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**New South Wales Auditor-General's Report**  
Financial Audit

**Volume Four 2015**  
Treasury and State Finances

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## 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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Parliament House  
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Pursuant to the *Public Finance and Audit Act 1983*,  
I present Volume Four of my 2015 report.

A handwritten signature in black ink, reading 'A. T. Whitfield'.

**A T Whitfield PSM**  
Acting Auditor-General  
15 October 2015

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# New South Wales State Finances



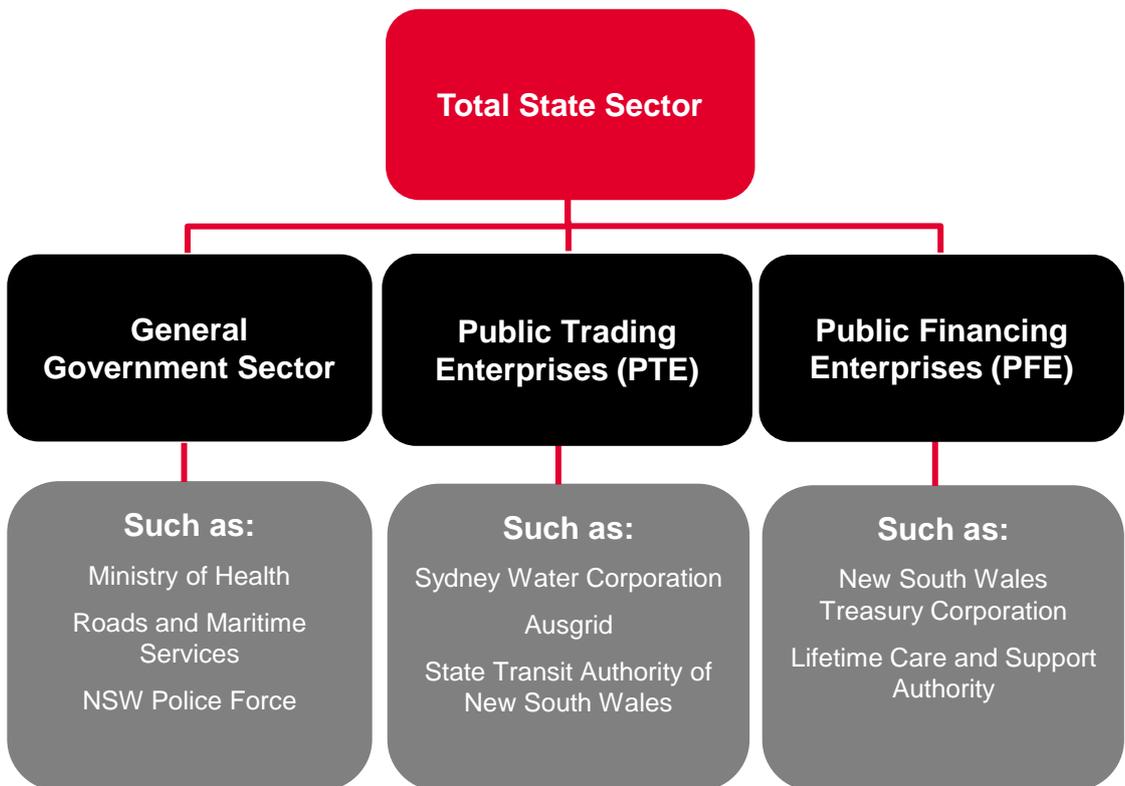
# Introduction

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The *Public Finance and Audit Act 1983* requires the Treasurer to prepare and submit consolidated financial statements for the NSW General Government and Total State Sectors to the Auditor-General. After the financial statements have been audited, the Treasurer presents them to Parliament and the Auditor-General reports the results of the audit to Parliament.

## Total State Sector

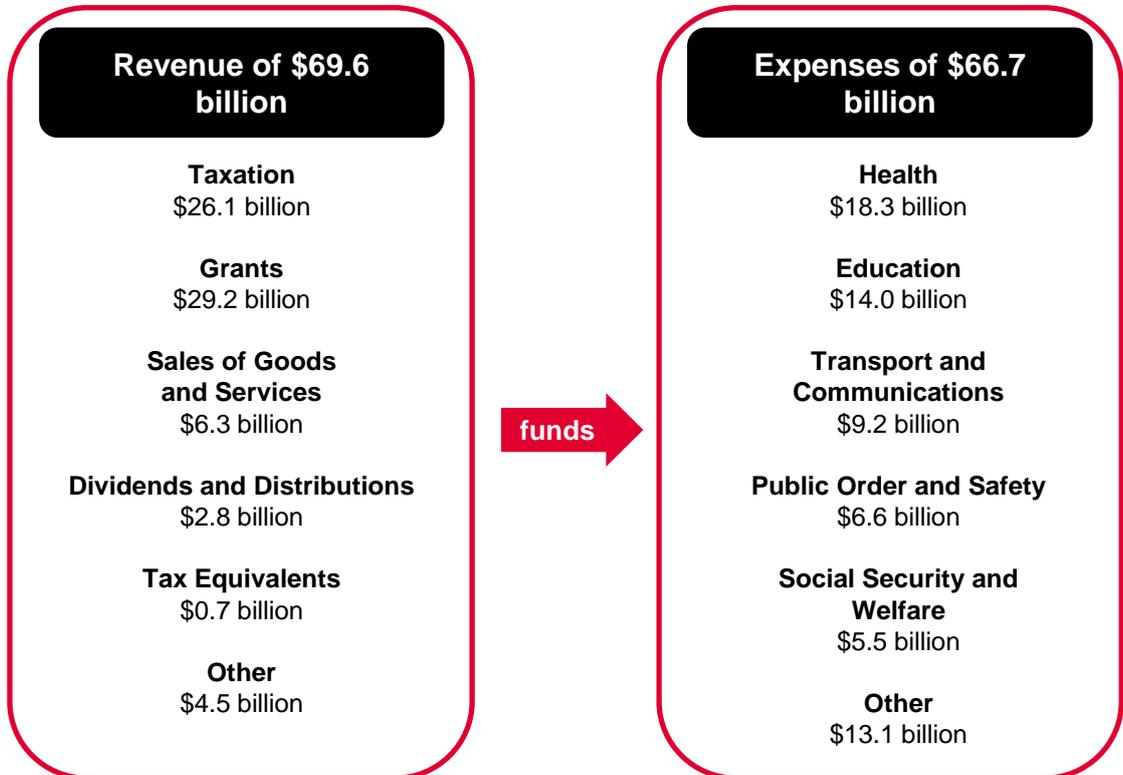
The Total State Sector structure is shown below:



The Total State Sector comprises all entities and activities under the control of the NSW Government. The General Government Sector comprises those entities that provide goods and services not directly paid for by consumers. They are largely financed from tax revenues and Commonwealth grants. The Non-General Government Sector comprises Public Enterprises that have a market orientation and provide goods and services such as transport, water and electricity, or participate in financial or other markets.

## General Government Sector

The Budget Result reports the difference between the cost of General Government service delivery and the revenues earned to fund those services. The Budget Result for 2014-15 is a surplus of \$2.9 billion (\$1.2 billion in 2013-14).



The General Government Sector has an 'investment' in the public trading and public financing sectors. This investment generates returns in the form of dividends. The General Government Sector also receives income tax equivalent payments and payments for use of the State's credit rating when borrowing money. Over 90 per cent of the distributions made by the other sectors come from the State's electricity and water businesses. In 2014-15, distributions from these entities totalled \$2.4 billion (\$2.3 billion in 2013-14).



## Public Trading Enterprises

The Public Trading Enterprise (PTE) sector supplies public infrastructure services through commercial and non-commercial operations. PTEs hold a significant proportion of State assets and liabilities. Over 90 per cent of PTE assets comprise property, plant and equipment, used to deliver services to the public. The PTEs' investment in these assets totalled \$134 billion at 30 June 2015 (\$127 billion at 30 June 2014).

## Public Financing Enterprises

The Public Finance Enterprise (PFE) sector performs central bank functions, incurs liabilities and acquires financial assets in the market. The sector includes NSW Treasury Corporation (TCorp) and Lifetime Care and Support Authority.

# Executive Summary

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## Audit Result

An unqualified audit opinion was issued on the General Government Sector and Total State Sector Accounts for the year ended 30 June 2015.

## Quality and Timeliness of Financial Reporting

The quality and timeliness of financial reporting has continued to improve across the NSW public sector. Timeframes have reduced and the number of errors exceeding \$50.0 million continues to fall, but opportunities for further improvement still exist.

## The State's Budget

### Budget Result

The Budget Result for the year ended 30 June 2015 was a \$2.9 billion surplus (\$1.2 billion for the year ended 30 June 2014), \$3.2 billion better than originally budgeted in June 2014. Revenues were 3.7 per cent above original budget and expenses were one per cent below original budget.

## Financial Analysis of the Total State Sector

### Significant Transactions

The State received proceeds of \$1.8 billion from the sale of Macquarie Generation, Delta Coast (Colongra) and Green State Power, which resulted in the State recording a loss of \$220 million from these transactions.

### Revenues and Expenses

Revenues and expenses totalled \$79.5 billion (\$76.1 billion in 2013-14) and \$74.9 billion (\$73.3 billion), respectively. The State's Net Operating Balance was a \$4.6 billion surplus (\$2.8 billion).

Taxation revenues increased by 7.6 per cent mainly due to stamp duties increasing by \$1.4 billion to \$9.2 billion, an 18.0 per cent increase from 2013-14. Treasury advises this was largely due to growth in residential property sales.

Commonwealth grants totalled \$28.1 billion, \$0.8 billion more than 2013-14. This was mainly due to higher general purpose payments from the Australian Government, mainly comprising New South Wales' share of Goods and Services Tax.

Employee costs of \$35.7 billion were 47.7 per cent of total expenditure, an increase of 1.8 per cent on the previous year's \$35.1 billion (48.0 per cent).

### Assets and Liabilities

Total assets were valued at \$360 billion at 30 June 2015 (\$340 billion at 30 June 2014). They mostly comprise property, plant and equipment needed to provide or support service delivery to the public. Capital expenditure was \$13.9 billion in 2014-15 (\$14.5 billion in 2013-14).

The State's total liabilities increased to \$179 billion (\$172 billion). This was mainly due to the net liability for defined benefit superannuation increasing by \$4.1 billion to \$55.2 billion at 30 June 2015, primarily due to a decrease in the bond rate. Borrowings decreased marginally by \$299 million to \$82.0 billion.

## Governance

### Credit Rating

The State has a AAA credit rating.

In December 2014, Moody's Investor Service affirmed its Aaa rating and stable outlook, noting New South Wales was well placed compared to most Australian states and territories. In October 2015, Standard & Poor's affirmed its AAA rating and stable outlook.

### Risk Management

The Audit Office surveyed key staff in 77 agencies to better understand their view of the risk management processes and risk management maturity in their agency.

Overall, most respondents believe their agency has designed an appropriate risk management strategy and governance structure to support its risk management journey. There is scope for some agencies to improve their risk management processes.

## Compliance Review: Financial Systems – Disaster Recovery Planning (DRP)

### Recommendation

**Treasury should review its DRP requirements**

Treasury has not reviewed or updated its DRP requirements contained within the NSW Treasurer's Directions for many years.

The review found:

- four agencies did not have a DRP
- three agencies' DRPs were not tested in accordance with the plan
- one agency had no DRP for one of its four financially significant systems.

## The Treasury and Finance Cluster

Unqualified audit opinions were issued on all agencies' financial statements.

# Audit Result

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## Auditor's Opinion

### **The 2015 Total State Sector Accounts' audit opinion is unqualified**

This year's unqualified audit opinion evidences the Government's commitment to improve the quality of financial reporting across the NSW public sector.

## Key Issues

Key issues noted during the 2014-15 audit, but not material enough to impact the audit opinion are summarised below.

### **Technical and Further Education Commission (TAFE) Revenue**

#### **Significant issues identified with TAFE's student and administration system**

Serious system limitations prevented TAFE from providing sufficient and appropriate evidence to support recorded student revenue of \$477 million, student receivables and accrued income of \$47.6 million and unearned revenue of \$398 million.

The Department of Education commenced the Learning Management and Business Reform (LMBR) program in 2006. An element of the LMBR program was the replacement of various legacy systems with an integrated system to manage student administration across all ten TAFE Institutes. In October 2014, the Department delivered the Student Administration and Learning Management solution to TAFE with the implementation of the Educational Business Software system.

Significant system implementation issues resulted in delays in enrolling students and difficulties in reconciling the enrolments with revenues recorded in the financial statements.

Further details will be included in Volume Eleven focusing on Industry, Skills and Regional Development.

### **Lifetime Care and Support Scheme (Scheme) Liabilities**

#### **Uncertainty exists in measuring Lifetime Care and Support Scheme liabilities**

At 30 June 2015, significant uncertainty existed in estimating the State's \$2.7 billion (\$2.4 billion at 30 June 2014) liability for Scheme participants' care and support services and the related expense of \$206 million (\$205 million). This liability and expense are included in the Total State Sector Accounts, but are not part of the General Government Sector. The uncertainty arises because of the long term nature of the claims contributing to the liability and limited participants' experience to date. The uncertainty will remain until sufficient participants' experience is available.

The Scheme provides treatment, rehabilitation and attendant care services to people severely injured in motor accidents in New South Wales, regardless of who was at fault in the accident. It is funded by a levy on compulsory third party insurance policies.

## Quality and Timeliness of Financial Reporting

### **Treasury continues to drive improvements in the quality and timeliness of financial reporting**

Timely and accurate financial reporting is essential for public sector entities to make quality decisions, effectively manage public funds and for accountability generally.

Progress in improving the quality and timeliness of financial reporting is discussed below.

