increase of \$51.0 million or 12.7 per cent, which corresponds with increased revenue from land sales.

Finance Costs

The Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*' (the Corporation Sole) and Landcom incurred finance costs of \$22.6 million (\$21.6 million) and \$6.7 million (\$10.4 million) respectively in 2013-14. This was the highest amongst cluster agencies.

Landcom meets its obligations for finance charges from land sale revenues as does the Corporation Sole, which also received grants and contributions of \$5.0 million from the Department and \$7.6 million from local councils.

After 30 June 2014, the Corporation Sole negotiated a significant reduction in the borrowings it had to acquire land for the North-West and South-West rail lines. It received NSW Treasurer's approval to transfer borrowings of \$181 million to the Crown Finance Entity and paid \$14.0 million off borrowings for the Erskine Park Link Road construction. The Corporation Sole advises finance costs for 2014-15 and future years will be substantially lower. Finance costs are estimated at \$13.0 million in 2014-15. It plans to meet future obligations through land sales revenue and contributions from local councils.

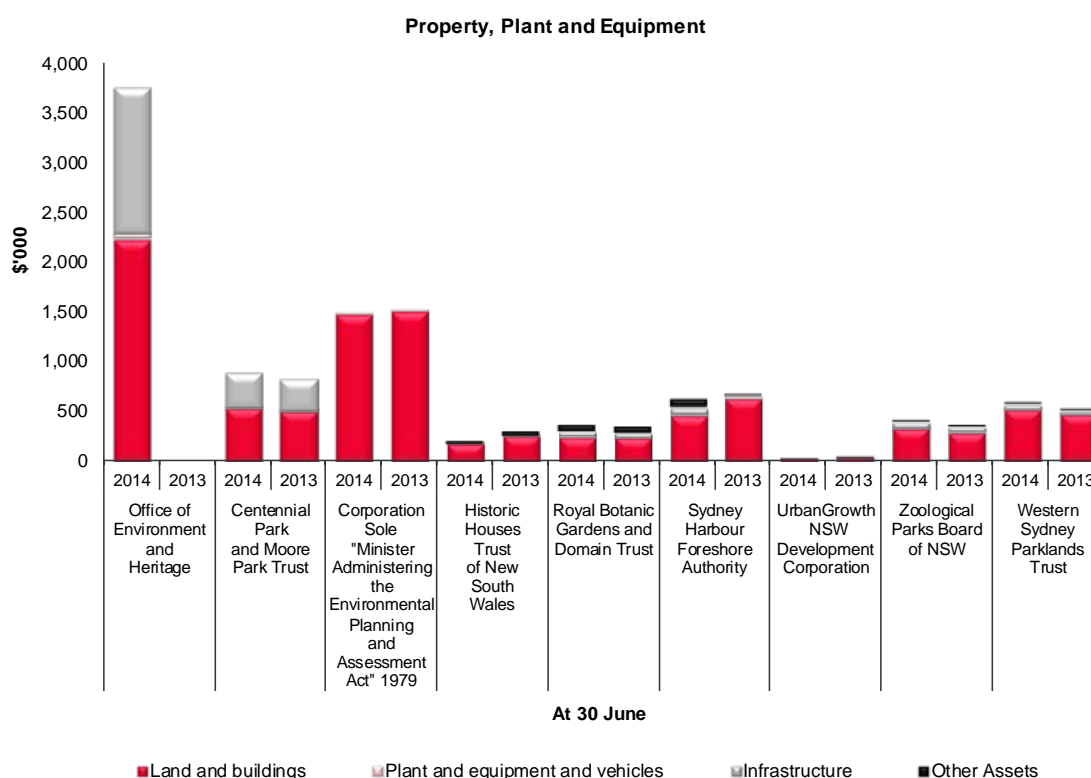
Grants and Subsidies

Cluster agencies make grants and subsidy payments to local councils, other State Government agencies, non-government organisations and other private sector bodies. The Department and the OEH are the largest contributors to grants and subsidies, contributing \$134 million for 2013-14 (\$128 million) and \$143 million for the period 24 February 2014 to 30 June 2014, respectively.

Depreciation and Amortisation

Depreciation and amortisation varies across the cluster agencies and is influenced by the agencies' value of depreciable assets and the assets' useful lives.

Property, Plant and Equipment



Note: The graph includes Planning and Environment cluster agencies with total property, plant and equipment over \$50.0 million.

Note: There are no figures reported in 2013 for the Office of Environment and Heritage as it was not a separate reporting entity.

Source: Financial statements (audited).

Property, Plant and Equipment

The cluster agencies are responsible for managing significant public sector assets. The asset base is varied and includes:

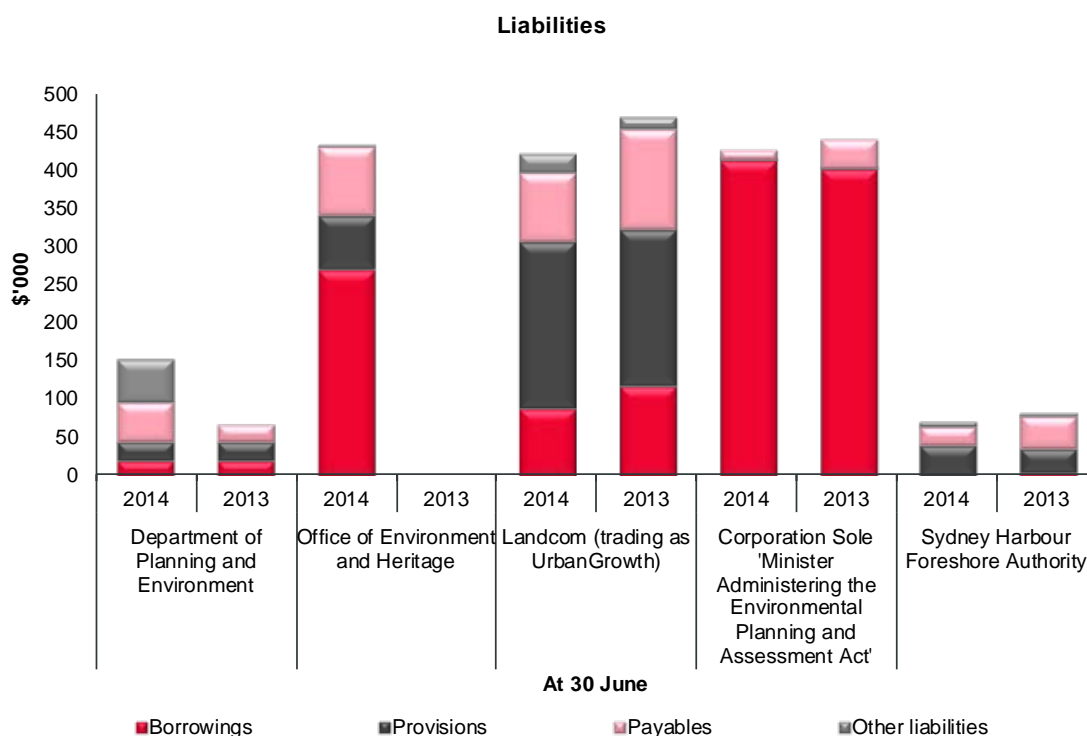
- open space land, such as national parks, parklands and public domains
- commercial and residential properties
- infrastructure, such as roads, bridges and seawalls
- other assets including cultural assets, heritage assets, artworks and museums.

The OEH and the Corporation Sole have the largest property, plant and equipment balances at 30 June 2014, totalling \$3.8 billion and \$1.5 billion respectively. Land and buildings represent 59.2 per cent of the total for the OEH and 100 per cent of the total for the Corporation Sole. OEH's infrastructure assets equal 39.1 per cent of its property, plant and equipment.

The OEH, Centennial Parkland and Moore Park Trust, Royal Botanic Gardens and Domain Trust, Western Sydney Parklands Trust, the Authority and the Corporation Sole hold most of the cluster's open space land, which is generally not for sale.

The Authority has investment properties valued at \$438 million at 30 June 2014. They earn approximately \$50.0 million each year and are a mix of new and old buildings, including heritage buildings.

Liabilities



Note: The graph includes Planning and Environment cluster agencies with liabilities of more than \$50.0 million.

Note: There are no figures reported in 2013 for the Office of Environment and Heritage as it was not a separate reporting entity.

Source: Financial statements (audited).

Borrowings

Some cluster agencies rely on borrowings to fund asset acquisitions and other activities. The table below shows the debt to equity ratios of cluster agencies with borrowings at 30 June for the last three years.

Cluster agencies	Debt to equity (%)		
	2014	2013	2012
Departments			
Department of Planning and Environment	(1,704.9)	165.3	278.1
Office of Environment and Heritage	7.1	N/A	N/A
State owned corporation			
Landcom (trading as UrbanGrowth)	20.6	31.3	25.6
Other bodies			
Australian Technology Park Sydney Limited	31.3	32.0	42.1
Corporation Sole "Minister Administering the Environmental Planning and Assessment Act 1979"	33.8	32.7	30.3
UrbanGrowth NSW Development Corporation	9.0	11.2	15.0
Zoological Parks Board of New South Wales	3.7	4.2	4.3

Note: Refer to Appendix Three for descriptions of ratios and the risk assessment criteria.

N/A Not applicable. The Office of Environment and Heritage did not become a separate reporting entity until 24 February 2014.

Source: Financial statements (audited).

Except for the Department, the debt to equity ratios are below 40 per cent, which suggests the agencies can repay the debts as and when they fall due.

The Department's negative equity position impacts on its debt to equity. Because NSW Treasury funds the Department annually and it controls few non-current assets, it has minimal equity, which results in a higher than generally accepted debt to equity ratio. The annual funding model helps ensure the Department can pay its debts when they are due.

Refer to 'Key Issues from Financial Audits' above for further detail on this matter.

The Corporation Sole had borrowings of \$413 million at 30 June 2014 (\$402 million), the highest in the cluster. The borrowings were to predominately fund purchases of properties for the North West and South West rail corridors. These are transferred to other Government agencies when required. As noted previously, the Corporation Sole received approval from the NSW Treasurer to transfer \$181 million in borrowings to the Crown Finance Entity on 29 October 2014. This has significantly reduced its debt portfolio.

Provisions

Cluster agencies have recognised provisions for employee related liabilities and other purposes. Landcom and the OEH have the largest provisions totalling \$220 million (\$203 million) and \$68.5 million respectively at 30 June 2014.