## Quality and Timeliness of Agencies' Financial Statements

### Errors greater than \$50.0 million in agencies' financial statements have significantly reduced

Agencies' 2014-15 financial statements submitted for audit and used for whole-of-government financial reporting contained 11 errors each exceeding \$20.0 million. This compares with 30 in 2011-12. Errors exceeding \$50.0 million have fallen significantly from 15 in 2011-12 to only two in 2014-15.

	Number of errors			
	2014-15	2013-14	2012-13	2011-12
\$20 - \$50 million	9	2	7	15
\$50 - \$100 million	1	5	3	6
\$100 million - \$1 billion	1	3	5	7
Greater than \$1 billion	--	--	--	2
Total errors greater than \$20 million	<b>11</b>	<b>10</b>	<b>15</b>	<b>30</b>

The nature and extent of errors in agencies' financial statements provides an insight into the quality of the financial reports used to prepare the Total State Sector Accounts.

Errors in agencies' financial statements and the Total State Sector Accounts were corrected as necessary to ensure compliance with Australian Accounting Standards and the requirements of the *Public Finance and Audit Act 1983*.

In 2012, the NSW Commission of Audit, in its Interim Report on Public Sector Management, expressed surprise at the low importance attached to financial management across the NSW public sector. The Commission pointed to systemic weaknesses in financial management, including poor reporting due to poor systems and a lack of capability. The Public Accounts Committee has supported this view by highlighting the need for improved financial management across the NSW public sector.

### Audit opinions are being issued in a shorter period of time

Since the introduction of mandatory early close procedures in 2011-12, the Audit Office has been able to issue significantly more audit opinions within a shorter period of time. In 2014-15, it issued 229 audit opinions by 2 October, compared to only 67 by the same time in 2010-11.

## Early Close Procedures

### Early close procedures contribute to improved quality and timeliness of financial reporting

Agencies will not always be able to fully resolve significant and complex accounting issues during the early close process. If this is the case, it is important for agencies to document a clear path towards timely resolution and ensure appropriate stakeholders, including Treasury, are kept informed. The documentation should set out the issue, current status, key aspects needing resolution, and who is responsible for the expected deliverables.

While agencies were broadly successful in performing early close procedures for year-end reporting purposes in 2014-15, continuing improvement is desirable. More regular and frequent preparation of financial reports during the year will further improve the quality and timeliness of year-end financial reporting. It will also improve the financial management of the sector, particularly if adequate rigour is applied to the process.

Early close procedures are designed to bring forward traditional year-end activities, such as valuations of assets and resolution of financial reporting issues, and to reduce reporting timeframes and improve quality.

Most agencies reconciled key account balances, performed monthly accruals and prepared pro-forma financial statements. Most performed management reviews of monthly reconciliations and reports and included meaningful variance analyses and explanations in their monthly reports.

Similar to last year, opportunities for improvements in some agencies include:

- compiling adequate working papers to support revaluations of property, plant and equipment in time for audit review before year-end
- ensuring sufficient documentation supports management's proposed accounting treatments, and its judgements and assumptions
- resolving all significant accounting issues during the early close process, or documenting a clear path towards timely resolution
- documenting an action plan to resolve issues.

# Financial Analysis – Total State Sector

This section analyses key financial data in the Total State Sector Accounts to inform Parliament and the community of trends in the State's financial position and its performance.

## Restart NSW Fund

### The Government has \$7.8 billion in Restart NSW Fund for future infrastructure

In 2011, the Government established Restart NSW Fund (Fund) through the *Restart NSW Fund Act 2011* to fund major infrastructure projects designed to improve:

- public transport
- roads
- infrastructure required for the economic competitiveness of the State (including the freight, inter-modal facilities and access to water)
- local infrastructure in regional areas affected by mining operations
- hospital and other health facilities and services
- workplaces for law and justice officers, teachers, nurses and other staff providing services to the public.

The table below shows key inflows/outflows over the life of the Fund:

Receipts	Total \$m	Payments	Total \$m
Proceeds from bonds issued by the State	773	Infrastructure projects	789
Lease of NSW Ports	6,584	Repayment of debt of NSW Ports	767
Sale of Sydney Desalination Plant	312	Stamp duty for lease of NSW Ports	215
Windfall tax revenue from Crown Entity	1,319	Transaction cost for lease of NSW Ports	54
Stamp and mortgage duty from Crown Entity	224	Investment in shares in Sydney Motorway Corporation	500
Sale of Eraring Energy	48		
Sale of Macquarie Generation	620		
Sale of Green State Power	70		
Interest	210		
<b>Total Receipts since 2011</b>	<b>10,160</b>	<b>Total Payments since 2011</b>	<b>2,325</b>
<b>Balance of Fund at 30 June 2015</b>			<b>7,835</b>

### The State spent \$331 million from the Restart NSW Fund on infrastructure projects in 2014-15

During 2014-15, the Fund spent \$331 million on infrastructure projects compared with \$429 million in 2013-14. This was split between NSW Government Projects and Programs (\$282.6 million) and Local Government and Community Projects and Programs (\$48.3 million). In 2014-15, the Fund also contributed \$500 million towards the State's \$940 million investment in the Sydney Motorway Corporation.

In the same period, the Fund received \$451 million from issuing Waratah bonds, \$620 million from the sale of Macquarie Generation and \$1.2 billion in windfall tax revenues from the Crown Entity.

The 2015-16 Budget papers include details on how the Government intends to use the Fund.

## Discontinued Operations

### The State received \$1.8 billion from asset sales in 2014-15

The proceeds and related accounting gains and losses from the transactions finalised in 2014-15 were:

Transaction	Proceeds \$m	Gain/(Loss) \$m
Macquarie Generation	1,505	(220)
Delta Coast (Colongra)	233	(1)
Green State Power	72	1
Hunter Water Australia Pty Ltd	6	5
<b>Total</b>	<b>1,816</b>	<b>(215)</b>

Source: Total State Sector Accounts 2014-15.

### Macquarie Generation

On 2 September 2014, Macquarie Generation disposed of its electricity generation business through the sale of assets and liabilities relating to those activities for \$1.5 billion. The transaction included the sale of the Liddell and Bayswater Power Stations. The remaining assets and liabilities were transferred to other government agencies and Macquarie Generation was wound up on 27 February 2015.

### Delta Coast (Colongra)

On 30 January 2015, Delta Electricity sold the Colongra power station together with associated assets and liabilities for \$233 million. The purchaser, Snowy Hydro Ltd, is partially owned by the State.

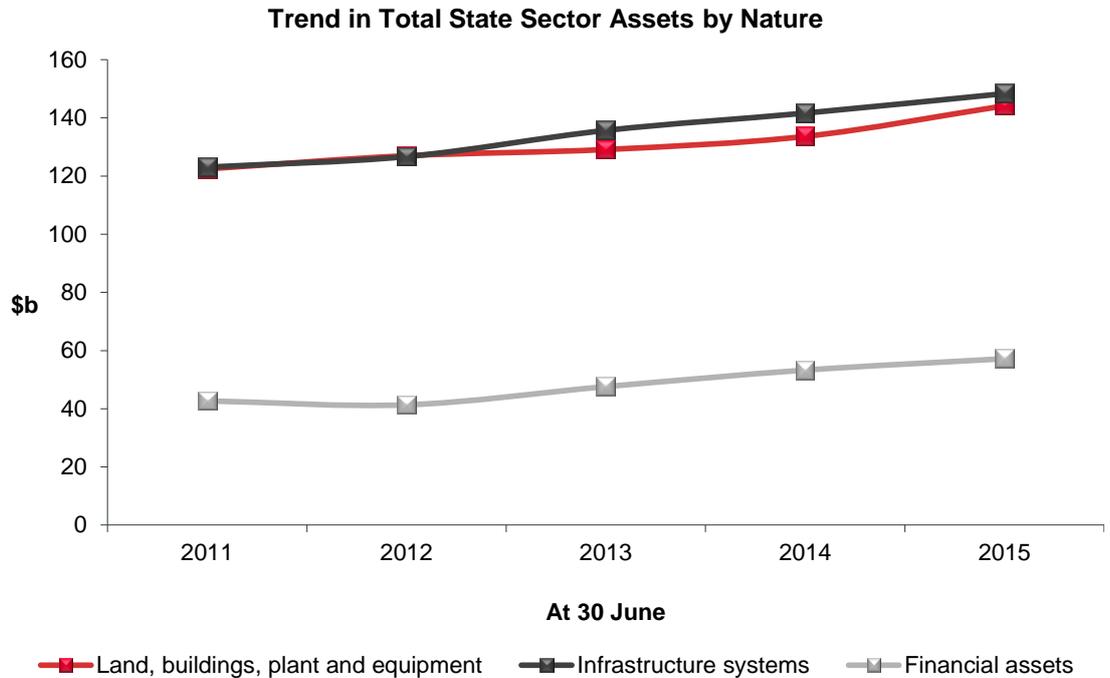
### Green State Power

On 18 July 2014, Green State Power disposed of its renewable energy business by selling the assets and liabilities relating to those activities for \$72.0 million. The assets sold included generators at Hume, Burrinjuck and Keepit Dams, Blayney Wind Farm and the State's share of the Crookwell Wind Farm. The remaining assets and liabilities were transferred to other government agencies and Green State Power was deregistered on 5 July 2015.

## Assets

### The State's assets are valued at \$360 billion

The total value of the State's assets increased from \$296 billion in 2011 to \$360 billion in 2015 (21.7 per cent over four years). This equates to an average annual growth rate of 5.1 per cent. Approximately three quarters of the growth has occurred in property, plant and equipment, and about 54 per cent of this occurred in infrastructure systems.



### Property, Plant and Equipment

Property, plant and equipment assets, primarily land and buildings and infrastructure systems, represent 81 per cent of the State's total assets. This is consistent with 2013-14.

Over the last five years, the State has spent \$70.2 billion on capital works, an average of \$14.0 billion per year. In 2014-15, additions to property, plant and equipment totalled \$13.9 billion, \$582 million less than 2013-14.

### Revaluations of Property, Plant and Equipment added \$12.1 billion to the value of the State's assets in 2014-15

Major asset revaluations in 2014-15 included:

- New South Wales Land and Housing Corporation, \$4.3 billion (mostly on residential properties)
- Roads and Maritime Services, \$2.9 billion (mostly on infrastructure systems)
- Rail Corporation New South Wales, \$1.1 billion (land and buildings)
- State Library of New South Wales, \$1.0 billion (collection assets).

## Other Assets

### Financial Assets

**Financial assets increased by \$3.9 billion to \$57.2 billion during 2014-15 due to new investments and stronger investment returns**

Most public sector entities invest in term deposits with financial institutions, and TCorp Hour-Glass managed fund investment products, which are designed to meet their investment needs. Investors include State government departments, statutory authorities, public trading enterprises, State owned corporations, local government councils and some not-for-profit organisations. TCorp uses its investment expertise to deliver economies of scale and robust financial risk management.

The State's Hour-Glass investments grew from \$13.0 billion at 30 June 2014 to \$13.6 billion as at 30 June 2015. Both share and bond markets performed strongly in 2014-15 resulting in strong returns for the Hour-Glass investments.

The Hour-Glass Cash Fund, Hour-Glass Strategic Cash Fund, Hour-Glass Medium Term Growth Fund and Hour-Glass Long Term Growth Fund all outperformed their respective benchmarks over the financial year (net of fees and expenses).

### Amalgamation of the State's funds management

**The value of funds under TCorp's management or administration increased to around \$71.0 billion**

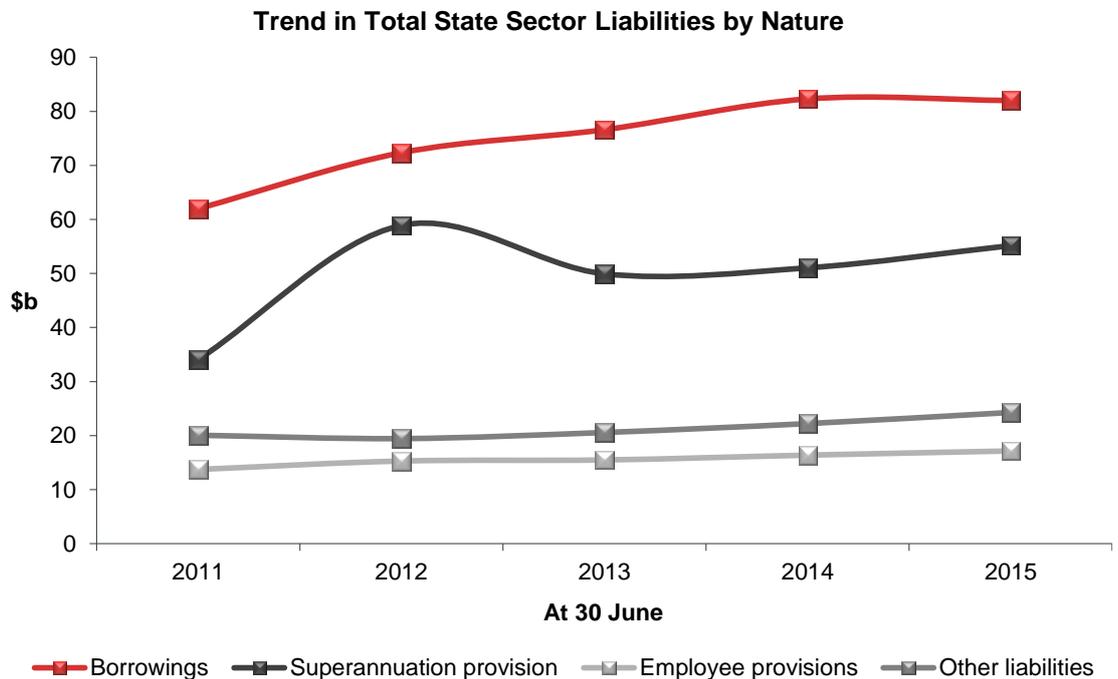
In June 2015, the NSW Treasurer announced the completion of the amalgamation of the State's funds management activities in TCorp. The amalgamation makes TCorp a top 10 Australian investment manager with around \$71.0 billion in funds under management. The amalgamation was the result of over 12 months of collaboration between TCorp, Safety, Return to Work and Support (SRWS) and SAS Trustee Corporation (State Super), the State's three largest managers of financial assets.