Landcom's provisions increased by 8.2 per cent during 2013-14. The increase is mainly due to the dividend to NSW Treasury. The higher dividend is due to an increase in net profit.

Payables

The OEH and Landcom have the largest payable balances at 30 June 2014 of \$90.7 million and \$90.4 million respectively. They largely relate to trade payables and creditors, accruals, bonds and deposits held.

The Department has the highest year-on-year payables increase (\$28.3 million or 118 per cent), predominately due to Local Infrastructure Growth Scheme grants payable to councils of \$33.2 million mentioned earlier.

Other Liabilities

The Department has the largest balance of other liabilities, which increased from nil in 2012-13 to \$56.9 million in 2013-14, for the unspent appropriations to be returned to the Consolidated Fund, as explained earlier.

Performance against Budget

Cluster agencies should review their budgeting processes to improve financial management and performance in order to achieve planned outcomes.

The table in Appendix Two compares the cluster agencies' actual results to budget. Agencies in the General Government Sector are required to report budget figures to comply with TPP 14-2 *Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities*.

The table shows most cluster agencies' actual revenues, expenses, assets and liabilities varied from budget by more than five per cent. General Government Sector agencies are required to disclose material variances between actual results and budget in the financial statements. The cluster agency financial statements show the variances arose for several reasons, including:

- failing to budget for events that occur throughout the year, such as capital projects
- delays in timing of grant payments
- differences in the classification of revenue and expenses for budget and financial reporting purposes
- failing to budget for asset revaluations or redundancies, which are difficult to estimate in the budget process.

Revaluations of Property, Plant and Equipment

Cluster agencies need improved understanding of valuation techniques used to establish the fair value of property, plant and equipment and disclose this in the financial statements.

The total value of property, plant and equipment recorded in the cluster agencies' financial statements is \$8.7 billion. These assets are required to be carried at fair value, which requires regular revaluations to be performed. The following issues were identified during the review of asset revaluations:

- deficiencies in fair value disclosures required by AASB 13 *Fair Value Measurement*
- incorrect application of market indexation to assets valued under the cost approach
- identification of previously unrecorded assets
- impairment events impacting the fair value of assets not being appropriately considered.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of policies. They are essential for quality and timely decision making to achieve desired outcomes.

Financial Controls

2013-14 Audit Observations

Internal Controls

Cluster agencies can improve their internal control environment by:

- assessing the accounting implications of major contracts
- maintaining centralised contract registers
- reconciling accounts on time

Human Resources

Management of excess annual leave can be improved

Information Technology

Retaining IT knowledge is a significant challenge facing cluster agencies in light of recent IT organisational restructures and changes

Internal Controls

Weaknesses in internal controls increase the risk of fraud or error. The 2013-14 audits of cluster agencies found they, generally, had appropriate internal controls, which operated effectively. The audits did identify opportunities to improve internal controls. These risks were reported to the relevant agencies' management.

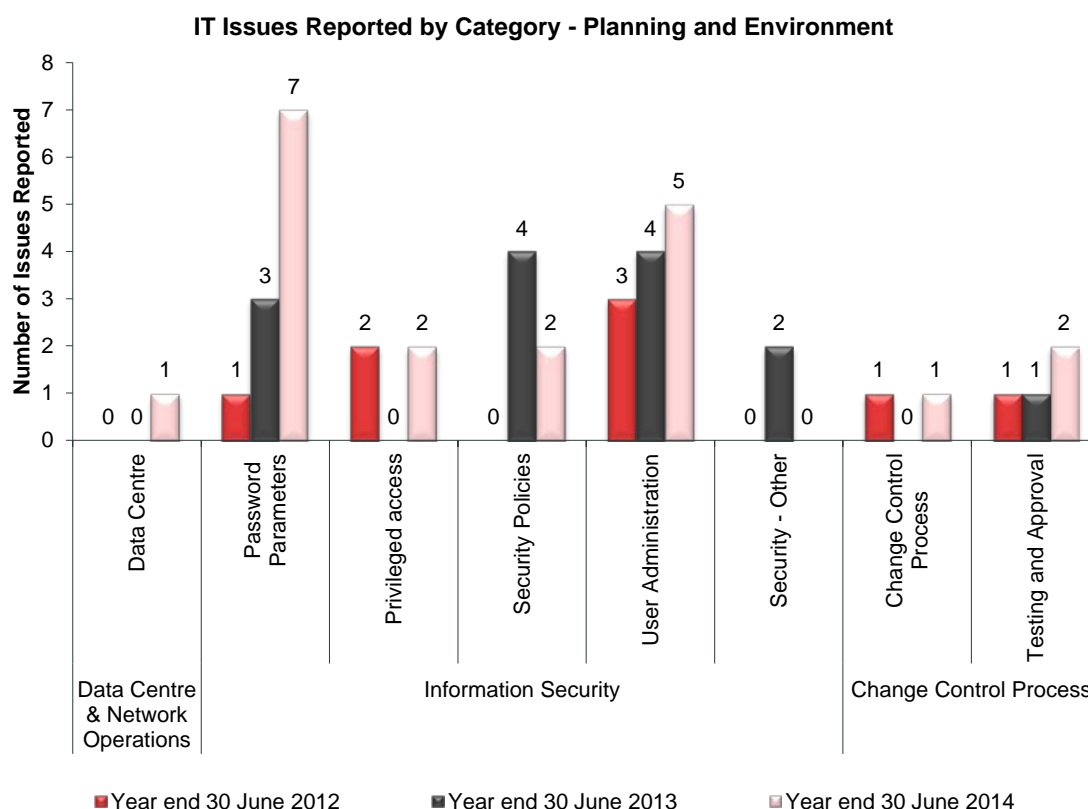
Issues identified across cluster agencies included:

- a lack of centralised contract registers
- not having appropriate processes to ensure compliance with laws and regulations
- bank and clearing accounts not reconciled on time and long outstanding items not cleared
- no controls to correctly account for lease incentives
- information technology control matters (see below for further details)
- not adequately assessing and documenting the accounting implications for significant and complex contracts
- not accounting for residual interests in long term property leases
- lack of supporting documents attached to credit card transactions and credit cards statements were not authorised.

Information Technology Controls

Information Systems Issues

Information systems audits focused on the information technology (IT) processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2014, these audits identified 20 IT issues for agencies within the Planning and Environment cluster.



The following issues were of note:

- password settings for financial systems had not been securely configured in line with agencies' policies and better practice standards for information security. Weak password settings increase the risk of security attacks, data integrity issues, data privacy breaches and identity theft
- there were considerable user administration issues relating to the lack of or inadequate performance of periodic user reviews for financial systems. This increases the risk of unauthorised or excessive access to financial systems.

Disaster Recovery Planning

In 2014, seven cluster agencies completed a self-assessment of their disaster recovery planning and testing capabilities. Three agencies reported they had not formally documented a disaster recovery plan for key financial systems.

Testing disaster recovery plans continues to be an area of concern for the Planning and Environment cluster. Only one agency reported it had tested fully its disaster recovery plan for key financial systems. Without adequate testing, cluster agencies have little comfort the disaster recovery plans are effective in helping to restore financial processes and systems in the event of a disaster.

IT Knowledge Management and Key Personnel Risks

Retaining IT knowledge is a significant challenge for cluster agencies in light of recent IT organisational restructures and changes. This is particularly so when an agency is dependent on the expertise of a small team or one person.

Cluster agencies need to adopt effective IT knowledge management processes, such as centralised recording of IT information and implementation of formal staff handover procedures and cross-skilling staff. Ensuring appropriate IT knowledge management processes are in place, equips staff with sufficient and accurate information to perform their roles, effectively manage IT issues and risks, and work in a resilient environment that is adaptable to change.

Human Resources

Management of Excess Annual Leave

Cluster agencies should improve their management of annual leave to achieve NSW Treasury's requirement.

Annual leave in excess of NSW Treasury's requirement has increased during 2013-14.

Annual recreation leave provides permanent and temporary employees a period of rest and recreation away from the work environment every year. It helps employees maintain their physical and mental health and has a positive impact on well-being. Agencies can detect employee fraud when people are on leave.

The table below shows the number of employees with accrued annual leave above NSW Treasury's requirement outlined in TC14/11 *Reduction of Accrued Recreation Leave Balances* requirement at 30 June.

	2014	2013	Movement
Agency	Staff with more than 35 days leave	Staff with more than 40 days leave	Staff numbers
Departments			
Department of Planning and Environment (Cluster Lead)	78	22	56
Office of Environment and Heritage	680	460	220
Office of Local Government	7	N/A	N/A
State owned corporation			
Landcom (trading as UrbanGrowth)	2	--	2
Other bodies			
Australian Technology Park Sydney Limited	--	--	--
Building Professionals Board	8	1	7
Centennial Park and Moore Park Trust	2	2	--
Central Coast Regional Development Corporation	--	--	--
Environment Protection Authority	48	21	27
Historic Houses Trust of New South Wales	12	13	(1)
Hunter Development Corporation	5	--	5
Jenolan Caves Reserve Trust	10	5	5
Royal Botanic Gardens and Domain Trust	11	17	(6)
Sydney Harbour Foreshore Authority	36	17	19
Zoological Parks Board of New South Wales	6	14	(8)
Western Sydney Parklands Trust	2	3	(1)
Total	907	575	325

N/A Not applicable.

Source: Cluster agencies (unaudited).

Australian Technology Park Sydney Ltd and Central Coast Regional Development Corporation fully comply with NSW Treasury's requirement, while four cluster agencies reduced the number of employees above NSW Treasury's requirement in 2013-14.

Recommendation

OEH should develop leave plans for employees with annual leave balances in excess of NSW Treasury's requirement.

The Office of Environment and Heritage (OEH) had the highest number of employees with annual leave in excess of NSW Treasury requirements at 30 June 2014. This number represents 25.5 per cent of OEH staff (15.7 per cent at 30 June 2013).

In 2012-13, the Audit Office reported OEH was managing the number of employees with annual leave balances greater than NSW Treasury requirements. Certain OEH employees are, under their awards, entitled to accrue more than 20 days annual leave each year.

After the OEH, the Department of Planning and Environment had the highest number of employees with annual leave balances above NSW Treasury requirements at 30 June 2014, increasing from 22 in 2012-13 to 78 in 2013-14.

NSW Treasury Circular TC14/11 *Reduction of Accrued Recreation Leave Balances* requires agencies to make reasonable attempts to reduce employee leave balances below 40 days at 30 June 2013, 35 days at 30 June 2014 and 30 days at 30 June 2015.