Responsibility for the investment objectives, risk management and asset allocation of the funds remains with each entity and its Board.

The amalgamation has resulted in TCorp providing some functions to SRWS and State Super. These functions include recommending investment managers, due diligence, funds administration and operations, and reporting. The amalgamation enables the pooling of investment management expertise and intellectual property, and harmonisation of NSW's funds management arrangements. The whole-of-portfolio view being provided by TCorp to the State is considered an essential element in improving the State's financial risk management.

## Liabilities

The State's liabilities grew by \$6.7 billion to \$179 billion



### Borrowings

**Borrowings are \$82.0 billion at 30 June 2015**

The State's borrowings of \$82.0 billion at 30 June 2015 remained almost constant when compared to the previous year.

Borrowings represent funds raised from the following sources:

- Domestic and overseas borrowings raised by TCorp.
- Borrowings by public sector agencies, including finance leases.

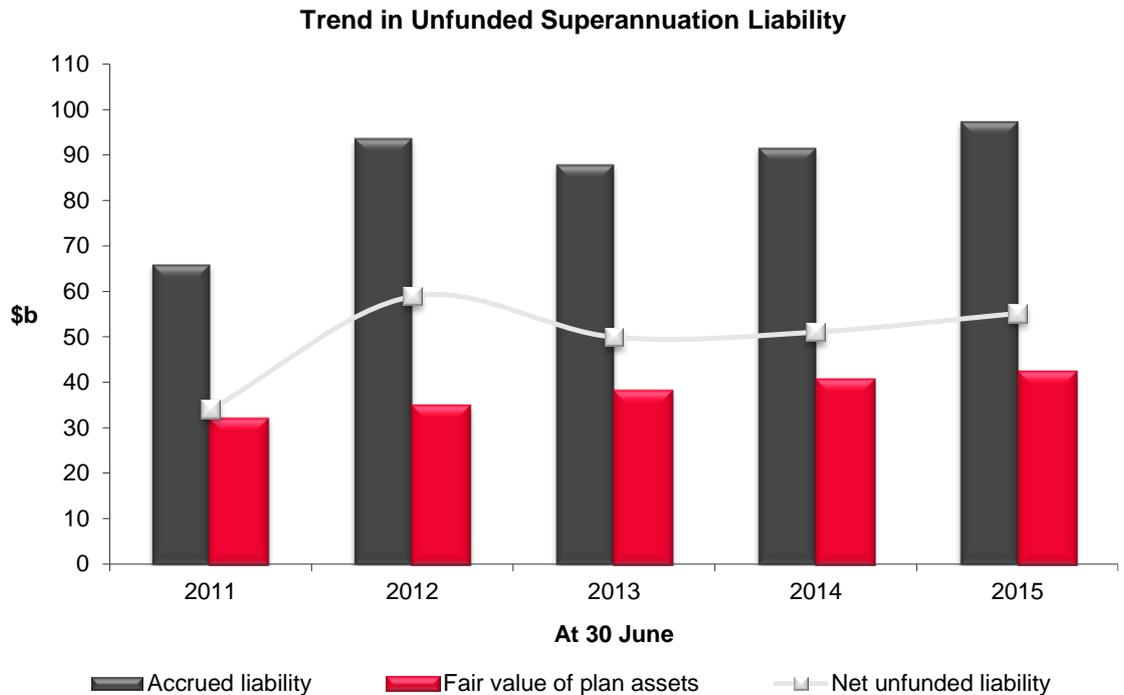
TCorp issues bonds through its Benchmark Bond Programme to raise funds on behalf of NSW Government agencies. The bonds are actively traded in financial markets providing price transparency and liquidity to public sector borrowers and institutional investors.

All TCorp bonds are guaranteed by the NSW Government. The Benchmark Bonds therefore carry the NSW Government's credit ratings of AAA from Standard & Poor's and Aaa from Moody's Investor Service. This allows TCorp to provide the lowest possible cost of funding to NSW public sector entities.

## Superannuation Provisions

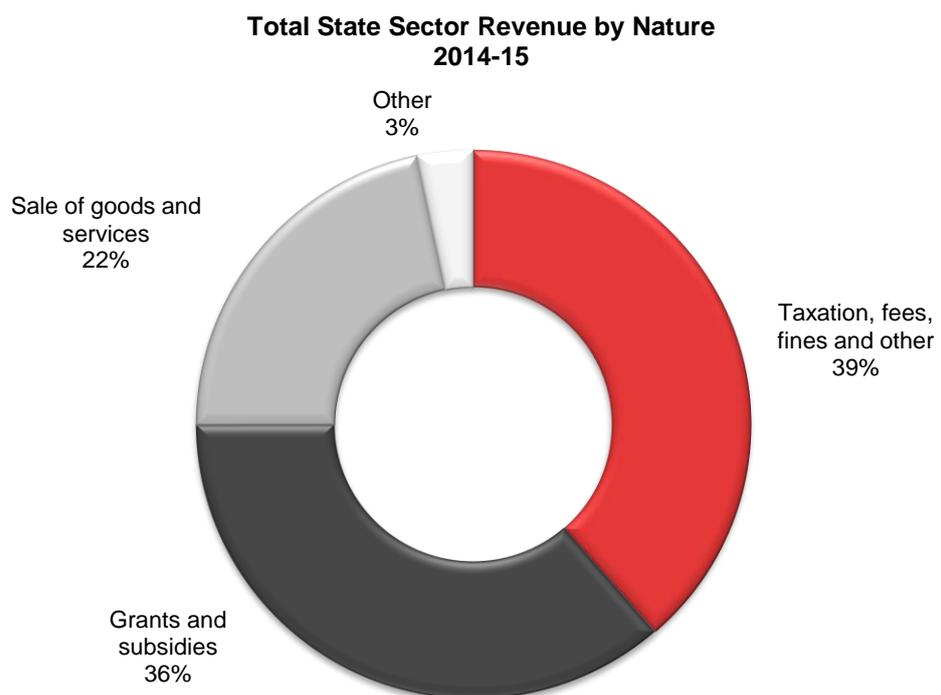
### The State's superannuation obligations increased by \$4.1 billion in 2014-15

The State's superannuation liability of \$55.2 billion represents obligations for past and present employees, less the value of assets set aside to meet those obligations. Superannuation liabilities increased \$4.2 billion (8.1 per cent) from \$51.0 billion at 30 June 2014 to \$55.2 billion at 30 June 2015.



Note: From 30 June 2012, superannuation liabilities were restated to include contributions tax on net unfunded liabilities.

## Revenue

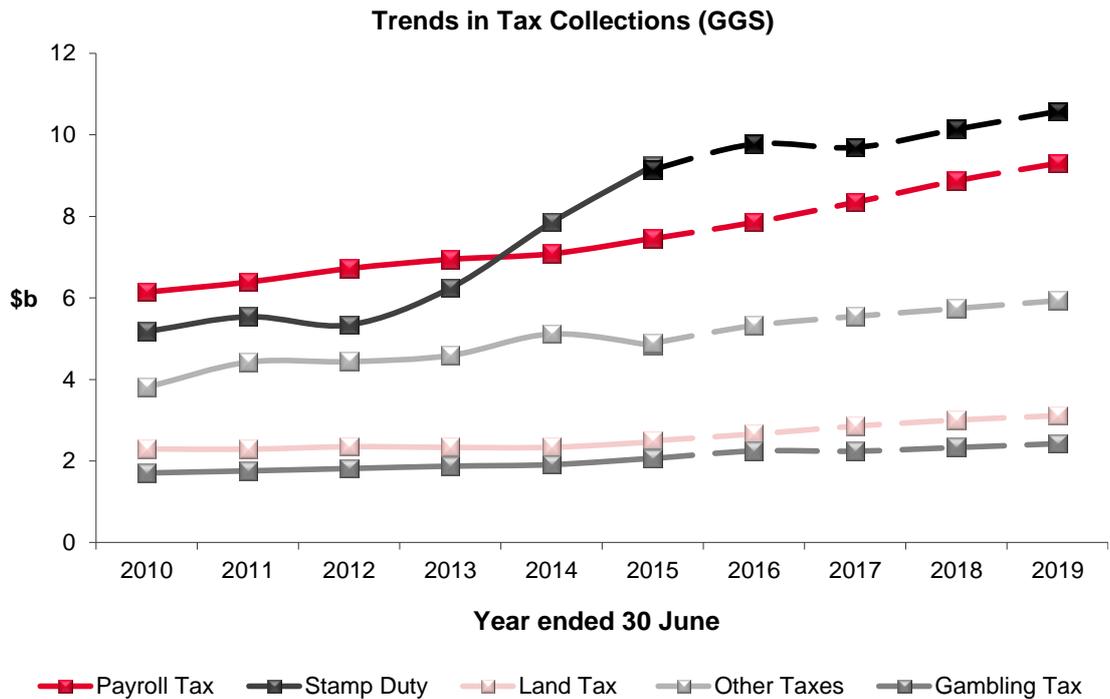


## Taxation, fees, fines and other

**Stamp duties increased 74 per cent from \$5.3 billion in 2011-12 to \$9.2 billion in 2014-15**

Taxation, fees, fines and other revenue comprises \$25.7 billion of taxation (\$23.9 billion in 2013-14) and \$5.0 billion of fees, fines and other (\$4.8 billion).

Tax revenue for the Total State Sector increased by \$1.8 billion (7.6 per cent) compared to 2013-14. Most sources of tax revenue increased. Stamp duties increased most significantly by \$1.4 billion. Treasury advises this was largely due to growth in residential property sales.



Sources: Reports on State Finances 2010 – 2015, 2015-16 NSW Budget Papers.

**Projections for growth in payroll tax are greater than historical trends, while those for stamp duty are lower, reflecting strong growth over the past three years**

In the General Government Sector:

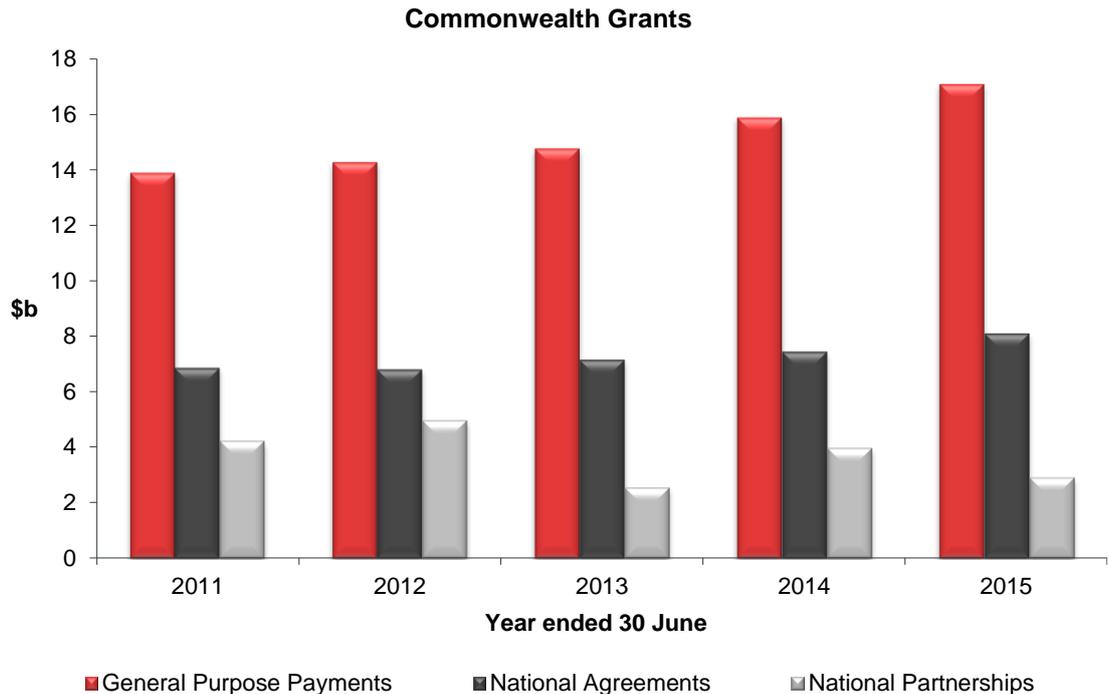
- payroll tax increased from \$6.1 billion in 2009-10 to \$7.5 billion in 2014-15, representing an annual average growth rate of 4.0 per cent. Treasury has estimated an annual growth rate of 5.7 per cent between 2014-15 and 2018-19
- stamp duties increased from \$5.2 billion in 2009-10 to \$9.2 billion in 2014-15, representing an annual average growth rate of 12.3 per cent. Treasury has estimated an annual growth rate of 3.7 per cent between 2014-15 and 2018-19.

## Grants and Subsidies

### The State received grants and subsidies of \$28.9 billion in 2014-15

The State received \$28.1 billion from the Australian Government in 2014-15, \$0.8 billion higher than in 2013-14. This was mainly due to higher general purpose payments from the Australian Government, which mainly comprise New South Wales' share of the Goods and Services Tax (GST).

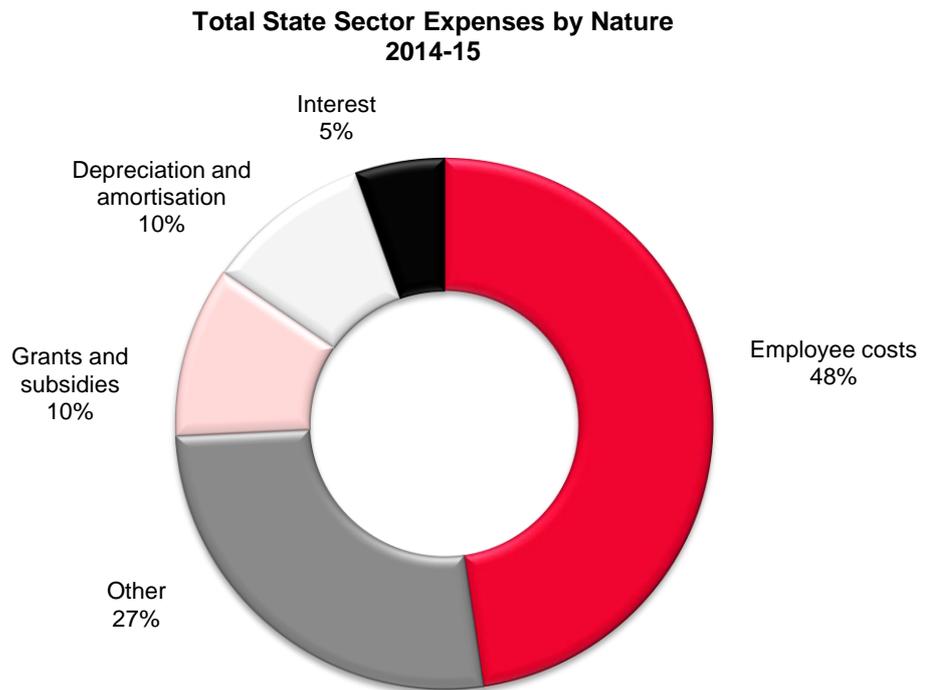
The money is provided to the State under various arrangements, which fall into three broad categories – general purpose payments, national agreements and national partnerships.



### General Purpose Payments

Commonwealth General Purpose grants increased by \$1.2 billion from 2013-14 reflecting a marginal increase in the State's share of the total GST pool and general economic growth.

## Expenses



Total employee costs (less superannuation costs) increased by approximately 1.8 per cent compared to the prior year. They increased in about half of all agencies and decreased in the other half. Employee costs increased in health, education, police and electricity agencies, and decreased in transport agencies.

Employee costs include salary and wage costs of \$28.2 billion (\$27.6 billion), excluding long service leave expenses of \$1.1 billion (\$979 million).

# The State's Budget

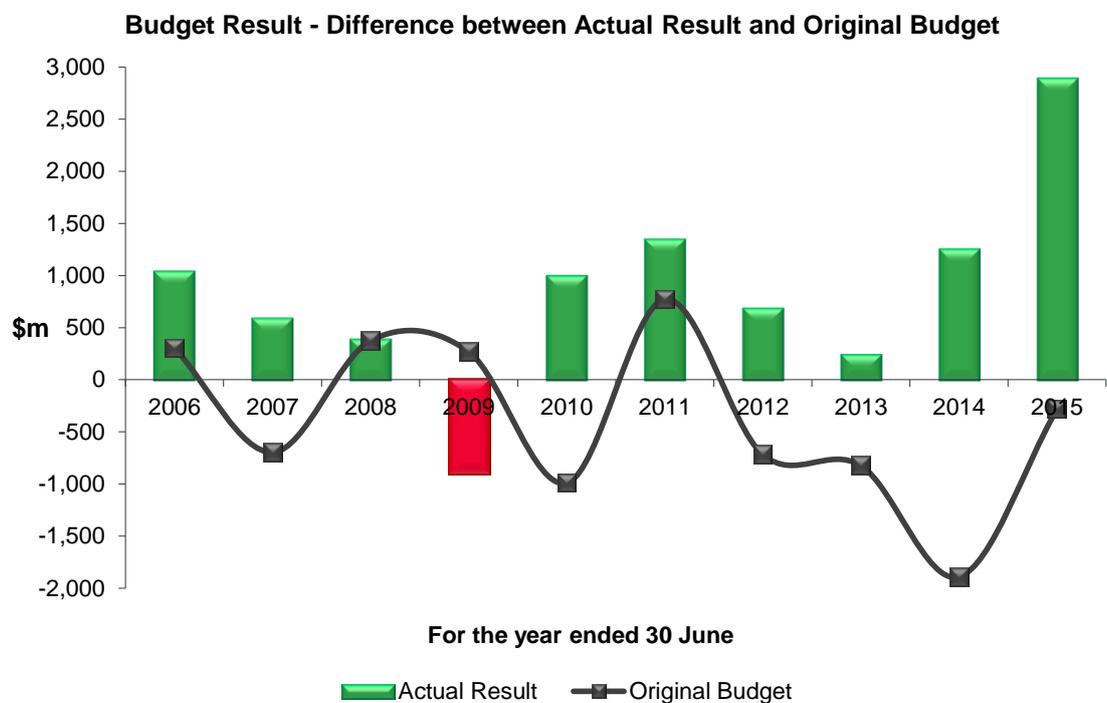
The government's Budget Papers focus on the financial and service delivery performance of the General Government Sector. A principal measure of a government's financial performance is its Budget Result (Net Operating Balance).

The Budget Result reports the difference between the cost of General Government service delivery and the revenues earned to fund those services.

## Actual Result

**The 2014-15 result was a surplus of \$2.9 billion, \$3.2 billion better than estimated in the Budget**

The State has achieved budget surpluses and exceeded the original budget in nine of the last ten years. The 2014-15 surplus of \$2.9 billion is the largest since current budget standards came into effect in 1996. The closest previous surplus was \$1.9 billion in 1999-2000.



Source: Report on State Finances 2005-06 to 2014-15 (audited) and NSW Budget Papers 2005-06 to 2014-15 (unaudited).

### Actual revenue exceeded budget by \$2.5 billion

The 2014-15 result was higher than expected mainly due to higher stamp duties (\$1.3 billion), grants and subsidies (\$858 million) and other dividends and distributions (\$794 million). Expenses were also lower than expected mainly due to lower grants and subsidies (\$535 million) and employee benefits, including superannuation, (\$189 million).

Proceeds from the sale of State assets are not included in the Budget Result. These receipts are recognised in Gains/(Losses), which are included in 'Other Economic Flows' in the Statement of Comprehensive Income.

## Budget Variances

The tables below compare actual results for the past five years with the original budgets.

### Revenue

	2010-11 \$b	2011-12 \$b	2012-13 \$b	2013-14 \$b	2014-15 \$b
<b>Total Revenue</b>					
Original Budget	57.7	59.0	59.7	62.6	67.1
Actual Result	57.1	59.0	60.1	66.0	69.6
Variance	<b>(0.6)</b>	<b>--</b>	<b>0.4</b>	<b>3.4</b>	<b>2.5</b>
<b>Major Components:</b>					
<b>Taxation</b>					
Original Budget	20.2	20.6	22.1	23.5	25.5
Actual Result	20.4	20.7	22.0	24.3	26.1
Variance	<b>0.2</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.8</b>	<b>0.6</b>
<b>Grants and Subsidies</b>					
Original Budget	26.7	27.0	25.4	26.8	28.3
Actual Result	25.6	26.7	25.4	28.3	29.2
Variance	<b>(1.1)</b>	<b>(0.3)</b>	<b>--</b>	<b>1.5</b>	<b>0.9</b>

Actual revenues were consistently higher than original budget in 2014-15. This is due, in part, to the variability of certain taxation streams, which are heavily influenced by economic and market conditions. Taxation revenues were \$578 million higher than original budget as stamp duty was \$1.3 billion higher than expected due to growth in the residential and commercial sectors. This was offset by payroll tax collections being \$284 million lower than expected due to slower than expected wage and employment growth.

Grants and subsidies were \$858 million higher than the original budget mainly due to a \$255 million increase in General Purpose grants and an additional \$290 million relating to Commonwealth prepayments on the Pacific Highway program.

## Expenses

	2010-11 \$b	2011-12 \$b	2012-13 \$b	2013-14 \$b	2014-15 \$b
<b>Total Expenses</b>					
Original Budget	56.9	59.7	60.6	64.5	67.4
Actual Result	55.8	58.4	59.9	64.8	66.7
Variance	(1.1)	(1.3)	(0.7)	0.3	(0.7)
<b>Major Components:</b>					
<b>Employee Expenses</b>					
Original Budget	27.8	29.2	29.1	30.6	32.5
Actual Result	27.5	28.5	28.4	31.5	32.3
Variance	(0.3)	(0.7)	(0.7)	0.9	(0.2)
<b>(Other) Operating Expenses</b>					
Original Budget	12.5	13.3	14.2	15.0	14.6
Actual Result	12.3	13.4	14.2	14.3	14.8
Variance	(0.2)	0.1	--	(0.7)	0.2

### The State's expense controls have been largely effective

Actual expenses have been in line with budget in recent years indicating the Government's expense control measures have been largely effective. Total expenses were \$660 million lower than original budget largely due to lower spending on grants and subsidies, including:

- lower student uptake in Industry Training Services under Smart and Skilled (\$184 million)
- a decrease in grants for other education services (\$114 million)
- reduced redundancy grants to the commercial sector (\$113 million)
- fewer natural disaster determinations (\$94.0 million).

Employee expenses including superannuation were \$189 million lower than budget, largely driven by:

- reduced claims following reforms to workers compensation legislation (\$250 million)
- lower expenses in NSW Health as more services are delivered via grants and service contracts with third party suppliers (\$163 million)
- lower expenses in TAFE relating to the implementation of Smart and Skilled reforms.

Other expenses were \$189 million higher than budget largely due to the Government's loose fill asbestos program (\$269 million). The total increase was offset by a \$393 million reduction in outstanding insurance claim liabilities from revised actuarial assessments.

## Other Economic Flows

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>Total Other Economic Flows</b>					
Original Budget	5,581	7,960	11,206	15,763	16,531
Actual Result	9,055	(21,079)	20,927	6,623	10,674
Variance	<b>3,474</b>	<b>(29,039)</b>	<b>9,721</b>	<b>(9,140)</b>	<b>(5,857)</b>
<b>Major Components:</b>					
<b>Other Economic Flows included in Operating Result</b>					
Original Budget	966	529	837	480	547
Actual Result	3,239	(2,539)	1,467	(785)	(102)
Variance	<b>2,273</b>	<b>(3,068)</b>	<b>630</b>	<b>(1,265)</b>	<b>(649)</b>
<b>Other Economic Flows included in Other Comprehensive Income</b>					
Original Budget	4,615	7,431	10,369	15,283	15,984
Actual Result	5,816	(18,540)	19,460	7,408	10,776
Variance	<b>1,201</b>	<b>(25,971)</b>	<b>9,091</b>	<b>(7,875)</b>	<b>(5,208)</b>

### Contributions tax and a lower discount rate caused a significant variance in superannuation liabilities compared to budget

Other Economic Flows in the operating result, which include changes in the volume or value of assets and liabilities that do not result from transactions, were \$649 million lower than original budget mainly due to:

- the impact of lower bond yields on the valuation of long service leave and insurance liabilities (\$1.1 billion)
- lower unrealised returns on financial assets (\$293 million)
- first time recognition of some Crown Reserve Trusts (\$268 million).

Other Economic Flows in comprehensive income were \$5.2 billion lower than original budget mainly due to:

- higher than expected actuarial losses on superannuation liabilities of \$10.1 billion due to the gross up of superannuation liabilities for contributions tax following revisions to AASB 119 and the use of a lower discount rate than that forecast in the original budget
- higher than expected asset revaluations of approximately \$4.0 billion within property, plant and equipment and equity investments.

## Statement of Financial Position

At 30 June	2011	2012	2013	2014	2015
	\$b	\$b	\$b	\$b	\$b
<b>Net Debt</b>					
Original Budget	12.2	11.1	17.5	15.7	12.4
Actual Result	8.0	14.1	11.9	6.9	5.5
Variance	<b>4.2</b>	<b>(3.0)</b>	<b>5.6</b>	<b>8.9</b>	<b>6.9</b>
<b>Net Financial Liabilities</b>					
Original Budget	49.2	51.9	61.2	67.5	55.5
Actual Result	52.1	72.6	63.0	69.7	74.4
Variance	<b>(2.9)</b>	<b>(20.7)</b>	<b>(1.8)</b>	<b>(2.3)</b>	<b>(18.9)</b>
<b>Net Worth</b>					
Original Budget	152.3	170.4	157.3	169.5	197.0
Actual Result	163.3	145.5	166.7	167.8	181.3
Variance	<b>(11.0)</b>	<b>24.9</b>	<b>(9.4)</b>	<b>1.7</b>	<b>15.7</b>

Net Debt, essentially borrowings less cash and liquid financial assets, was \$6.9 billion lower than the original budget mainly due to a better than expected cash result of \$5.2 billion and proceeds from the Sale of Macquarie Generation (\$1.5 billion).

Net Financial Liabilities of \$74.4 billion exceeded budget by \$18.9 billion. This was mainly due to the impact of adding contributions tax to superannuation liabilities (as a result of changes to AASB 119) and movements in discount rates. This is partly offset by the improved net debt position. Net financial liabilities are total liabilities less total financial assets.

## Assurance on estimates and forecasts in the 2015-16 Budget Papers

### The Auditor-General issued an unqualified conclusion on the estimates and forecasts in the 2015-16 Budget Papers

The Treasurer requested the Auditor-General 'undertake a review of the reasonableness of the estimates and forecasts in the 2015-16 Budget'. The Auditor-General performed this review in accordance with applicable assurance standards and issued an unqualified conclusion on the estimates and forecasts.

A copy of the Auditor-General's Independent Assurance Practitioner's Review Report and the engagement subject matter appears within Budget Paper 1 of the 2015-16 Budget Papers published at [www.budget.nsw.gov.au](http://www.budget.nsw.gov.au).