Workplace Health and Safety

Cluster agencies need to manage employee work health and safety (WHS) risks. Cluster agencies advise they are managing these risks, including risks peculiar to frontline staff, such as park rangers and field officers.

The agencies with frontline staff have current risk frameworks, but some agencies appear to manage and review these risk frameworks more formally than others. Things done well by cluster agencies include:

- using a risk register to identify potential risks and risk mitigation strategies for frontline employees
- using training to mitigate and manage the risk
- reviewing risk registers.

One cluster agency is yet to collate WHS risks centrally. Review of WHS risk registers was also inconsistent across agencies. One cluster agency reviewed the WHS risk register every six weeks for presentation to relevant Boards while others only reviewed the register irregularly.

Asset Management

Key Capital Projects

The following table summarises the five largest budgeted capital projects (greater than \$19.0 million) across the cluster agencies at 30 June 2014.

Agency	Project	Total spend at 30 June 2014 (\$'000)	Total project budget (\$'000)	Total forecast spend (\$'000)
Office of Environment and Heritage	Perisher Range Redevelopment	32,929	69,950	69,950
Western Sydney Parklands Trust	Upgrade and Improve Park Facilities	10,674	46,315	46,315
Western Sydney Parklands Trust	Development of Bungarribee Park	5,278	25,507	25,507
Royal Botanic Gardens and Domain Trust	PlantBank	19,762	19,785	21,062
Royal Botanic Gardens and Domain Trust	Biome - Sydney Tropical Centre	2,250	19,693	19,693

Source: Cluster agencies (unaudited).

Total forecast costs for all these projects are within the original project budget, except for the PlantBank project managed by the Royal Botanic Gardens and Domain Trust (Trust).

The Trust has a contingent liability of approximately \$1.3 million for project claims. The timing and final settlement of these claims are still to be agreed. The Trust advises it is negotiating with another party to recover these claims and part of the project costs already incurred.

Key Information Technology Projects

Sydney Harbour Foreshore Authority - SAP by Design

The Sydney Harbour Foreshore Authority (the Authority) is implementing SAP by Design. The forecast project cost is \$2.3 million. It had expended approximately \$1.3 million on the project to September 2014.

The Minister for Planning announced a review into the future of the Authority on 28 August 2014. The Authority considered several scenarios and options to determine whether there was still value for money in progressing with the project.

The Authority, in consultation with the Department, has decided to continue the project, but consolidate enterprise resource planning into the Department.

The Authority advises benefits it expects to receive from the project include:

- improved analysis of assets' condition
- more efficient delivery of third party maintenance
- improved business decision support on acquisition and divestment of assets
- improved tenant and precinct user satisfaction
- improved safety management
- improved rentals returns.

Department of Planning and Environment - ePlanning

The Department is implementing the ePlanning system.

The ePlanning system involves the digitisation of planning services by transforming paper based and face to face transactions to an online environment. ePlanning tools and services are being rolled out in phases. The project contributes to the Department's goal to improve and modernise the planning system.

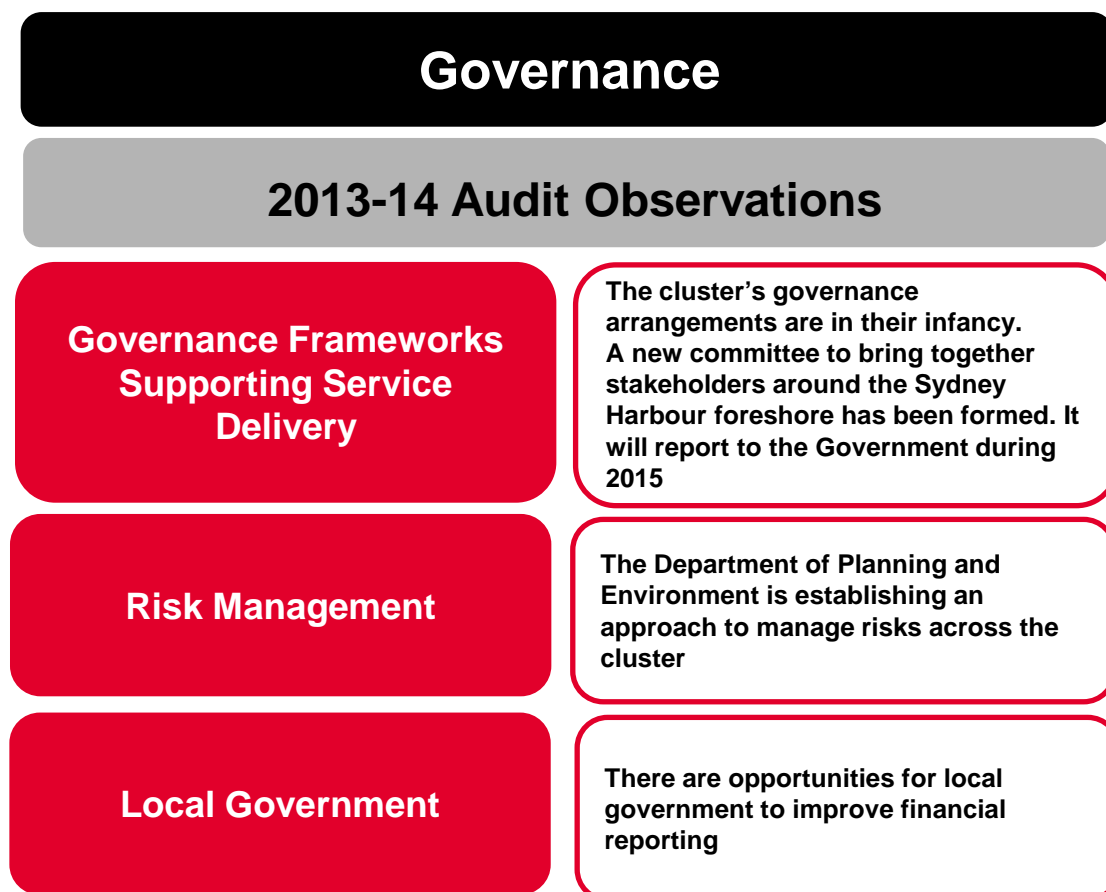
The Department advises the project will:

- enable businesses and the community to access and transact with planning services any time, from anywhere
- deliver significant cost savings to local councils
- increase transparency and users' understanding of the planning system.

The Department incurred \$12.4 million on the project during 2013-14 with funding of \$8.5 million allocated to the project in the 2013-14 Budget Papers. The 2014-15 Budget Papers show a further \$21.5 million has been allocated to the project.

Governance

Governance refers to 'the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled.' It includes the systems the entities, and those charged with governance, use and are held to account by others.



Governance frameworks supporting service delivery

The *Administrative Arrangements (Administrative Changes—Ministers and Public Service Agencies) Order 2014* (Order) established this cluster, effective from 24 February 2014. The Department of Planning and Environment (formerly Planning and Infrastructure) became the cluster lead agency on that date.

Administrative Restructure

The Order changed the Department of Planning and Environment's (Department) name from Planning and Infrastructure. Prior to 24 February 2014, the Department was part of the Department of Premier and Cabinet cluster. The Order also:

- created the Office of Environment and Heritage (OEH) as a Public Service Agency.
- created the Office of Local Government (OLG) as a Public Service Agency
- transferred other agencies to the new cluster.

Before the Order, the Department of Premier and Cabinet was responsible for environment and heritage matters as well as local government.

Planning and Environment Cluster

A challenge for the Department is to create a cohesive cluster from a group of agencies with varied governance arrangements. The risk in bringing together quite separate agencies is that governance structures may lose clarity with multiple reporting lines. The cluster is in its infancy, but the Department has established, or is establishing, links to cluster agencies.

The varied governance arrangements start with the enabling legislation, which establishes the responsibility of the Minister, the role of the Secretary (if any) and functions of the body. For example, Landcom (trading as UrbanGrowth NSW) is a State Owned Corporation. Under the *State Owned Corporations Act*, Landcom has a board and shareholder ministers. In contrast, Sydney Harbour Foreshore Authority (Authority) is a statutory body with a board, Chief Executive Officer and is subject to the control and direction of the Minister for Planning. Landcom's governance arrangements do not easily connect to the Department.

There is also little clarity of the authority, autonomy and accountability of the cluster Chief Finance Officer's (CFO) role in government guidelines. The Government should clearly support the role of the CFO to allow them to improve financial management and reporting for all agencies in the cluster. NSW Treasury's Financial Management Reform project could also address this matter.

In developing a governance framework for the new cluster, the Department is establishing a structure that includes cluster agencies reporting to the Department's Secretary on certain matters, including:

- risk management across the cluster
- developing shared service arrangements and service level agreements, where appropriate
- responsibility for achieving NSW 2021 targets
- cluster wide systems and processes, such as frameworks for performance management, compliance and fraud and corruption.

Cluster agencies have a range of governance structures in place, including:

- Audit and Risk Committees and internal audit functions, except for the six Boards of Management, which do not have audit and risk committees or internal audit functions. (this does not comply with NSW Treasury Policy Paper TPP09-5 *Internal Audit and Risk Management Policy*)
- financial delegations
- risk registers
- compliance management frameworks
- fraud and corruption control frameworks
- performance management frameworks.

New Board at Sydney Harbour Foreshore Authority

The Government appointed a new board to the Sydney Harbour Foreshore Authority (Authority). The new board chair will also chair a committee to bring together various stakeholders around the Sydney Harbour Foreshore.

The committee will develop a vision for the foreshore including the Rocks, Circular Quay, Barangaroo and Millers Point. It will also consider the Authority's future. It will work with the various state agencies and other interested parties and report back to the Government in 2015.

Oversight and Monitoring of Local Councils

Local Government Reform

The Auditor-General's role in NSW local government audits may change in the future as part of a Government initiative to change the way councils measure their performance and accountability to the community. The Auditor-General does not audit any local councils currently.