### Objective of the Engagement

The objective of the Auditor-General's review was to conclude whether anything had come to his attention that caused him to believe the estimated financial statements of the General Government Sector had not been prepared consistently with the basis of preparation and assumptions stated or the methodologies used to determine those assumptions were unreasonable. The conclusion is deliberately expressed in the negative form because it offers a limited level of assurance.

### Limited Level of Assurance

Limited assurance is a lower level of assurance than that offered by an audit. The nature of the subject matter, being prospective financial information, has a high inherent risk, for which no amount of procedures can reduce risk to an acceptable level for an audit.

Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions and underlying data upon which prospective financial information is based, such evidence is generally future oriented and therefore less certain in nature than evidence available to support historical financial information. Accordingly, no opinion can be expressed as to whether the forecasts will be achieved.

# Governance Matters

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## Fiscal Responsibility Legislation

The *Fiscal Responsibility Act 2012* sets the overall goal for managing government finances and maintaining the State's AAA credit rating. The purpose of holding onto the AAA credit rating is to limit the cost of and ensure the broadest access to borrowing. It also helps to maintain business and consumer confidence so economic activity and employment are sustained. The legislation sets out targets and principles for financial management.

### AAA Credit Rating

#### **The State maintained its AAA credit rating during 2014-15**

New South Wales has credit ratings of AAA/stable from Standard & Poor's and Aaa/Stable from Moody's Investors Service. In December 2014, Moody's affirmed its Aaa rating and stable outlook, noting New South Wales is well placed compared to most Australian states and territories. In October 2015, Standard & Poor's affirmed its AAA rating and 'stable' outlook.

Ratings agencies consider several factors and apply judgment when determining the State's rating. The factors include:

- economic performance and diversification
- budgetary flexibility and performance
- debt burden
- liquidity
- contingent liabilities.

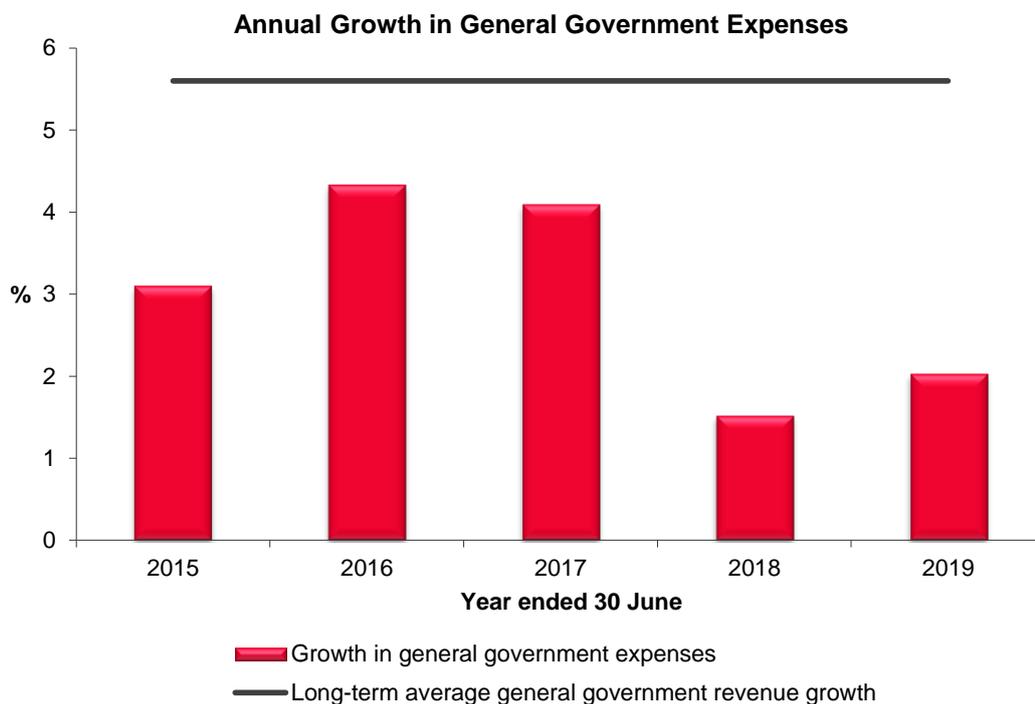
Ratings agencies issue regular credit rating reports and update their formal opinions if they perceive material changes in credit-worthiness.

### General Government Expenditure Growth

#### **General Government expenditure growth is lower than the long term revenue growth**

The *Fiscal Responsibility Act 2012* sets a target that General Government expenditure growth cannot exceed the State's long term average General Government revenue growth. The Fiscal Responsibility Regulation 2013 prescribes the long term revenue growth rate as 5.6 per cent. This rate equals an estimate of growth over fourteen years published in the 2011-12 Long Term Fiscal Pressures Report. This report is released every five years and examines the impact on State finances of the ageing population and long-term cost pressures. It is available on Treasury's website.

The graph below shows this target was achieved in 2014-15. In the 2015-16 Budget Papers, the Government predicts it will achieve this target in coming years.



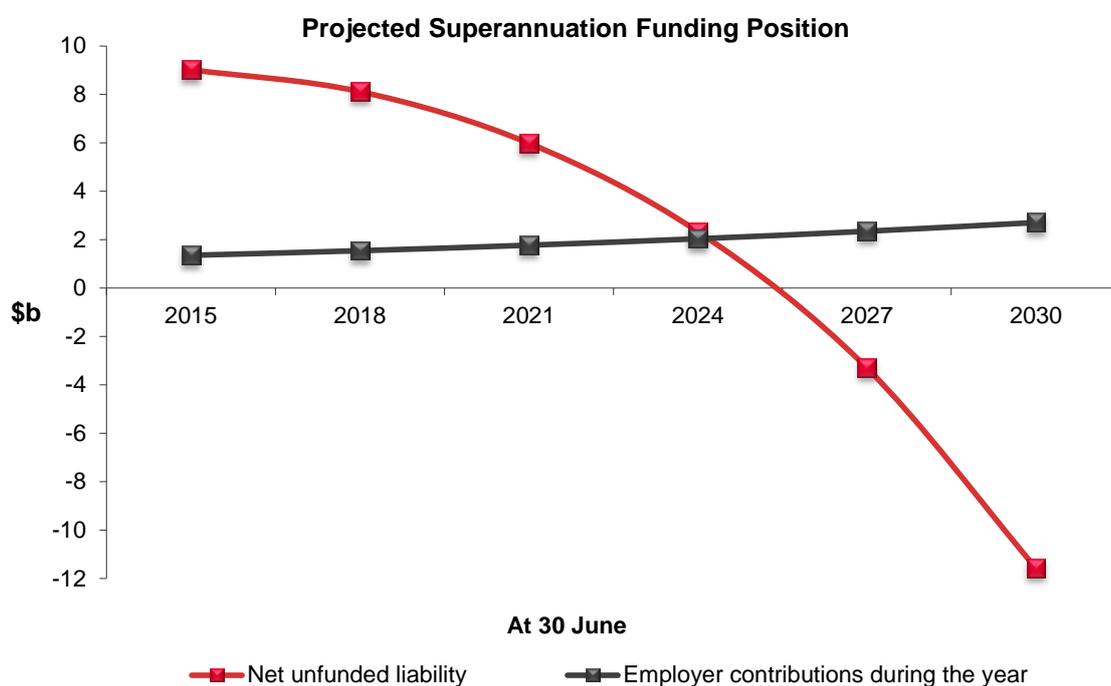
### Eliminating Unfunded Superannuation Liabilities

The *Fiscal Responsibility Act 2012* sets a target of eliminating unfunded defined benefit superannuation liabilities calculated on an AAS 25 Financial Reporting by Superannuation Plans funding basis by 2030. The State's net superannuation liability was \$55.2 billion at 30 June 2015 (\$51.0 billion at 30 June 2014).

The Government predicts the 2030 target will be achieved. The State's funding plan is to contribute amounts escalated by five per cent each year so the State Superannuation Schemes will be fully funded by 2026. In 2014-15, the State made employer contributions of \$1.5 billion, which is largely consistent with contributions over the past five years.

The graph of the projected funding position on page 29 shows that, based on the projected employer contributions, long term economic and demographic assumptions underlying the current funding plan, General Government Sector unfunded liabilities will be fully funded by around 2026. However, Treasury advised that the contributions and economic assumptions reflected in the current funding plan will be reviewed after the results of the 2015 Triennial Review of the State Superannuation Schemes is completed (due in December 2015). If required, the funding plan will be adjusted to ensure the target of eliminating unfunded defined benefit liabilities is achieved.

The graph below reflects the current funding plan of the General Government Sector for State Super's defined benefit superannuation schemes (the Pooled Fund schemes), as advised by Treasury.



Source: The Treasury, unaudited.

The net unfunded liability values in the graph have been calculated on an AAS 25 funding basis and do not reflect the values recorded for General Government entities in the State's financial statements. For financial reporting purposes the liability is calculated in accordance with the requirements of AASB 119 Employee Benefits, which differ from the requirements used by superannuation schemes. The superannuation schemes calculate the liability in accordance with AAS 25.

**The liability reflected in the Total State Sector Accounts is almost \$43.0 billion larger than the same liability as it is measured by the superannuation schemes**

The difference in measurement of the liability under each standard is significant. At 30 June 2015, the liability reflected in the Total State Sector Accounts is almost \$43.0 billion larger than the same liability as it is measured by the superannuation schemes. This results in contradictory outcomes.

Accounting Standard	Unfunded Liabilities at 30 June 2015 \$b	Unfunded Liabilities at 30 June 2014 \$b
AASB 119 Employee Benefits	55.2	51.0
AAS 25 Financial Reporting by Superannuation Plans	12.4	13.9
<b>Difference</b>	<b>42.8</b>	<b>37.1</b>

The two approaches produce significantly different results. In the current economic climate with lower interest and discount rates, the approach under AASB 119 yields a higher liability. If the Schemes do not achieve their long-term expected rates of return (between 7.0 and 8.3 per cent) and instead earn a rate equivalent to the Australian Government bond rate, the unfunded liability increases substantially.

Currently, Treasury requires the liability to be calculated using the ten year Australian Government bond rate for AASB 119 purposes. Treasury believes this bond rate adequately reflects the longer term nature of the liability.

### **Upcoming changes to Financial Reporting by Superannuation Entities**

Financial reporting in the superannuation industry will be significantly impacted by the new accounting standard, AASB 1056 Superannuation Entities. This standard was released by the Australian Accounting Standards Board in June 2014 and is applicable for the year ending 30 June 2017. The standard must be applied retrospectively and therefore comparative information will be required from 1 July 2015.

The current accounting standard, AAS 25 Financial Reporting by Superannuation Plans, is now over 20 years old. AASB 1056 will address inconsistencies in the current standard, including:

- aligning Australia's superannuation financial reporting with International Financial Reporting Standards (IFRS)
- removing accounting inconsistencies between AAS 25 and requirements in other Australian Accounting Standards for superannuation entities.

The requirements of AASB 1056 will result in substantial changes in the financial reporting by superannuation entities and is expected to provide greater transparency and consistency across the industry. Superannuation funds are increasingly attracting member and public interest in their financial positions, performance and risk profiles. This is due to the volatility in investment markets, concerns about the ageing population, the adequacy of retirement savings and the management and funding of defined benefit liabilities.

## **Risk Management**

### **Organisations with integrated and effective risk management frameworks can identify, assess and manage risk to both protect and create value**

Risk management can improve decision making and lead to significant efficiencies and cost savings. By embedding risk management directly into processes, agencies can derive additional value from their risk management programs. The more mature an agency's risk management, the stronger its culture in balancing the tension between value creation and protection.

Treasury Policy Paper TPP 15-03: Internal Audit and Risk Management Policy for the NSW Public Sector requires an agency to establish and maintain an appropriate risk management framework and related processes.

A mature risk management process should:

- foster an embedded risk aware culture
- align strategic and business decision making processes with risk management activities
- improve resilience in dealing with adversity
- increase agility in pursuing new opportunities.

Agencies will need to evaluate the costs and benefits of risk management capability if they are to achieve a desirable balance between risk and reward. Some agencies may need more sophisticated risk management processes than others to suit the size and complexity of their activities.

In 2014-15, the Audit Office surveyed key staff in 77 agencies to better understand their view of the risk management processes and risk management maturity in their agency.

The self-assessment survey used the Audit Office's Risk Management Maturity Toolkit, which is based on the principles and guidelines of the International Standards on Risk Management AS/NZS ISO 31000: 2009 Risk Management and the NSW Treasury Policy Guideline TPP 12-03: Risk Management Toolkit for the NSW Public Sector'. The toolkit is published on our website.

### **Risk management processes in some agencies can be improved**

Generally, the self-assessment survey showed respondents believe their agency has:

- an enterprise wide risk management framework covering all major risk types
- an annual risk management plan with capacity to track key milestones and compliance
- defined, standardised and documented risk management policies and processes
- formalised risk monitoring and reporting with the risk management framework requiring all risks and controls to have assigned owners.

However, some survey respondents indicated:

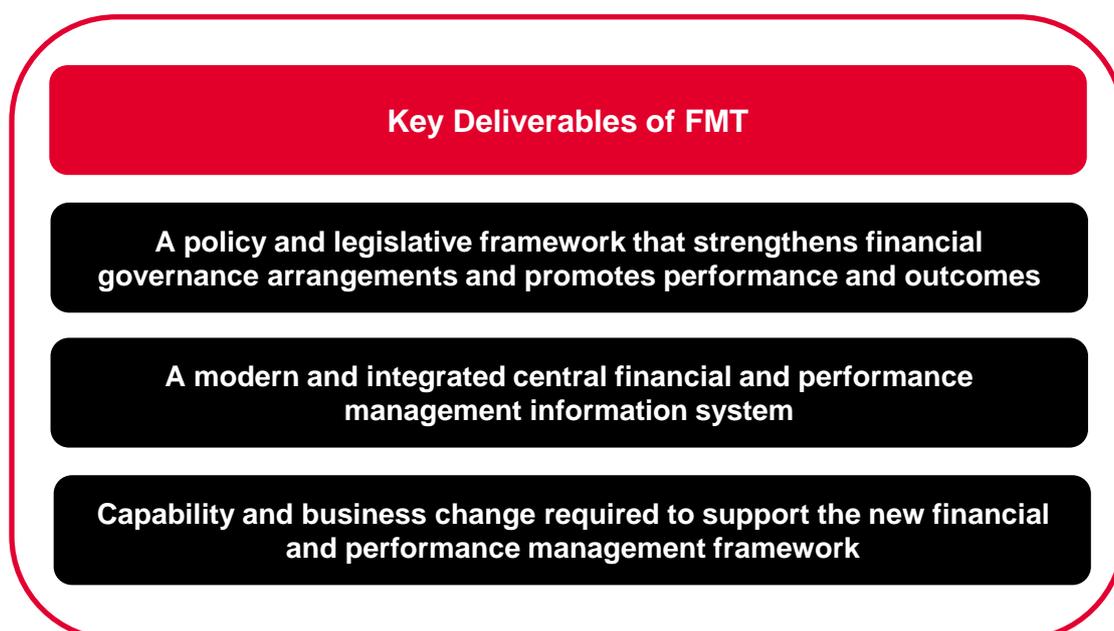
- their agency had not implemented standardised risk management processes consistently across the organisation
- there was limited articulation or communication of the level of risks the agency was willing to accept or tolerate to achieve its objectives
- the level of skills and capabilities possessed by staff responsible for risk management activities varied significantly.

Some survey respondents assessed their agency had a high level of risk management maturity, demonstrated by a strong commitment from the Board and/or agency head to drive a risk aware culture and attitude. These respondents felt risk management was integral to their daily operations as evidenced through monitoring by a dedicated Executive Management Risk Committee.

## **Financial Management Transformation**

### **The State is developing revised governance, budgeting and reporting arrangements**

The Financial Management Transformation (FMT) Program aims to revise financial governance, the budgeting and reporting arrangements of the NSW public sector and implement a new central financial and performance management IT system to support the changes.



The program includes policy reform and introduces a risk based regulatory framework for measuring and assessing agency performance. It also involves reviewing the existing budget process, expenditure controls and asset and liability management practices.

### **The State is moving to program budgeting and reporting**

A keystone reform will be program based budgeting and reporting to replace the service group structure. Programs will become the focal point of management and accountability across the sector. The 'program based' reform will provide a consistent basis for decision-making, transparent performance reporting (including outcomes) to government and the community, and management accountability within agencies. A clearly defined program structure for each cluster is an important first step to implementing the reform.

### **Treasury is implementing a new IT system**

The FMT Program will implement a modern IT system for Treasury to undertake whole-of-government budgeting and reporting. The system, which will replace existing outdated and inefficient systems within Treasury, is expected to give the government strategic, relevant and timely information needed to plan and deliver its policy priorities and the Budget as a whole. The system will be designed to capture and monitor financial and non-financial performance data and provide business intelligence and analytics to inform the government's decisions.

### **The FMT project is expected to cost \$92.3 million**

The total cost of the project is expected to be \$92.3 million including capital expenditure of \$54.3 million. Total costs to 30 June 2015 were \$12.7 million.

## Key proposals

FMT is a wide-ranging, multi-year program developed by Treasury. It is at different stages of development. Some of its proposals are specific policy positions while others recommend further development of policies in specific areas. Treasury's proposals include:

Proposal	Impact
Strengthening Governance	Entities and organisations within the NSW Government are grouped into clusters. Cluster groupings are intended to allow effective coordination of similar and complementary services. The FMT proposals aim to further clarify administrative and accountability arrangements to enhance cluster operations.
Program-based resource management	A key reform proposal is program-based budgeting and reporting. Programs would become the focal point of management and accountability, providing a consistent basis for decision-making, transparent performance reporting, and management accountability within agencies.
Planning and resource allocation	Treasury intends linking longer-term planning for the budget and forward estimates to the Government's medium-term fiscal strategy. The framework's wider focus on objectives and performance should allow better monitoring of the delivery of intended outcomes with budgeted dollars. This should result in better resource management over the medium to long term.
Improving performance	A comprehensive performance framework is proposed to help clarify performance expectations. NSW Treasury intends using a wider set of budget controls and financial measures to monitor agencies' performance and adherence to fiscal strategy targets using a risk-based regulatory model.
External reporting	Treasury intends to reform reporting requirements to improve the timeliness and quality of external financial and annual reporting. Proposals include bringing forward deadlines for tabling annual reports and the Report on State Finances and consolidated Total State Sector financial statements. Agency annual reports will focus on performance and link to different stages of the resource management cycle.
Physical asset investment and management	Proposed reforms aim to improve cross-agency coordination of infrastructure planning by establishing a multi-stage planning and approval process to provide stronger focus on whole-of-life asset management.
Legislation and policy	Proposed new financial management legislation aims to promote value for money by requiring the effective and economical use and management of public resources, within an acceptable level of risk. A new principles-based act will specify roles and responsibilities of agency heads and officers, and complement the <i>Fiscal Responsibility Act 2012</i> and the <i>Government Sector Employment Act 2013</i> .
Capability, systems and culture	A new Treasury IT system is expected to be an important enabler of the proposed reforms. Treasury will focus on improving financial awareness, and literacy and risk awareness of all people managing public money and resources, regardless of role or seniority.

## State Priorities

The NSW Government released its new State priorities, *NSW: Making it Happen*, in September 2015. This replaces its previous ten year plan, *NSW 2021*.

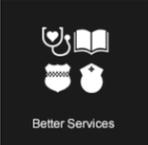
*Making it Happen* outlines 30 key priorities to 'grow the economy, deliver infrastructure, protect the vulnerable, and improve health, education and public services across NSW'. It targets 18 priorities across five key areas in addition to 12 personal priorities of the Premier. *NSW 2021* contained 32 goals and 186 targets.

The Department of Premier and Cabinet (the Department) is responsible for implementing and monitoring the plan and its outcomes. Previously, the Department reported performance against each goal and target twice a year in its *NSW 2021 Performance Report* and *NSW 2021 Measures Report*.

The Department has not publicly reported progress against the *NSW 2021* goals since its 2013-14 Performance Report, published in June 2014. A final performance report to close out *NSW 2021* is not expected to be released.

The new State priorities are summarised below:

**State Priorities**

 <p><b>Strong budget and economy</b></p> <ul style="list-style-type: none"> <li>• Making it easier to start a business</li> <li>• Encouraging business investment</li> <li>• Boosting apprenticeships</li> <li>• Accelerating major project assessment</li> <li>• Protecting our credit rating</li> <li>• Delivering strong budgets</li> </ul>	 <p><b>Building infrastructure</b></p> <ul style="list-style-type: none"> <li>• Improving road travel reliability</li> <li>• Increasing housing supply</li> </ul>	 <p><b>Safer communities</b></p> <ul style="list-style-type: none"> <li>• Reducing violent crime</li> <li>• Reducing adult re-offending</li> <li>• Reducing road fatalities</li> </ul>	 <p><b>Better Services</b></p> <ul style="list-style-type: none"> <li>• Improving Aboriginal education outcomes</li> <li>• Better government digital services</li> <li>• Cutting wait times for planned surgeries</li> <li>• Increasing cultural participation</li> <li>• Ensure on-time running for public transport</li> </ul>	 <p><b>Protecting the vulnerable</b></p> <ul style="list-style-type: none"> <li>• Transitioning to the National Disability Insurance Scheme</li> <li>• Creating sustainable social housing</li> </ul>
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**Premier's Priorities**

<ul style="list-style-type: none"> <li>• Creating jobs</li> <li>• Building infrastructure</li> <li>• Reducing domestic violence</li> <li>• Improving services levels in hospital</li> </ul>	<ul style="list-style-type: none"> <li>• Tackling childhood obesity</li> <li>• Improving education results</li> <li>• Protecting our kids</li> <li>• Reducing youth homelessness</li> </ul>	<ul style="list-style-type: none"> <li>• Driving public sector diversity</li> <li>• Keeping our environment clean</li> <li>• Faster housing approvals</li> <li>• Improving government services</li> </ul>
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It is expected that each of the 30 'State Priorities' will be measured against the best available indicators of economic growth, infrastructure delivery, service provision and other measures of community wellbeing and safety across NSW. The Department will play a key role in facilitating and collaborating with agencies to achieve the targets.

Currently, the key targets and measures lack clarity. The Department is developing a supporting document to clearly define the targets so Ministers and individual agencies understand which priorities and targets they are accountable for. The Department's role in monitoring and reporting on the priorities is still being determined and will be rolled out by its new implementation unit. Further details will be included in Volume Five focusing on Premier and Cabinet.

# Compliance Review: Financial Systems – Disaster Recovery Planning

Each year the Audit Office considers agency compliance with key central agency requirements. Since 2012, Volume One of the Auditor-General's Report to Parliament has reported on disaster recovery planning for large agencies. Over the four years an average of only 80 per cent of those agencies had a Disaster Recovery Plan (DRP) for financial systems in place, and only half had not sufficiently tested their plans. Without a DRP, unforeseen events increase the risk of high financial costs, reputation loss and negative impacts on key stakeholders.

Treasury and the Department of Finance, Services and Innovation have set requirements for disaster recovery planning. The Audit Office was engaged to review agency compliance, at 30 June 2015, with DRP requirements contained in section 744.05 of the NSW Treasurer's Directions and the NSW Government Digital Information Security Policy.

## **Eight agencies did not comply with the two most essential DRP requirements**

The two most essential elements of disaster recovery planning are having an effective DRP and testing it regularly. This compliance review was performed on 30 agencies and covered the financial systems most relevant to producing the financial information they use to manage their businesses and produce financial reports. The review found that:

- four agencies did not have a DRP
- three agencies' DRPs were not tested in accordance with the plan
- one agency had no DRP for one of its four financially significant systems.

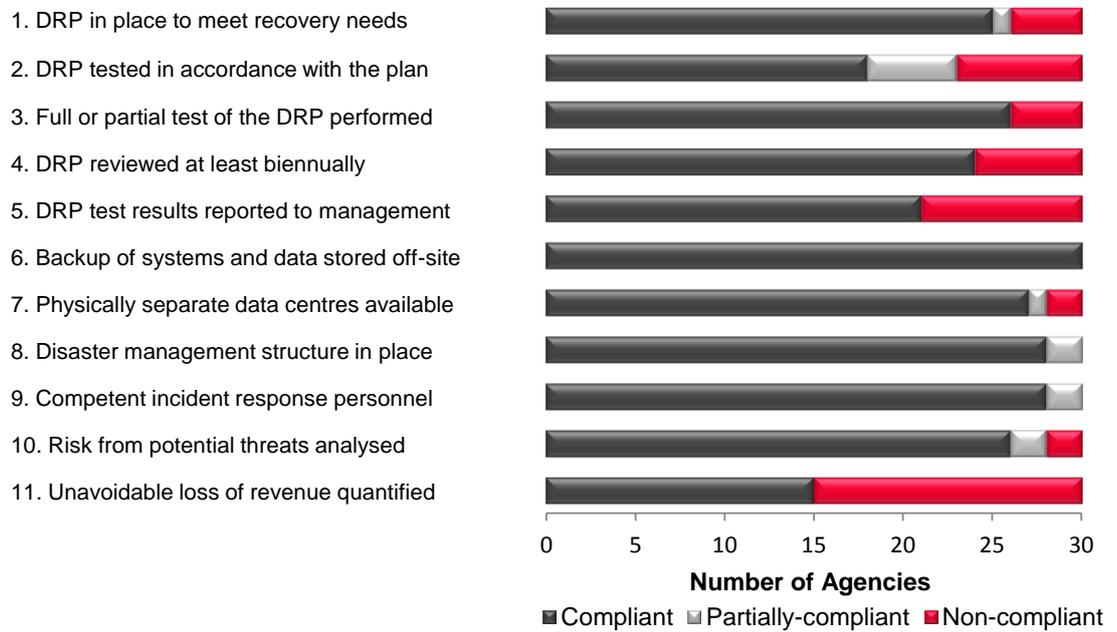
### **Recommendation**

**Treasury should review its DRP requirements**

Treasury has not reviewed or updated its DRP requirements contained within the NSW Treasurer's Directions for many years.

The results of the review are summarised in the chart below:

### DRP requirements in order of importance



No	Element*	Findings	Recommendations
1	● DRP in place to meet recovery needs.	Four agencies did not have a DRP for any of their financially significant systems.  One agency only had a DRP for some of its systems.	Agencies should have documented DRPs that include detailed procedures to restore their systems in the event of a disaster.
2	● DRP tested in accordance with the plan.	Three agencies did not test their DRP in line with the documented disaster recovery test plan.  Five agencies reported that they had only partially tested their DRP.	Agencies should test their DRP in accordance with plans.
3	● DRP fully or partially tested as required.	Four agencies did not test their DRP.  Seventeen agencies partially tested their DRP covering some systems and infrastructure.	Agencies should fully test their DRP when there are significant changes to systems, IT supporting infrastructure and key personnel, and at least every year.