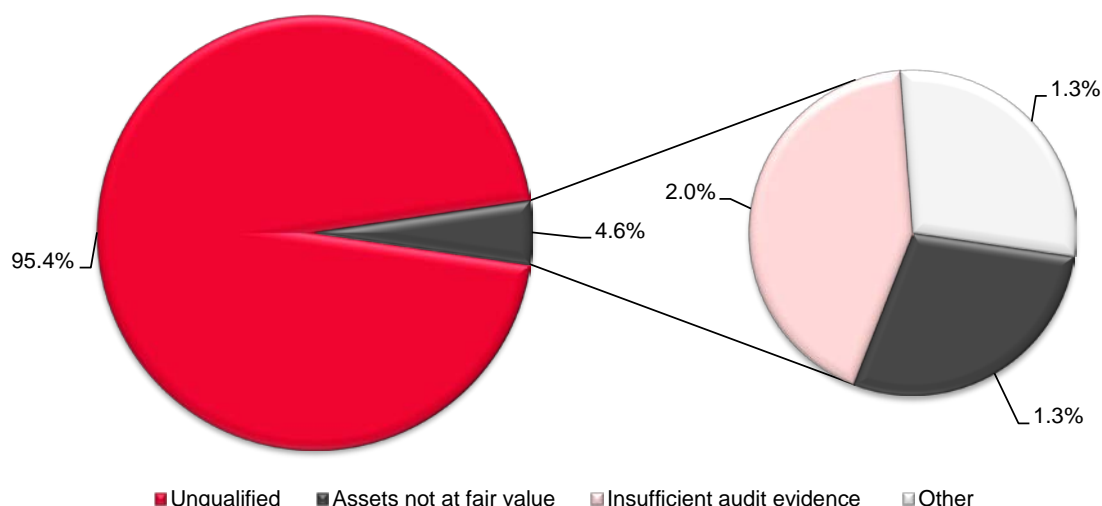
The current legislation allows the Auditor-General to audit a local council if a council fails to appoint an auditor or during any vacancy in the office of auditor. The Auditor-General can also bid competitively for external audit services that councils might tender from time to time.

Quality of Financial Reporting in Local Councils

The quality of financial reporting improved across local councils, but further improvement is needed.

The number of qualified audit opinions in the sector fell during the year ended 30 June 2013 compared to 2012. In 2013, the financial statements of seven local councils (five per cent compared to 13 per cent in 2011-12) received qualified audit opinions, while 143 received unqualified audit opinions.

Common Reasons for Qualified Audit Opinions Issued in 2012-2013



A review of local council websites showed that for the 2012-13 annual reports:

- two councils out of 152 did not comply with s428 of the *Local Government Act 1993*, (Act) which requires them to post their annual report on their website. The results of these two local councils are not included in the analysis below
- on three occasions the Independent Auditor's Report predated the Statement by Councillors and Management. Councillors and management should sign the financial statements before the Independent Auditor signs the Independent Auditor's Report
- one council published a signed but undated statement by councillors.

The Audit Office's review of local council websites in early December 2014 showed:

- 14 local councils out of 152 had not yet posted their 2014 annual report on their websites. Local councils are required to prepare annual reports within five months after the end of the financial year
- on two occasions, the Independent Auditor's Report predated the Statement by Councillors and management.

Local councils in New South Wales need to meet the statutory reporting obligations of the Act and prepare financial statements that meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting Guidelines and Australian Accounting Standards.

Timeliness of Financial Reporting in Local Councils

The timeliness of financial reporting improved across local councils, but further improvement is needed.

Under the Act, local councils are required to have financial statements prepared and audited within four months of the financial year-end. Twenty-two (31 in 2011-12) local councils did not meet this legislative deadline in 2013.

The table below shows the number of months by which these local councils missed the legislative reporting deadline for the year ended 30 June.

Audited financial statements signed after statutory deadline	Number of councils	
	2013	2012
Within one month	17	25
1 to 2 months	3	2
2 to 3 months	--	2
More than three months	2	2

Seven councils did not meet the 2013-14 reporting deadlines and four are yet to submit financial statements to the Office of Local Government.

Service Delivery

Service Delivery

2013-14 Audit Observations

NSW 2021

Cluster agencies are working to achieve the NSW 2021 performance goals. Measures and baselines are not available for all targets

Environment Protection Authority

The Environment Protection Authority accepted all relevant recommendations in the recent Auditor-General's Performance Audit on *Managing Contaminated Sites*

Office of Environment and Heritage

Lower retailer contribution rates for the Solar Bonus Scheme is increasing the cost burden of the Climate Change Fund

Performance Information

NSW 2021

The Planning and Environment cluster is the lead or co-lead for the following goals under 'NSW 2021 - A Plan to Make NSW Number One' (NSW 2021).

- build liveable centres
- protect our natural environment
- increase opportunities for people to look after their own neighbourhoods and environments
- restore confidence and integrity in the planning system.

NSW 2021 is the NSW Government's ten year strategic plan. It includes key targets and measures to help measure performance against the goals. NSW 2021 Performance Report 2014-15 does not include sufficient information to measure the cluster's progress against some goals.

Recommendation

Cluster agencies should develop measures and baselines for all NSW 2021 targets.

The NSW 2021 Performance Report 2014-15 omits data for a number of measures (and for some measures in earlier years). These include:

- percentage of the population living within 30 minutes by public transport of a city or major centre in Metropolitan Sydney
- percentage of priority management sites subject to control and monitoring where a positive response of native biodiversity has been detected
- increase recovery and utilisation of materials from the municipal sector from 44 per cent in the 2008-09 financial year to 66 per cent by 2014
- level of customer satisfaction with key planning processes.

We also identified:

- there is no measure or baseline for the 'increase renewable energy' target
- five measures have no baseline.

The measures that have no baseline are the:

- increase in renewable energy
- number of inspections or compliance audits completed (particulate (dust) emissions from coal mining)
- percentage of decisions published within five days by the Department – Voluntary Planning Agreement
- percentage of decisions published within five days by the Department – Planning Assessment Commission advices
- completion of fine scale projections derived for New South Wales and made available to local councils and the public by 2014.

The measures are not audited.

New Planning System

A key measure in NSW 2021 was the introduction of new planning legislation by the end of 2012. The *Planning Bill 2013* and *Planning Administration Bill 2013* introduced into Parliament in 2013, are yet to pass into legislation.

The current planning system is more than 30 years old and in 2012-13 customer satisfaction with key planning processes was 10.5 per cent.

New planning bills were introduced to the Legislative Assembly in October 2013. The bills are currently with the Legislative Assembly.

Visitors

Recommendation

Relevant cluster agencies should collate data on park and site visitor satisfaction and set targets for visitor numbers and visitor satisfaction.

The public visit parks and sites maintained by cluster agencies. Many of these agencies collate data on visitor satisfaction or set targets for both visitor numbers and visitor satisfaction. Not all agencies have targets for visitor satisfaction or visitor numbers.

The table below details visitor numbers and satisfaction rates against known targets at 30 June.

Year ended 30 June	2014				2013			
Agency	Actual visitor numbers (millions)	Target visitor numbers (millions)	Actual visitor satisfaction rates (%)	Target visitor satisfaction rates (%)	Actual visitor numbers (millions)	Target visitor numbers (millions)	Actual visitor satisfaction rates (%)	Target visitor satisfaction rates (%)
Australian Technology Park Sydney Limited (a)	0.1	N/A	N/A	N/A	0.1	N/A	N/A	N/A
Centennial Park and Moore Park Trust (b)	20+	N/A	90.0	N/A	20.0	N/A	89.0	N/A
Historic Houses Trust of New South Wales (c)	0.8	N/A	N/A	N/A	0.7	N/A	N/A	N/A
Jenolan Caves Reserve Trust (d)	0.2	0.2	N/A	N/A	0.2	N/A	N/A	N/A
Royal Botanic Gardens and Domain Trust (e)	4.5	4.5	93.0	95.0	4.5	4.4	96.0	95.0
Sydney Harbour Foreshore Authority (f)	41.0	39.7	N/A	N/A	40.4	40.5	N/A	N/A
Zoological Parks Board of New South Wales (g)	1.7	1.7	TZ-91.0 TWPZ-88.0	85.0	1.7	1.7	TZ-91.0 TWPZ-84.0	85.0
Western Sydney Parklands Trust (h)	3.6	2.2	84.0	70.0	2.7	2.0	80.0	70.0
Parramatta Park Trust (h)	1.9	N/A	N/A	N/A	1.8	N/A	N/A	N/A

N/A Not applicable. Data not available.

- a collated through use of event software.
- b based on triennial visitor survey 2013-14.
- c includes property and outreach visitation numbers, paid and unpaid, to various places, such as the café and restaurant, library, shop, travelling exhibitions, and forecourt programs.
- d relates to caves tours, collated through point of sale software.
- e all visitors to the Trust's Gardens, but excludes the Domain. The Trust advises there is no reliable counter system as the area is too open. Visitor gate counters are used for the Royal Botanic Garden while vehicle counters are used to monitor visitor numbers at other sites.
- f people movements measured by permanent electronic people counters installed in key locations at the Rocks and Darling Harbour. These figures include repeat visits made by visitors, workers and residents.
- g includes all visitors to Taronga Zoo (TZ) and Taronga Western Plains Zoo (TWPZ). Self-completed customer satisfaction surveys are completed all year at TZ and TWPZ.
- h vehicle counts performed by an external provider.

Source: Cluster agencies (unaudited).

The Lord Howe Island Board recorded 15,841 visitors during 2013-14 (15,428 in 2012-13). It uses Qantaslink passenger data to determine visitor numbers.

The Office of Environment and Heritage (OEH) is not in the table above. It obtains information on visits to national parks via its biennial domestic visitation survey, which estimates the number of NSW national park visits per year, recreation preferences, demographics and satisfaction levels. OEH is currently completing the 2014 domestic visitation survey. Survey results will be available in June 2015.

Environment Protection Authority (EPA)

Environment Protection Authority (EPA) Audits on High Environmental Risk Premises

The EPA completed an audit focussing on licensees' compliance with the requirement to prepare a pollution incident response management plan. A report detailing the findings of the audit was completed in September 2013. It is now available on the EPA website. The EPA has reviewed the Annual Returns that holders of Environment Protection Licences must submit. In addition to licensees reporting the level of compliance with licence requirements, they also need to report if a pollution incident response management plan has been developed and tested. This is a requirement of the *Protection of the Environment Operations Act 1997*.

The EPA has changed the Public Register to include information regarding testing and updating of licensee's pollution incident response management plans.

Contaminated Sites

The 2014 Performance Audit on *Managing Contaminated Sites* made a number of recommendations. The EPA accepted all relevant recommendations and is implementing them.

Causes of Contamination

Over the past three years, the largest sector responsible for contamination is the petroleum industry. It had 66.3 per cent of all identified sites by 2014, including 819 service stations and 202 other petroleum sites.