No	Element*	Findings	Recommendations
4	● DRP is reviewed at least biannually.	<p>Two agencies had not updated or reviewed their DRP within the last two years.</p> <p>NSW Treasurer's Directions - 744.05 DRP section 5 requires a DRP to be reviewed at least bi-annually to ensure it is current and up-to-date. Better practice indicates plans should be updated at least every year when there are changes to systems, infrastructure, key personnel.</p>	<p>Agencies should review and update their DRP at least annually and when there are significant IT changes.</p> <p>Treasury should review its DRP requirements to reflect better practice.</p>
5	● DRP test results reported to management.	Five agencies did not report DRP testing results to management.	Agencies should report DRP test results to management.
6	● Backup copies of all significant systems and data files stored in an off-site location.	All agencies complied with this element.	None.
7	● Physically separate data centres are available for production and disaster recovery systems.	<p>Two agencies did not have physically separate data centres available for production and disaster recovery systems.</p> <p>One agency only had physically separate data centres for one system.</p>	Agencies should have physically separate data centres available for production and disaster recovery systems.
8	● A disaster management structure is in place to prepare, mitigate and respond to a disruptive event.	Two agencies only partially complied with elements 8 and 9. They did not have a management structure or incident response personnel in place for one financially significant system, which was managed by a shared services provider.	Agencies with systems hosted by shared service providers should ensure that all DRP requirements are explicitly stated in contracts or agreements.
9	● Incident response personnel with the necessary authority and competence are in place to manage an incident.	Refer to response for element 8.	

No	Element*	Findings	Recommendations
10	● A risk analysis of potential threats to the data, hardware and environment.	<p>Two agencies did not perform a risk analysis for all their financially significant systems.</p> <p>Two agencies did not perform a risk analysis for one of their systems.</p> <p>Three agencies did not completely address all the threats in their risk analysis.</p> <p>This compliance review assessed agencies' strategies for the following threats:</p> <ul style="list-style-type: none"> <li>• complete loss of all on-site data</li> <li>• long term failure of servers</li> <li>• fire, flood, power surges or failure, air conditioning fluctuations or failure.</li> </ul>	Agencies should perform a risk analysis and have strategies in place to address potential threats to the data, hardware and the environment.
11	● Quantified the unavoidable loss of revenue incurred during a disaster and recovery.	<p>Fifteen agencies had not quantified their unavoidable loss of revenue from a disaster and recovery.</p> <p>This element had the highest rate of non-compliance. Of the 15 agencies, which quantified any unavoidable loss of revenue, four asserted there would be none.</p>	<p>Agencies should quantify the unavoidable loss of revenue resulting from a disaster and recovery.</p> <p>This will enable management to evaluate the reasonableness of the residual risk.</p>

\* Elements are colour coded to reflect the overall risk determined from the findings.

● - High risk compliance area that should be addressed immediately.

● - Moderate risk compliance area that should be addressed in the short term.

● - Low risk compliance area that should be addressed in the medium term.

## Scope

This compliance review focused on large NSW public sector agencies which reported in a 2014 self-assessment survey that they had:

- no DRP in place
- not tested a significant portion of their DRP.

Some agencies, which had asserted they had a DRP in place and had tested a significant portion of it, were included to verify these assertions. A sample of smaller agencies, which had not been included in the 2014 survey, were also selected. In total, 30 agencies were reviewed.

The NSW Treasurer's Directions - 744.05 can be found at

[http://www.treasury.nsw.gov.au/\\_data/assets/pdf\\_file/0007/6559/treasurer\\_directions.pdf](http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0007/6559/treasurer_directions.pdf)

and the Digital information Security policy can be found at

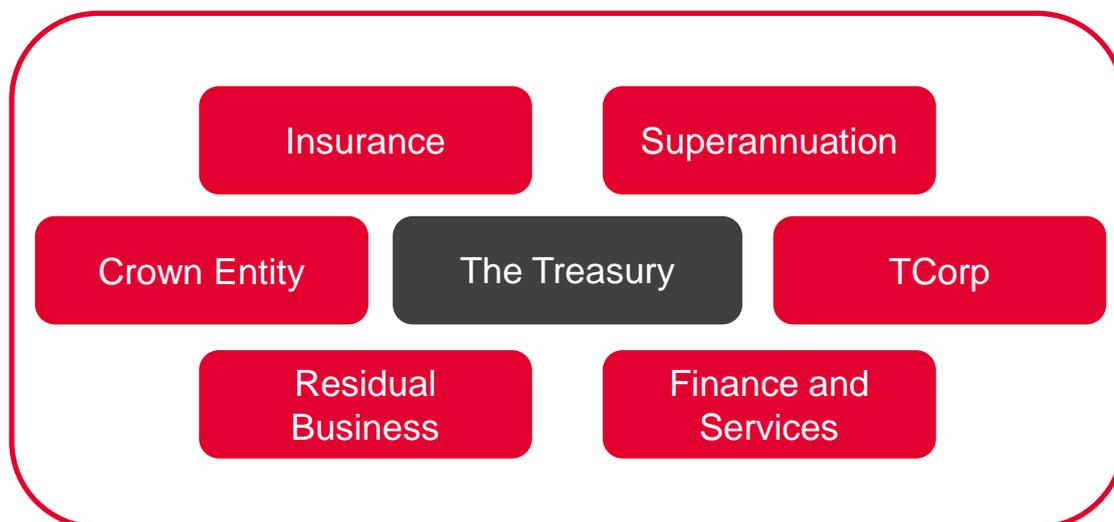
[http://arp.nsw.gov.au/sites/default/files/Digital Information Security Policy 2015.pdf](http://arp.nsw.gov.au/sites/default/files/Digital%20Information%20Security%20Policy%202015.pdf)

## Limitations

There are limitations in undertaking an engagement of this nature. The work was conducted as a review engagement, not an audit. Consequently, the procedures were not designed to detect all instances of non-compliance. The review provides limited assurance and concludes whether the agencies complied with the DRP requirements.

# The Treasury and Finance Cluster

The Treasury and Finance cluster provides leadership in financial management across the public sector.



This chapter includes the status of 2014 audit recommendations and results of the 30 June 2015 financial statement audits of the larger agencies in the Treasury and Finance Cluster.

## Status of 2014 Recommendations

The 2014 Financial Audit Reports to Parliament made 21 recommendations for Treasury and Finance cluster agencies to improve financial management and internal controls. The current status of each recommendation is shown below.

No	Recommendation	Current Status
1	Agencies could improve the accuracy of their projections by refining their budgetary processes.	Treasury supports the recommendation. A whole-of-Treasury strategic project, led by the Budget Strategy Division, is being undertaken to improve forecasting over the forward estimates. This work complements the work being undertaken by Financial Management Transformation Program.
2	The Treasury should determine performance indicators and report against these for each principle in the <i>Fiscal Responsibility Act 2012</i> .	Treasury supports the recommendation. Performance indicators are being determined by the Financial Management Transformation Program.

No	Recommendation	Current Status
3	Agencies should perform quarterly early close procedures, with a view to moving to monthly procedures to improve financial management across the sector.	Treasury supports actions to improve financial management across the sector, but does not support quarterly early close procedures. Treasury is considering introducing hard close procedures and plans to run a pilot in 2015-16 in cooperation with the Audit Office.
4	It is appropriate for the Public Accounts Committee's recommendations to be reassessed in light of these reforms and residual actions confirmed.	Treasury supports this recommendation. To the extent these recommendations have not already been delivered, they are being addressed as part of the Financial Management Transformation Program.
5	The Rental Bond Board should review its accounting treatment for rental bonds and confirm how they should be reported.	The Board has reviewed its treatment and is seeking amendments to legislation to support existing reporting of bonds off balance sheet.
6	The Long Service Corporation should develop strategies and improve business processes to identify possible revenue losses and ensure all revenue is brought to account.	Long Service Corporation has implemented initiatives to improve its strategies and business processes to identify possible revenue losses. The Corporation has developed a Levy Compliance Strategy for 2015-16 to 2017-18 to help ensure revenue, where possible, is captured by the Corporation.
7	The Waste Assets Management Corporation should monitor government policies and announcements then re-estimate its carbon pricing obligations and receivables when this can be done with sufficient accuracy.	The repeal of <i>Clean Energy Act 2011</i> on 17 July 2014 abolished the Carbon Pricing Obligations from 1 July 2014.
8	Cluster agencies should establish formal disaster recovery plans where self-assessments identified deficiencies in plans for key financial systems.	Refer to further recommendations in the 'Compliance Review: Financial Systems – Disaster Recovery Planning' section of this report.
9	NSW Government superannuation entities, regulated by APRA, should finalise plans to meet the shortened financial and compliance reporting timeframe imposed by APRA. The plans should be developed in conjunction with fund administrators and custodians with appropriate oversight from Boards and Audit Committees.	The Trustees of APRA regulated funds have, in conjunction with the administrators, developed processes to plan and achieve the shortened reporting timeframe for 2015-16.
10	The Treasury, in conjunction with the funds' actuaries, should reconsider the discount rate used to estimate superannuation fund liabilities reported by the NSW Government. The yield on longer-dated Commonwealth Government bonds may more closely reflect the long term nature of the liabilities.	Treasury has considered the discount rate used in estimating superannuation fund liabilities. Treasury, supported by fund actuaries, does not believe the market for 15 year government bonds is yet sufficiently well developed. This will be kept under review.
11	Pillar should adopt a strong governance framework for its Information Technology Consolidation Project and closely monitor its progress at all stages.	Pillar established a governance framework including monitoring of project costs and milestones.

No	Recommendation	Current Status
12	The NSW Government should commission a review in 2014-15 to assess the most appropriate framework for the prudential oversight of exempt public sector superannuation schemes in New South Wales.	The Trustees of exempt public sector superannuation schemes (not subject to APRA oversight) are liaising with Treasury to determine an appropriate framework for prudential oversight.
13	Key stakeholders involved in the amalgamation of funds management activities, STC, WorkCover, Treasury and TCorp, need to ensure governance structures, risk management, staffing arrangements and reporting requirements are agreed between all parties and closely monitored to ensure the project is implemented effectively and efficiently, and in line with Government priorities.	The stakeholders of the funds established a governance structure and reporting processes for the amalgamation completed on 15 June 2015.
14	The NSW Government should review Section 19AA of the PCS Fund legislation to determine if it should apply to former members of parliament subsequently convicted of a serious criminal offence while in office.	The Trustees of PCS Fund have not recommended a review of Section 19AA of the legislation.
15	All NSW Government superannuation entities should reassess the requirements of AASB 1056 Superannuation Entities including: <ul style="list-style-type: none"> <li>identifying financial reporting issues by 1 July 2015</li> <li>whether the reporting systems of funds, their custodians and administrators, are capable of generating the financial information required by AASB 1056.</li> </ul>	Government superannuation entities advise they have established processes to plan for and achieve the reporting requirements of the new accounting standards for 2016-17.
16	The WorkCover Scheme should stress test the Scheme's financial resilience and develop a strategy to manage the Scheme's surplus to ensure long-term sustainability. This will inform the Government's decision making on premiums and benefit levels.	WorkCover Scheme has addressed the sustainability issue through insurance reform in the current year.
17	WorkCover Authority should benchmark its proactive workplace inspection visits against other Australian states and report performance against targets in its annual report.	WorkCover benchmarks its workplace inspections and reports against its targets in its annual report.
18	The Dust Diseases Board (DDB) should assess the reasonableness of its actuary's assumptions on the dependants exit allowance to ensure it includes a more robust analysis of non-death cessations for a more accurate assessment of its liabilities.	DDB has addressed the reasonableness of the actuary's assumptions on the dependents exit allowance. The actuary adjusted the assumptions in 2014-15 to address this issue.
19	WorkCover Authority and SICorp should ensure scheme agents design appropriate strategies to address matters identified by their respective auditors as ineffective controls may adversely impact the scheme's operations.	Ineffective control processes are reported to those charged with governance periodically.

No	Recommendation	Current Status
20	The NSW WorkCover Scheme should ensure data quality issues reported by its actuary are addressed to reduce uncertainties in valuation assumptions and improve monitoring and management of claims portfolio.	The Scheme has addressed the data quality issues and a peer review actuary confirmed improvement.
21	WorkCover Authority should develop and implement appropriate policies to ensure adequate governance and transparency over managing its perceived conflicting regulatory and commercial roles.	The perceived conflict in the regulatory and commercial roles has been addressed through insurance reform.

## Insurance

### Unqualified audit opinions were issued on all insurance agencies' financial statements

New South Wales insurance and compensation entities comprise:

- NSW Self Insurance Corporation (SICorp) - NSW Government's self-insurer for most public sector assets and public sector employees' work related injury or diseases.
- WorkCover Authority and Nominal Insurer (trading as the NSW WorkCover Scheme) - WorkCover Authority is the regulator and manager of workers' compensation claims of NSW non-government employers. The Nominal Insurer provides workers' compensation insurance through contracted scheme agents to employers operating in New South Wales.
- Compensation agencies - these agencies provide compensation services for motor accident victims (third party insurers regulated by Motor Accidents Authority of New South Wales), severely injured motor accident victims (Lifetime Care and Support Authority of New South Wales), dust diseases (Workers' Compensation [Dust Diseases] Board) and home warranties (Building Insurers' Guarantee Corporation).

## Key Issues

### SICorp's audit qualification was removed

In prior years, SICorp did not comply with the requirements of AASB 1023 General Insurance Contracts on the basis that, at a whole-of-government level, the Government was a self-insurer. However, at a reporting entity level SICorp's functions and activities reflected that of an insurer. This required it to comply with the requirements of AASB 1023 when preparing its financial statements. Because it did not comply with the standard, the audit opinion on its entity level financial statements has been qualified in past years.

SICorp complied with the requirements of AASB 1023 for the first time in 2015, which resulted in significant changes to its financial statements. Consequently, the qualification has been removed and an unmodified audit opinion issued.

### Recent reforms have separated insurance regulatory functions from operations

The Government introduced reforms to insurance in 2015, which included structural changes to the NSW workers compensation system. The changes simplify agency responsibilities by separating the regulatory functions from operations to achieve better transparency and accountability, and deliver better outcomes for injured workers and employers.