The table below details the number of and increase in contaminated sites at 30 June.

Causes of contaminated sites at 30 June	Change during the year	Number of contaminated sites		
		2014	2013	2012
Cattle dip	1	7	6	5
Landfill	--	61	61	58
Service station	3	819	816	805
Other petroleum	2	202	200	186
Chemical industry	3	48	45	44
Metal industry	--	55	55	51
Gasworks	--	57	57	57
Other industry	2	193	191	165
Unclassified	6	97	91	89
Total	17	1,539	1,522	1,460

Source: OEH website (unaudited).

Since 2008, the EPA has received 1,087 notifications (at 6 August 2014) from owners or occupiers who believe their sites are contaminated. Notification is required by the *Contaminated Land Management Act 1997*. When a site is notified to the EPA, it may be accompanied by a detailed site report, if the owner has been proactive in addressing the contamination and its source. However, often there is minimal information on the nature or extent of the contamination.

The EPA assigns each notified contaminated site a management class from A to H representing the stage of EPA's assessment. Class A means contamination of the site is being assessed and it is not yet possible to determine whether regulation is warranted. Class H means the initial assessment of the notified site is complete and regulation by the EPA is warranted.

Volume Nine of the 2013 Auditor-General's Report to Parliament included a recommendation that the EPA improve the timeliness of its assessment process over contaminated petroleum sites notified to it. The 2014 Performance Audit on *Managing Contaminated Sites* made a number of recommendations. This included the need to implement a streamlined process for prioritising and assessing sites notified under the *Contaminated Lands Management Act 1997*.

Fines and Penalties

The EPA investigates offences under environment protection legislation. The OEH's Legal Services Branch prosecutes matters on behalf of the EPA.

The Legal Services Branch commenced 90 (61) prosecutions on behalf of the EPA during 2013-14. A prosecution may not be completed in the year it is commenced. A court imposes any resulting penalty.

The table below details the number of prosecutions completed and the value of fines and penalties received.

Year ended 30 June	2014		2013		2012	
	Prosecutions	Fines/ penalties \$	Prosecutions	Fines/ penalties \$	Prosecutions	Fines/ penalties \$
Prosecutions completed under EPA legislation	59	534,970	72	388,380	56	1,263,000

Source: OEH Legal Services Branch (unaudited).

The court can impose a fine and penalty on a person to pay the penalty to a third party for environmental restoration projects. The court may require convicted parties to publicise details of offences in local newspapers.

The 59 prosecutions completed under the EPA legislation in 2013-14 resulted in:

- 54 convictions
- two matters where an offence was proven, but a conviction was not recorded
- three acquittals.

Fines and Penalties under EPA Legislation for year ended 30 June	2014	2013	2012
Total fines and penalties (\$)	534,970	388,380	1,263,000
From total - fines < \$50,000 (\$)	289,970	308,380	225,500
- number of charges*	56	71	47
- average fine (\$)	5,178	4,343	4,798
From total - fines (≥\$50,000) (\$)	245,000	80,000	1,037,500
- number of fines/penalties	3	1	9
- average fine (\$)	81,667	80,000	115,278
Enforceable undertakings (\$)	280,000	150,000	N/A
- number of enforceable undertakings	3	2	N/A
- average value of enforceable undertakings (\$)	93,333	75,000	N/A

N/A Not available.

* Includes acquittals or where an offence was proven but no conviction was recorded.

Source: OEH Legal Services Branch (unaudited).

On average, most fines imposed by the courts under EPA legislation were around \$9,000 in 2013-14 (\$4,500). The number of larger fines continues to be significantly lower than in 2012-13.

The largest individual penalty issued under EPA legislation was \$130,000. In addition to the prosecutions brought by the EPA, the EPA also agreed to three enforceable undertakings in 2013-14. Enforceable undertakings allow for the remediation of environmental impacts and are enforceable through the NSW Land and Environment Court. The three enforceable undertakings resulted in a total of \$280,000 being paid to environmental projects.

EPA Regulatory Action

Regulatory tool	2014	2013	Comment
Pollution reduction programs	254	388	Negotiated improvements through licence variation notices.
Statutory notices issued	1627	1411	Includes, but not limited to: <ul style="list-style-type: none"> environment protection legislation threatened species conservation (under national parks and wildlife legislation).
Inspections of scheduled and non-scheduled premises	1418	1891	Most relate to regulated facilities.
Motor vehicle related penalty notices	988	1074	Includes smoky vehicles, littering from vehicles, noisy vehicles.
Non-motor vehicle related penalty notices	227	362	Includes pollution control (air, water, noise, waste), pesticides and threatened species.
New licences and permits issued by the EPA	141	111	Includes environmental protection, dangerous goods, radiation control, chemicals, native vegetation (private native forestry) and national parks and wildlife

Source: EPA (unaudited).

There was a moderate increase in statutory notices and new licences and permits issued by the EPA in 2013-14. However, the use of some other regulatory tools decreased.

The EPA uses the regulatory tools above to monitor its effectiveness and determine actions. The level of environmental harm is a consideration for all regulatory approaches, actions and decisions it takes.

Office of Environment and Heritage (OEH)

NSW Climate Change Fund

The Climate Change Fund (the Fund) was established on 1 July 2007 under the *Energy and Utilities Administration Act 1987* (the Act) to help households, businesses, government agencies and communities save water, energy and reduce greenhouse gas emissions. It raises contributions from electricity distributors and, until 2011-12, from water utilities.

Year ended 30 June	2014 *	2013	2012	2011	2010
Cumulative energy savings (MWh/per annum)	897,000	873,000 **	917,000	924,000	724,000
Cumulative water savings (ML/per annum)	14,200	19,800	19,700	19,800	18,700

* Figures shown for the year ended 30 June 2014 are best estimates. Termination of grant projects has reduced the total estimated water savings for the year ended 30 June 2014.

** Improvements in saving estimates methodologies, and quality assurance on deemed savings conducted across the Fund, reduced total estimated savings for the year ended 30 June 2013.

Source: OEH (unaudited).

The OEH advises the cumulative energy and water savings achieved in the years up to 2013-14 will continue in 2014-15 as the benefits of the Fund's investments last for several years beyond the year of the investment.

The Fund's revenue and expenditure over the last four years is summarised below.

Year ended 30 June	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Revenue				
Sydney Water Corporation (a)	--	--	17,050	23,310
Ausgrid (formerly EnergyAustralia)	149,802	118,000	71,012	70,997
Endeavour Energy (formerly Integral Energy)	94,432	74,250	44,684	44,679
Essential Energy (formerly Country Energy)	64,366	57,750	34,754	34,774
Interest	4,638	3,184	6,564	6,285
Other	2,814	3,424	2,399	3,382
Total revenue	316,052	256,608	176,463	183,427
Expenditure				
Solar Bonus Scheme (b)	205,094	197,935	211,841	138,253
Solar Flagships	49,988	--	--	--
Other	38,683	103,414	117,378	145,187
Total expenditure	293,765	301,349	329,219	283,440
Net cost of services	22,287	(44,741)	(152,756)	(100,013)
Crown advance for Solar Bonus Scheme (c)	--	116,202	126,960	27,410

a Sydney Water Corporation was not required to contribute to the Fund from 2011-12.

b amount shown for the year ended 30 June 2011 included expenditure incurred from 1 January 2010 to 30 June 2011 on Solar Bonus Scheme.

c advances are provided to support cash payments as required.

Source: OEH (unaudited).

In 2013-14, the three electricity Distribution Network Service Providers (electricity distributors) contributed 97.6 per cent (97.4 per cent) of Fund revenue. The Minister for the Environment allocates program expenditure in accordance with the Act.

NSW Treasury advanced no funds for the Solar Bonus Scheme (the Scheme) during 2013-14 (\$116 million). The Fund repaid \$35.3 million of the Crown Advance in 2013-14 with full repayment expected by 2016-17.

Solar Bonus Scheme

The reduction in retailer contribution rates is increasing the overall cost burden of the Fund.

In 2012-13, the NSW Government required all electricity retailers to contribute to the tariff paid to Scheme participants. In 2012-13, the Independent Pricing and Regulatory Tribunal (IPART) set the retailer contribution at 7.7 cents for each eligible kilowatt hour generated under the Scheme. IPART reduced it to 6.6 cents in 2013-14 and to 5.1 cents in 2014-15. The OEH expected the retailer contribution to reduce expenditure from the Fund by nearly \$33.0 million in 2012-13. OEH now expects the retailer contribution in 2014-15 to reduce expenditure from the Fund by only \$22.0 million.

The latest projection for total tariffs to be paid under the Scheme is \$1.2 billion (\$1.3 billion was projected in 2012-13). The Fund was originally capped at \$700 million. It reimbursed \$205 million in 2013-14 (\$198 million) to electricity distributors for tariff payments to electricity retailers. OEH advised that the electricity distributors made the \$1.2 billion projection.

The following table shows the amount expended on the Scheme to 30 June 2014 compared to the original estimates.

Year ended 30 June	Actual expenditure \$m	Original estimates \$m
2011	138	42
2012	212	246
2013	198	248
2014	205	240
Total	753	776

Source: Actual expenditure from OEH (unaudited) and original estimates from the New South Wales Auditor-General's Report on Solar Bonus Scheme (unaudited).

The Scheme 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.

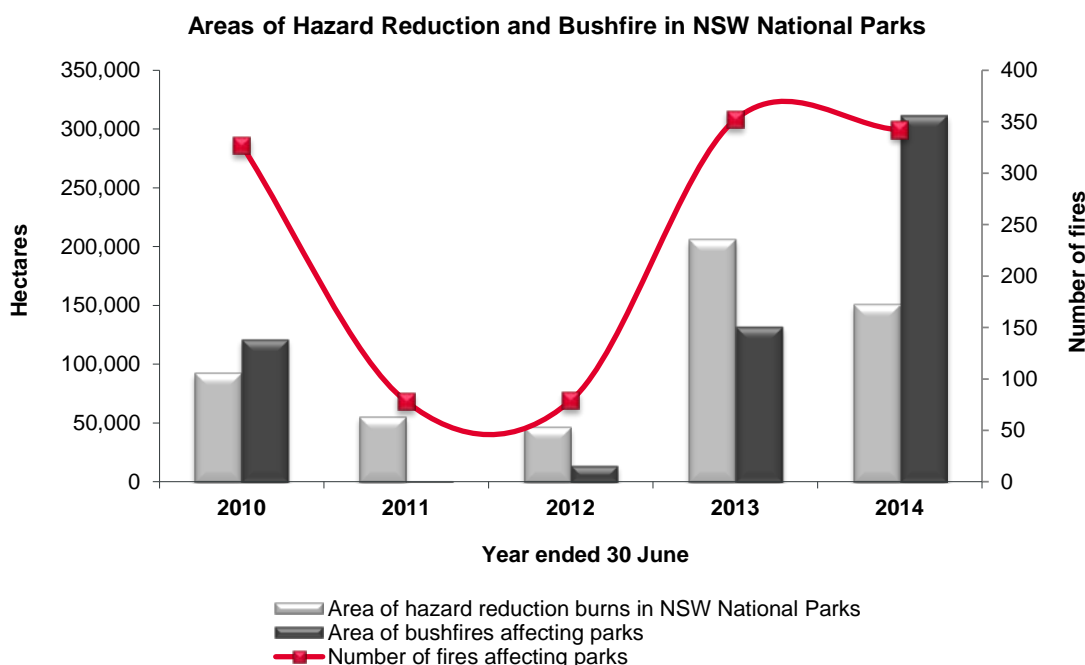
Bushfire Hazard Reduction in Parks and Reserves

Agencies involved in managing bushfire risks include the NSW Rural Fire Service, the Department of Planning and Environment (Department), the OEH and local councils.

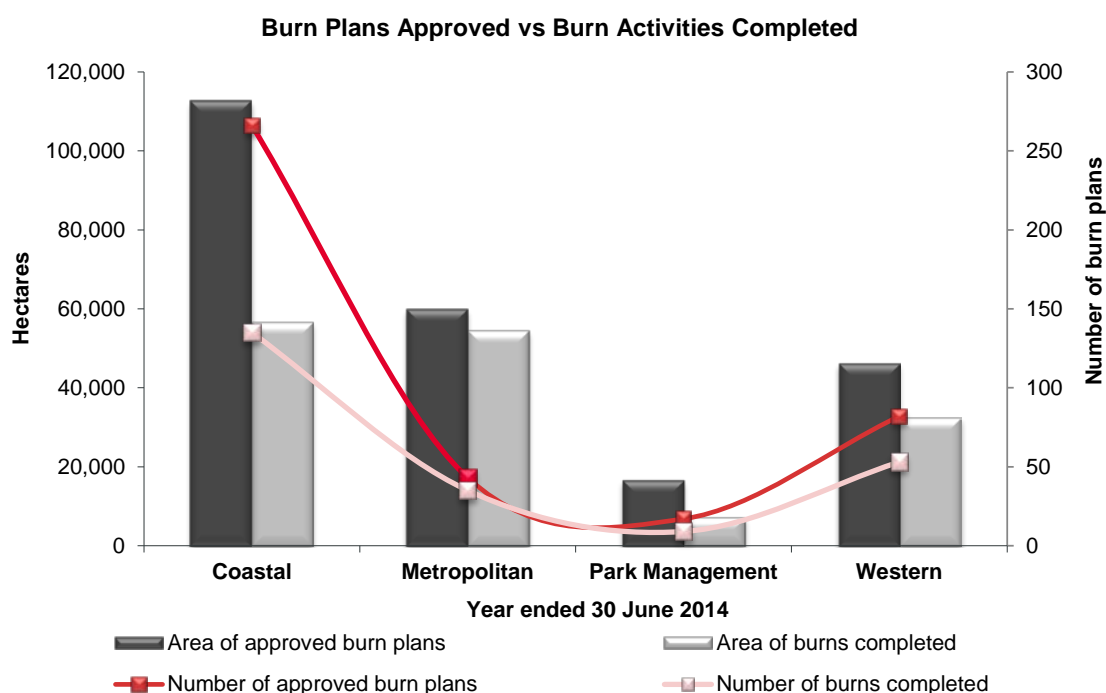
The Department is involved in assessing developments in bushfire prone land and bushfire prone land mapping in urban release areas. It uses Planning Circulars to inform councils, developers, consultants, and the community on a range of topics, including the management of bushfire risks.

Bushfire Reduction

The National Parks and Wildlife Service within OEH completed 232 (337) prescribed hazard reduction burns in 2013-14. It advises this is the second highest ever reduction effort, and exceeds the current ten-year average for hazard reduction treatments.



Hazard reduction burning was less in 2011 and 2012 due to the higher than average rainfall. The State experienced flooding in both years. The wetter weather conditions may have also contributed to fewer fires in National Parks in those same years.



Note: Coastal Branch includes Central Coast Hunter, Lower North Coast, North Coast, Northern Rivers, South Coast and Far South Coast regions.

Note: Metro and Mountains Branch includes Blue Mountains, Metro North East, Metro South West and Southern Ranges regions.

Note: Western Branch includes Far West, Northern Plains, Northern Tablelands and Western Rivers regions.

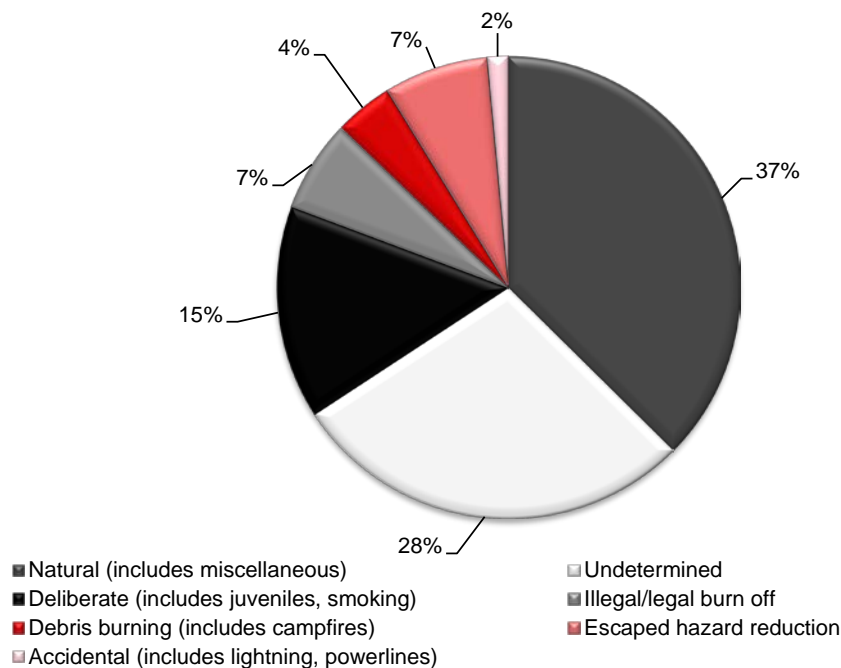
Source: National Parks and Wildlife Service (unaudited).

OEH burned fewer hectares during 2013-14 than its hazard reduction burn plans allowed. It completed 151,044 hectares of hazard reduction burning in 2013-14 (198,516 hectares in 2012-13).

The spring-summer conditions led to an early and significant bushfire season across NSW. OEH advise that this caused a curtailing of hazard reduction activities in September 2013. Drier and warmer conditions emerging during April and June allowed for increased hazard reduction burning activities later in the season.

OEH has a ten year fire management strategy, *Living with Fire in NSW National Parks: A Strategy for Managing Bushfires in National Parks and Reserves 2012-21* that provides a clear statement and framework for the National Parks and Wildlife Service fire management approach, and outlines priorities in managing bushfires in national parks and reserves for the next ten years. The strategy is supported by a five-year Enhanced Bushfire Management Program with funding of \$62.5 million for 2011-16. This is in addition to the recurrent budget for fire management on parks and reserves.

Causes of Bushfires in National Parks in 2013-14



Source: OEH (unaudited).

Natural events (including miscellaneous) contributed to 37.4 per cent (45.6 per cent) of the total number of bushfires in managed national parks and reserves. The main natural cause of fires was lightning strikes. The number and proportion of natural fires is highly variable from year to year.

Air Quality

Air quality did not meet the particle quality standard on 42 days in 2013-14, which is 75 per cent higher than the previous year.

OEH advises fine particle pollution is generally within set standards in Sydney except when bushfires or dust storms occur. In regional New South Wales, fine particle standards can exceed the standard for a number of reasons. Bushfires, stubble burning, dust storms, coal mine dust and wood heaters are the major causes.

Year ended 30 June	2014	2013	2012
Measures			
Number of particle exceedences for the Sydney Metropolitan and rural NSW regions	42	24	16
Number of ozone exceedences for the Sydney Metropolitan region	8	4	3

Source: OEH (unaudited).

Daily particle and ozone levels may be too close to the standards, as advised by OEH, for them not to exceed it when large bushfires occur.

OEH advised particle standards were exceeded in the Sydney Metropolitan region on 22 days during the year and on 21 days in rural New South Wales (a total of 42 individual days for all of New South Wales as two days saw exceedences in both regions). They also advised particles were higher in 2013-14 due mainly to drier and hotter weather through the middle of 2013 and the impacts of bushfires in September, October and November.

Ozone levels exceeded national standards on eight occasions in the Sydney Metropolitan region in 2013-14 (currently one exceedence day per calendar year is allowed), which is 100 per cent higher than the previous year. OEH advised high ozone levels were recorded across Sydney and the Illawarra in October 2013 during the major bushfire emergency and in December 2013 during hot and calm summer conditions.

The OEH maintains one of the largest air quality monitoring networks in Australia. The network's information is fed continuously to the public via hourly updates to the Regional Air Quality Index on the OEH website.

National Australian Built Environment Rating System (OEH)

The Government Resource Efficiency Policy was announced in July 2014, building on the previous policy. The new policy mandates all NSW Government owned and occupied office space over 2,000m² to achieve and maintain a NABERS energy rating of at least 4.5 stars by June 2017. OEH advised this equates to some 130 office spaces covering over 730,000m² in gross area.

Previous years' Auditor-General's Reports to Parliament included recommendations that OEH report compliance by NSW Government agencies with the National Australian Built Environment Rating System (NABERS) targets on its website and in its annual report.

OEH advises it will collate and maintain a record of NABERS ratings of government-owned and tenanted buildings and data centres, which will be published on the OEH website. Agencies will be required to renew ratings upon expiration every 12 months to ensure the required level of efficiency is maintained.

Fines and Penalties

OEH can prosecute for offences under threatened species, parks, wildlife, native vegetation and Aboriginal heritage legislation.

OEH commenced 29 prosecutions in 2013-14 and completed 26 prosecutions.

Fines and Penalties by OEH

Year ended 30 June	2014		2013		2012	
	Prosecutions	Fines/ penalties \$	Prosecutions	Fines/ penalties \$	Prosecutions	Fines/ penalties \$
Total prosecutions completed under parks, wildlife, threatened species and Aboriginal heritage legislation	24	206,400	22	16,000	70	392,931
Total prosecutions completed under native vegetation legislation	2	179,500	2	120,040	5	604,500
Total OEH prosecutions completed	26	385,900	24	136,040	75	997,431

Source: OEH Legal Services Division (unaudited).

The 26 completed prosecutions under OEH legislation resulted in 25 convictions with one matter dismissed.

Fines and penalties under OEH legislation	Under parks, wildlife, threatened species, Aboriginal heritage legislation		Under native vegetation legislation	
	2014	2013	2014	2013
Year ended 30 June	2014	2013	2014	2013
Total fines and penalties (\$)	206,400	16,000	179,500	120,040
From total - fines (< \$50,000) (\$)	126,400	16,000	--	--
- number of fines*	23	22	--	--
- average (\$)	5,496	727	--	--
From total - fines (≥\$50,000) (\$)	80,000	--	179,500	120,040
- number of fines	1	--	2	2
- average (\$)	80,000	--	89,750	60,020

* Includes acquittals or where an offence was proven, but no conviction was recorded.

Source: OEH Legal Services Branch (unaudited).

The largest penalty the courts imposed in 2013-14 under OEH legislation was \$112,000.

Section Two

Appendices



Appendix One - Summary Financial Information

	Total assets		Total liabilities		Total revenue**		Total expense***		Surplus/(deficit)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departments										
Department of Planning and Environment (cluster lead)	153,233	80,790	154,429	68,703	284,928	277,538	298,790	276,039	(13,862)	1,499
Office of Environment and Heritage*	4,256,002	N/A	431,037	N/A	348,501	N/A	463,638	N/A	(115,137)	N/A
Office of Local Government *	16,591	N/A	10,032	N/A	14,643	N/A	13,163	N/A	1,480	N/A
Mt Grenfell Historic Site Board of Management	432	310	12	--	147	76	37	60	110	16
Mutawintji Board of Management	3,194	3,477	15	7	518	533	809	410	(291)	123
Gaagal Wanggaan (South Beach) National Park Board of Management	503	233	15	--	301	296	46	683	255	(387)
Biamanga Board of Management	733	684	19	--	371	335	341	895	30	(560)
Gulaga National Park Board of Management	196	263	15	10	278	276	350	942	(72)	(666)
State owned corporation										
Landcom (trading as UrbanGrowth)	848,035	849,235	422,528	470,540	647,778	548,254	531,048	465,226	116,730	83,028
Other bodies										
Australian Technology Park Sydney Limited	143,870	164,810	51,061	57,932	26,097	29,290	33,653	20,683	(7,556)	8,607
Building Professionals Board	3,231	2,452	981	1,105	4,409	3,732	3,506	3,967	903	(235)
Centennial Park and Moore Park Trust	938,102	870,472	8,904	7,563	34,371	28,680	25,399	26,097	8,972	2,583
Central Coast Regional Development Corporation	31,432	30,667	606	732	1,211	1,115	3,907	4,048	(2,695)	(2,933)
Corporation Sole, "Minister Administering the <i>Environmental Planning and Assessment Act 1979</i> "	1,650,959	1,669,556	427,845	440,362	65,241	77,437	65,566	80,323	(325)	(2,886)
Corporation Sole "Minister Administering the <i>Heritage Act 1977</i> "	9,769	9,660	139	85	822	817	803	884	19	(67)
Environment Protection Authority	16,798	14,892	11,007	12,592	134,401	131,876	130,982	131,147	3,419	729
Environment Protection Authority Staff Agency	8,073	7,109	8,073	7,109	54,407	50,043	54,407	50,043	--	--
Environmental Trust	21,219	20,255	2,965	1,359	56,037	39,347	56,679	39,934	(642)	(587)
Historic Houses Trust of New South Wales	244,543	331,191	4,085	4,556	32,772	30,104	26,752	30,414	6,020	(310)
Hunter Development Corporation	44,970	58,205	1,802	1,681	24,061	13,977	31,192	12,108	(7,131)	1,869
Jenolan Caves Reserve Trust	17,870	17,560	1,756	2,914	10,904	11,239	9,947	10,351	957	888
Lord Howe Island Board	55,655	55,780	2,069	1,674	11,834	8,620	12,353	11,293	(520)	(2,673)
Luna Park Reserve Trust	41,456	39,368	302	110	1,659	1,685	1,515	1,766	144	(81)
Parramatta Park Trust	45,008	37,529	1,331	973	4,040	5,247	4,003	3,074	37	2,173
Royal Botanic Gardens and Domain Trust	390,428	382,508	5,077	5,290	50,890	58,070	48,933	45,810	1,957	12,260
Sydney Harbour Foreshore Authority	1,353,156	1,367,149	72,932	84,838	222,949	322,819	186,760	204,826	36,189	117,993
UrbanGrowth NSW Development Corporation	276,120	285,555	28,922	36,581	35,467	44,669	23,473	24,375	11,994	20,294
UrbanGrowth NSW Development Corporation Staff Agency	--	280	--	280	--	1,682	--	1,682	--	--
Western Sydney Parklands Trust	631,939	559,644	7,004	6,149	27,336	24,697	8,152	9,298	19,184	15,399
Zoological Parks Board of New South Wales	485,498	432,230	37,459	37,238	89,896	86,453	92,689	83,395	(2,793)	3,058

* established during the year ended 30 June 2014. ** includes gain on disposal. *** includes loss on disposal. N/A not applicable.

Source: Financial statements (audited).
















































Appendix Two - Performance Against Budget

	Landcom (trading as UrbanGrowth)			Sydney Harbour Foreshore Authority		Zoological Parks Board of New South Wales	
	2014 actual	2014 budget (SCI)		2014 actual	2014 budget (SBI)	2014 actual	2014 budget (SBI)
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Abridged statement of comprehensive income - year ended 30 June							
Total revenue	647,778	620,100		222,949	179,655	89,896	86,171
Operating expenses	474,287	N/A		186,475	199,707	91,609	91,041
Finance costs	6,730	N/A		285	402	1,080	1,140
Profit/(loss) before tax	166,761	106,900		36,189	(20,455)	(2,793)	(6,010)
Income tax expense	50,031	32,100		--	--	--	--
Profit/(loss) after tax	116,730	74,800		36,189	(20,455)	(2,793)	(6,010)
Total other comprehensive income/(expense)*	(2,564)	N/A		(31,045)	--	55,841	--
Total comprehensive income/(expense)	114,166	N/A		5,144	(20,455)	53,048	(6,010)
Abridged statement of financial position - at 30 June							
Current assets	418,272	N/A		124,628	N/A	58,438	N/A
Non-current assets: Property, Plant and Equipment	7,465	N/A		629,516	N/A	426,900	N/A
Non-current assets: Other	422,298	N/A		599,012	N/A	161	N/A
Total assets	848,035	N/A		1,353,156	N/A	485,499	N/A
Current liabilities	330,237	N/A		51,466	N/A	25,810	N/A
Non-current liabilities	92,291	N/A		21,466	N/A	11,648	N/A
Total liabilities	422,528	N/A		72,932	N/A	37,458	N/A
Net assets	425,507	N/A		1,280,224	N/A	448,041	N/A
Extract from statement of cash flows - year ended 30 June							
Purchases of property, plant and equipment	999	N/A		10,730	N/A	14,020	N/A

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

N/A Data not published.

Source: Financial statements (audited) and Statement of Corporate Intent (SCI) and Statement of Business Intent (SBI) presented to Parliament.

	Department of Planning and Environment		Office of Local Government		Hunter Development Corporation		Centennial Park and Moore Park Trust	
	2014 actual	2014 budget	2014 actual	2014 budget**	2014 actual	2014 budget	2014 actual	2014 budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Abridged statement of comprehensive income - year ended 30 June								
Employee expenses	 107,697	111,852	4,483	N/A	 2,489	2,938	 6,148	6,437
All other expenses and losses	 191,093	216,993	8,680	N/A	 28,703	76,543	 19,251	19,045
Total expenses	 298,790	328,845	13,163	N/A	 31,192	79,481	 25,399	25,482
Government and other contributions	 144,420	238,797	10,447	N/A	 10,859	18,660	 12,377	12,208
Other revenue	 140,508	82,288	4,196	N/A	 13,202	53,608	 21,994	22,098
Total revenue	 284,928	321,085	14,643	N/A	 24,061	72,268	 34,371	34,306
Surplus/(deficit)	 (13,862)	(7,760)	1,480	N/A	 (7,131)	(7,213)	 8,972	8,824
Total other comprehensive income/(expense)*	579	--	--	N/A	--	--	57,317	--
Total comprehensive income/(expense)	 (13,283)	(7,760)	1,480	N/A	 (7,131)	(7,213)	 66,289	8,824
Abridged statement of financial position - at 30 June								
Current assets	 129,345	70,308	16,182	N/A	 8,941	222	 15,999	13,365
Non-current assets	 23,888	16,117	409	N/A	 36,029	56,132	 922,103	865,950
Total assets	 153,233	86,425	16,591	N/A	 44,970	56,354	 938,102	879,315
Current liabilities	 124,625	37,950	9,641	N/A	 1,736	7,113	 6,351	4,586
Non-current liabilities	 29,804	11,252	391	N/A	 66	31	 2,553	2,795
Total liabilities	 154,429	49,202	10,032	N/A	 1,802	7,144	 8,904	7,381
Net assets/(liabilities)	 (1,196)	37,223	6,559	N/A	 43,168	49,210	 929,198	871,934
Extract from statement of cash flows - year ended 30 June								
Purchases of property, plant and equipment	 391	3,812	171	N/A	--	--	 9,411	11,447




N/A Not applicable.

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

** Office of Local Government was established on 24 February 2014. Assets and liabilities were transferred in from the Department of Premier and Cabinet.

Source: Financial statements (audited).

Actual v Budget Indicator

-  Variance below 2 per cent of budget
-  Variance between 2 and 5 per cent of budget
-  Variance greater than 5 per cent of budget

	Luna Park Reserve Trust		Royal Botanic Gardens and Domain Trust		Urban Growth Development Corporation		Corporation Sole "Minister Administering the Environmental Planning and Assessment Act 1979"	
	2014 actual \$'000	2014 budget \$'000	2014 actual \$'000	2014 budget \$'000	2014 actual \$'000	2014 budget \$'000	2014 actual \$'000	2014 budget \$'000
Abridged statement of comprehensive income - year ended 30 June								
Employee expenses	--	--	25,537	27,057	2,973	7,801	2,875	3,392
All other expenses and losses	1,515	1,975	23,396	22,023	20,500	24,660	62,691	60,881
Total expenses	1,515	1,975	48,933	49,080	23,473	32,461	65,566	64,273
Government and other contributions	--	--	35,007	36,734	7,947	12,875	26,814	12,682
Other revenue	1,659	2,117	15,883	14,681	27,520	23,321	38,427	34,390
Total revenue	1,659	2,117	50,890	51,415	35,467	36,196	65,241	47,072
Surplus/(deficit)	144	142	1,957	2,335	11,994	3,735	(325)	(17,201)
Total other comprehensive income/(expense)*	1,752	--	6,176	--	(8,285)	--	(7,596)	--
Total comprehensive income/(expense)	1,896	142	8,133	2,335	3,709	3,735	(7,921)	(17,201)
Abridged statement of financial position - at 30 June								
Current assets	2,377	2,471	8,503	10,623	91,504	91,204	164,216	172,015
Non-current assets	39,079	37,311	381,925	377,515	184,616	202,313	1,486,743	1,411,606
Total assets	41,456	39,782	390,428	388,138	276,120	293,517	1,650,959	1,583,621
Current liabilities	302	164	4,992	8,407	27,089	14,209	52,949	88,515
Non-current liabilities	--	--	85	48	1,833	24,275	374,896	382,088
Total liabilities	302	164	5,077	8,455	28,922	38,484	427,845	470,603
Net assets	41,154	39,618	385,351	379,683	247,198	255,033	1,223,114	1,113,018
Extract from statement of cash flows - year ended 30 June								
Purchases of property, plant and equipment	--	--	9,942	10,947	6,625	2,223	14,678	25,000

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited).

Actual v Budget Indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

	Office of Environment and Heritage		Environment Protection Authority		Historic Houses Trust of New South Wales		Western Sydney Parklands Trust		Environmental Trust					
	2014 actual	2014 budget***		2014 actual	2014 budget		2014 actual	2014 budget		2014 actual	2014 budget			
	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000		\$'000	\$'000			
Abridged statement of comprehensive income - year ended 30 June														
Employee expenses	157,671	N/A	🟡	54,407	56,773	🟡	16,436	16,893	🟢	2,466	2,439	--	--	
All other expenses and losses	305,967	N/A	🔴	76,575	80,896	🔴	10,316	11,301	🟡	5,686	5,937	🔴	56,679	81,681
Total expenses	463,638	N/A	🟡	130,982	137,669	🔴	26,752	28,194	🟡	8,152	8,376	🔴	56,679	81,681
Government and other contributions	262,189	N/A	🔴	110,202	135,727	🔴	27,737	23,245	🟢	5,694	5,689	🔴	52,347	76,327
Other revenue	86,312	N/A	🔴	24,199	3,912	🔴	5,035	5,809	🔴	21,642	7,966	🔴	3,690	4,673
Total revenue	348,501	N/A	🟡	134,401	139,639	🔴	32,772	29,054	🔴	27,336	13,655	🔴	56,037	81,000
Surplus/(deficit)	(115,137)	N/A	🔴	3,419	1,970	🔴	6,020	860	🔴	19,184	5,279	🔴	(642)	(681)
Total other comprehensive income/(expense)*	118,125	N/A		71	--		15,861	--		49,216	--		--	--
Total comprehensive income/(expense)	2,988	N/A	🔴	3,490	1,970	🔴	21,881	860	🔴	68,400	5,279	🔴	(642)	(681)
Abridged statement of financial position - at 30 June														
Current assets	288,884	N/A	🔴	9,262	4,861	🔴	12,426	13,717	🔴	33,249	14,600	🟡	21,219	20,653
Non-current assets	3,967,118	N/A	🔴	7,536	8,471	🔴	232,117	318,170	🔴	598,690	550,210		--	--
Total assets	4,256,002	N/A	🔴	16,798	13,332	🔴	244,543	331,887	🔴	631,939	564,810	🟡	21,219	20,653
Current liabilities	185,518	N/A	🔴	10,906	9,989	🔴	3,328	3,060	🔴	3,877	3,009	🔴	2,965	2,532
Non-current liabilities	245,519	N/A	🔴	102	86	🔴	757	19	🔴	3,127	3,501		--	--
Total liabilities	431,037	N/A	🔴	11,008	10,075	🔴	4,085	3,079	🔴	7,004	6,510	🔴	2,965	2,532
Net assets	3,824,965	N/A	🔴	5,790	3,257	🔴	240,458	328,808	🔴	624,935	558,300	🟢	18,254	18,121
Extract from statement of cash flows - year ended 30 June														
Purchases of property, plant and equipment	24,218	N/A	🔴	238	50	🔴	3,766	1,000	🔴	9,821	14,240		--	--

N/A Not applicable.

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

*** Office of Environment and Heritage was established on 24 February 2014. Assets and liabilities were transferred in from Department of Premier and Cabinet.

Source: Financial statements (audited).

Actual v Budget Indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

Appendix Three - Financial Sustainability

Indicator	Formula	Description
Surplus/ (deficit) (\$)	Net result from statement of comprehensive income	A positive result indicates a surplus, while a negative result indicates deficit. Operating deficits cannot be sustained in the long term.
Liquidity (ratio)	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities exclude long-term employee provisions and revenue in advance.
State government funding (%)	State Government grants and contributions/ total revenue	Indicates the proportion of total revenue which is contributed by the State Government. A higher percentage means that the agency relies on the Government to fund its expenditure. This percentage is expected to be lower for self funding agencies.
Expense growth rate (%)	(Total expenditure 2014 - total expenditure 2013) / total expenditure 2013	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2013-14, compared to 2012-13. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to prior year.
Underlying result %	Adjusted net surplus / total underlying revenue	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term. Underlying revenue does not take into account one-off or non-recurring transactions. Net result and total underlying revenue is obtained from the comprehensive operating statement and is adjusted to take into account large one-off (non-recurring) transactions.
Debt-to-equity (%)	Debt / equity	This is a longer-term measure that compares all current and non-current interest bearing liabilities to equity. It complements the liquidity ratio, which is a short-term measure. A low ratio indicates less reliance on debt to finance the capital structure of an organisation.
Self-financing (%)	Net operating cash flows / underlying revenue	Measures the ability to replace assets using cash generated by the entity's operations. The higher the percentage the more effectively this can be done. Net operating cash flows are obtained from the cash flow statement.

Risk	Underlying result	Liquidity	Debt to equity	Self-financing
High	Negative 10% or less Insufficient revenue is being generated to fund operations and assets renewal.	Less than 0.7 Immediate sustainability issues with insufficient current assets to cover liabilities.	More than 60% Potential long-term concern over ability to repay debt levels from own source revenue.	Less than 10% Insufficient cash from operations to fund new assets and asset renewal.
Medium	Negative 10%–0% A risk of long-term run down of cash reserves and inability to fund asset renewals.	0.7–1.0 Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	40–60% Some concern over the ability to repay the debt from own source revenue.	10–20% May not be generating sufficient cash from operations to fund new assets.
Low	More than 0% Generating surpluses consistently.	More than 1.0 No immediate issues with repaying short-term liabilities as they fall due.	Less than 40% No concern over the ability to repay debt from own source revenue.	More than 20% Generating enough cash from operations to fund new assets.

Risk Rating	Overall assessment
High	High risk of Short-term and immediate sustainability concerns indicated by: red underlying result indicator or red liquidity indicator.
Medium	Medium risk of long-term sustainability concerns indicated by: red self-financing indicator
Low	Low risk of financial sustainability concerns. There are no high risk indicators.

Appendix Four - Cluster Information

Agency	Website
Departments	
Department of Planning and Environment	www.planning.nsw.gov.au
Office of Environment and Heritage	www.environment.nsw.gov.au
Office of Local Government	www.olg.nsw.gov.au
State owned corporation	
Landcom (trading as UrbanGrowth)	www.urbangrowthnsw.com.au
Other bodies	
Australian Technology Park Sydney Limited	www.atp.com.au
Building Professionals Board	www.bpb.nsw.gov.au
Centennial Park and Moore Park Trust	www.centennialparklands.com.au
Central Coast Regional Development Corporation	www.ccrdc.nsw.gov.au
Corporation Sole "Minister Administering the <i>Environmental Planning and Assessment Act 1979</i> "	www.planning.nsw.gov.au/office-of-strategic-lands
Corporation Sole "Minister Administering the <i>Heritage Act 1977</i> "	*
Environment Protection Authority	www.epa.nsw.gov.au
Environmental Trust	www.environmentaltrust.nsw.gov.au
Historic Houses Trust of New South Wales	www.sydneylivingmuseums.com.au
Hunter Development Corporation	www.hunterdevelopmentcorporation.com.au
Jenolan Caves Reserve Trust	www.jenolancaves.org.au
Lord Howe Island Board	www.lhib.nsw.gov.au
Luna Park Reserve Trust	www.service.nsw.gov.au/nswgovdirectory/luna-park-reserve-trust
Parramatta Park Trust	www.parrapark.com.au
Royal Botanic Gardens and Domain Trust	www.rbgsyd.nsw.gov.au
Sydney Harbour Foreshore Authority	www.shfa.nsw.gov.au
UrbanGrowth NSW Development Corporation	www.urbangrowthnsw.com.au
Western Sydney Parklands Trust	www.westernsydeyparklands.com.au
Zoological Parks Board of New South Wales	www.taronga.org.au

* This entity has no website.

Appendix Five – Agencies not previously commented on, by Minister

The following audits resulted in unmodified independent auditor's reports.

Agency name	Website	Period/year ended
Minister for Planning		
Environment Protection Authority Staff Agency	*	30 June 2014
UrbanGrowth NSW Development Corporation Staff agency	*	30 June 2014

* This entity has no website.

Our vision

Making a difference through audit excellence.

Our mission

To perform high quality independent audits of government in New South Wales.

Our values

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

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