Volume Ten of the 2014 Auditor-General's Report to Parliament, identified and reported a need to develop a strategy to effectively manage the NSW WorkCover Scheme's growing surplus from operations. The strategy would need to ensure decisions on premiums and benefit levels maintained the long term sustainability of the Workcover Scheme.

Since 2010, premiums have continued to trend down. On 4 August 2015, the NSW Minister of Finance announced a \$1.0 billion workers' compensation reform package to deliver:

- a simplified system and a more engaging customer experience
- enhanced benefits for injured workers
- premium reductions for business.

## Performance Information

Key performance information for SICorp and the Nominal Insurer is summarised below.

Key Indicator	2014-15	2013-14	2012-13	2011-12	2010-11
<b>Self Insurance Corporation</b>					
Funding Ratio (%)	118.0	112.0	112.0	102.0	106.0
Outstanding Claims Liabilities (\$b)	6.7	6.6	6.4	6.0	5.5
Investment Income (\$b)	0.9	1.0	1.2	(0.1)	0.5
Claims Paid (\$b)	1.0	1.0	1.0	0.9	0.9
<b>Nominal Insurer</b>					
Funding Ratio (%)	131.0	118.0	102.0	91.0	85.0
Outstanding Claims Liabilities (\$b)	12.2	12.8	14.0	14.6	14.7
Investment Income (\$b)	1.4	1.5	1.3	1.0	0.9
Claims Paid (\$b)	1.8	1.9	2.0	2.2	2.0

## Superannuation

### Unqualified audit opinions were issued on all superannuation agencies' financial statements

Four NSW Government superannuation entities manage, administer and invest superannuation assets for many NSW public sector employers and employees.

The superannuation assets total \$62.1 billion, and comprise \$36.1 billion for defined benefit funds and \$26.0 billion defined contribution funds. These assets will pay future employee benefits of \$82.6 billion.

## Key Issues

### Greater oversight is required of the State's Exempt Public Sector Funds

The STC Pooled Fund (STC) and Parliamentary Contributory Superannuation Fund (PCS Fund), which are designated as exempt public sector superannuation schemes, are not subject to the same oversight as comparable superannuation entities, such as the Commonwealth Superannuation Corporation and the QSuper Board.

STC and the PCS Fund are not subject to the legislative and prudential provisions of the *Superannuation Industry (Supervision) Act 1993* and other associated legislation. They are only subject to high level oversight by the Office of Finance and Services under the provisions in a Heads of Government Agreement.

The Trustees are liaising with Treasury to determine oversight arrangements.

## Performance

### The STC Pooled Fund's investment performance exceeded most targets in 2014-15

The performance of superannuation funds directly affects the net assets available to pay employees' benefits. Better investment returns in the past few years have helped close the unfunded liability gap for defined benefit funds.

Investments	2014-15 Average Return (%)	2014-15 Target (%)	2013-14 Average Return (%)
Short Term Securities	3.0	2.6	3.0
Australian Fixed Interest	6.5	5.8	6.0
International Fixed Interest	13.0	6.2	6.2
Australian Equities	8.5	5.6	18.0
International Equities	18.0	22.4	16.1
Property	14.0	9.3	12.1
Alternatives	12.2	--	10.2
<b>Overall</b>	<b>11.4</b>	<b>9.7</b>	<b>12.7</b>

Source: Pre-tax investment returns provided by the STC Pooled Fund (unaudited).

### Other Public Sector Funds

While the State Super Financial Services (SSFS) funds performed better than target in most sectors in 2014-15, the Energy Industries Superannuation Scheme (EISS) funds achieved investment performances consistent with other public sector funds.

Key Investment Sectors	SSFS*			EISS**		
	2014-15 Average Return	2014-15 Target	2013-14 Average Return	2014-15 Average Return	2014-15 Target	2013-14 Average Return
Cash	2.8	2.6	2.9	2.8	2.6	3.0
Short term Securities	3.1	3.0	4.1	--	--	--
Australian Fixed Interest	5.2	5.6	6.1	4.4	5.6	5.5
International Fixed Interest	4.5	4.7	7.4	--	--	--
Australian Equities	7.3	7.0	17.0	5.8	5.7	17.8
International Equities	20.8	19.9	20.0	17.9	25.2	21.5
Global Listed Property	11.0	10.1	28.5	15.8	24.1	15.9
Property	9.5	10.0	8.7	6.4	10.6	7.8
Global Debt Security	1.8	2.1	14.3	--	--	--
Private Equities	--	--	--	17.3	17.3	4.8

Source: pre-tax investment returns and targets provided by SSFSAL and EISS (unaudited).

\* SSFS includes Investment and Retirement Fund.

\*\* EISS includes the Energy Industries Superannuation Scheme's defined benefits and contribution funds.

## Management Expense Ratio

The Management Expense Ratio (MER) measures a fund's management expenses as a percentage of the funds under management.

Key Indicator	2014-15 Actual (%)	2014-15 Target (%)	2013-14 Actual (%)	2013-14 Target (%)
STC Pooled Fund	0.36	0.39	0.30	0.34
Energy Industry Superannuation Scheme – Pool A	0.62	0.66	0.63	0.65
Energy Industries Superannuation Scheme – Pool B	0.61	0.65	0.61	0.66

Source: Provided by the entities (unaudited).

STC Pooled Fund advised the increase in MER in 2014-15 compared to 2013-14 was mainly due to changes in the mix of investment managers from passive to active.

The MER for Energy Industry Superannuation Schemes Pool A and Pool B were less than the target as a result of actual investment returns for 2014-15 exceeding the targets.

## Treasury and Finance

### Unqualified audit opinions were issued on all Treasury and Finance agencies' financial statements

Unqualified audit opinions were issued on the following Treasury and Finance agencies' financial statements:

- The Treasury
- Crown Entity
- NSW Treasury Corporation
- Office of Finance and Services
- other smaller and residual agencies.

## Key Issues

### ServiceFirst's functions to be outsourced

In June 2015, the Government announced ServiceFirst's functions were to be outsourced to private sector providers, Unisys and Infosys. Under the new arrangement, Unisys and Infosys will provide enterprise resource planning and transactional services, such as IT services, payroll, recruitment and accounts.

The new hybrid delivery model, using on-shore and off-shore locations, will see a new specialist delivery centre established in Western Sydney. The Government expects to save around \$20.0 million per annum.

ServiceFirst currently supports agencies such as the Department of Finance, Services and Innovation (DFS&I), Department of Premier and Cabinet (DPC), Department of Planning and Environment (DP&E), The Treasury (Treasury), Service NSW (SNSW) and the Public Service Commission (PSC).

The Department of Finance, Services and Innovation will manage the transition to the new model, while ServiceFirst continues to provide shared services to existing agencies. The transition is expected to be completed by December 2015.

## Service Delivery

TCorp is the central financing authority for the State. It raises funds in financial markets, which it lends to government agencies, and provides investment management services.

### Investment Management

Hour-Glass Investments are a series of managed fund investment products designed to cater for the investment needs of a broad range NSW public entities. Funds under management within the Hour-Glass grew from \$13.3 billion as at 30 June 2014 to \$13.8 billion as at 30 June 2015.

#### All of the core Hour-Glass investments outperformed their respective benchmarks

The 2014-15 financial year was a strong year for returns on Hour-Glass Investments, with positive returns from share and bond markets. The Hour-Glass Cash Fund, Hour-Glass Strategic Cash Fund, Hour-Glass Medium Term Growth Fund and Hour-Glass Long Term Growth Fund all outperformed their respective benchmarks over the financial year (net of fees and expenses).

Year ended 30 June	2015	2014	2013	2012	2011
Hour-Glass Cash Facility return %pa	2.73	2.92	3.69	4.90	5.37
Benchmark index return %pa	2.60	2.68	3.28	4.70	4.98
<b>Five year return %pa</b>	<b>3.92</b>				
Hour-Glass Strategic Cash Facility return %pa	2.88	3.23	4.16	5.02	5.58
Benchmark index return %pa	2.60	2.68	3.28	4.70	4.98
<b>Five year return %pa</b>	<b>4.17</b>				
Hour-Glass Medium-term Growth Facility return %pa	7.37	7.65	10.74	4.28	7.13
Benchmark return %pa	7.32	7.58	9.56	4.69	7.06
<b>Five year return %pa</b>	<b>7.42</b>				
Hour-Glass Long-term Growth Facility return %pa	12.68	13.49	20.55	(0.73)	8.51
Benchmark return %pa	12.62	13.57	18.79	0.61	8.43
<b>Five year return %pa</b>	<b>10.67</b>				

## **Borrowings**

TCorp issues bonds through its Benchmark Bond Programme, to borrow on behalf of the New South Wales Government. The bonds are actively traded in financial markets providing price transparency and liquidity to public sector borrowers and institutional investors in TCorp bonds.

All TCorp bonds are guaranteed by the Government of New South Wales. The Domestic Benchmark Bonds carry the NSW Government's credit ratings of AAA from Standard & Poor's and Aaa from Moody's Investor Service. This allows TCorp to provide the lowest possible cost of funding to the NSW public sector.

The funding mix and maturity profile of TCorp's Benchmark Bonds ensure the funding programme is managed efficiently to reduce liquidity risk and achieve better bond pricing.

## **Debt Management**

TCorp managed 14 client debt portfolios at 30 June 2015 with a combined value of \$33.0 billion (\$33.8 billion). The largest portfolio was Treasury's \$29.8 billion (\$28.5 billion) Crown debt portfolio.

TCorp advises these clients on liability management strategies, debt benchmarks and market execution strategies, but the clients make the execution decisions themselves.

Over 2014-15, interest rates continued to trade in a range well below long term averages. This provided opportunities in the year to lengthen client debt portfolios. Lengthening debt maturity profiles enabled clients to lock in historically low interest rates and minimise the State's refinancing risk and cost.

## **Other Information**

The Treasury cluster is impacted by machinery of government changes set out in the Administrative Arrangements (Administrative Changes—Public Service Agencies) Order (No. 2) 2015. The Order changes the name of the Office of Finance and Services to the Department of Finance, Service and Innovation.

These changes take effect from 1 July 2015.

## NSW Government Insurance Entities Information

Agency	Website
NSW Self Insurance Corporation	<a href="http://www.riskinsite.nsw.gov.au">www.riskinsite.nsw.gov.au</a>
Nominal Insurer	<a href="http://www.workcover.nsw.gov.au">www.workcover.nsw.gov.au</a>
WorkCover Authority*	<a href="http://www.workcover.nsw.gov.au">www.workcover.nsw.gov.au</a>
Motor Accidents Authority of NSW*	<a href="http://www.maa.nsw.gov.au/">www.maa.nsw.gov.au/</a>
LifetimeCare and Support Authority of New South Wales	<a href="http://www.lifetimecare.nsw.gov.au/">www.lifetimecare.nsw.gov.au/</a>
Workers Compensation (Dust Diseases) Board*	<a href="http://www.ddb.nsw.gov.au">www.ddb.nsw.gov.au</a>
Building Insurer's Guarantee Corporation	- <a href="http://www.fairtrading.nsw.gov.au/ftw/About_us/How_Fair_Trading_works/Protection_schemes_and_systems/Building_insurers_guarantee_corporation.page">www.fairtrading.nsw.gov.au/ftw/About_us/How_Fair_Trading_works/Protection_schemes_and_systems/Building_insurers_guarantee_corporation.page</a>

\* Abolished on 31 August 2015.

## NSW Government Superannuation Entities Information

Agency	Website
STC - Pooled Fund	<a href="http://www.statesuper.nsw.gov.au/">www.statesuper.nsw.gov.au/</a>
Energy Industries Superannuation Scheme Pool B	<a href="http://www.eisuper.com.au/">www.eisuper.com.au/</a>
Parliamentary Contributory Superannuation Fund	*
Energy Industries Superannuation Scheme Pool A	<a href="http://www.eisuper.com.au/">www.eisuper.com.au/</a>
State Super Retirement Fund	<a href="http://www.ssfs.com.au/">www.ssfs.com.au/</a>
State Super Investment Fund	<a href="http://www.ssfs.com.au/">www.ssfs.com.au/</a>
SAS Trustee Corporation	<a href="http://www.statesuper.nsw.gov.au/">www.statesuper.nsw.gov.au/</a>
Energy Industries Superannuation Scheme Pty Limited	<a href="http://www.eisuper.com.au/">www.eisuper.com.au/</a>
Local Government Superannuation Scheme Pty Ltd	<a href="http://www.lgsuper.com.au/">www.lgsuper.com.au/</a>
Trustees of the Parliamentary Contributory Superannuation Fund	*
Superannuation Administration Corporation	<a href="http://www.pillar.com.au/">www.pillar.com.au/</a>
State Super Financial Services Australia Limited	<a href="http://www.ssfs.com.au/">www.ssfs.com.au/</a>
State Super Fixed Term Pension Plan	<a href="http://www.ssfs.com.au/">www.ssfs.com.au/</a>
Energy Investment Fund	<a href="http://www.eisuper.com.au/">www.eisuper.com.au/</a>
EIF Pty Limited	<a href="http://www.eisuper.com.au/">www.eisuper.com.au/</a>

## Treasury and Finance Entities Information

Entity	Website
The Treasury	<a href="http://www.treasury.nsw.gov.au">www.treasury.nsw.gov.au</a>
Crown Entity	<a href="http://www.treasury.nsw.gov.au/insure/Crown_Entity">www.treasury.nsw.gov.au/insure/Crown_Entity</a>
New South Wales Treasury Corporation	<a href="http://www.tcorp.nsw.gov.au/html">www.tcorp.nsw.gov.au/html</a>
Office of Finance and Services	<a href="http://www.finance.nsw.gov.au">www.finance.nsw.gov.au</a>
Residual Business Management Corporation**	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Lotteries Assets Ministerial Holding Corporation	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Ports Assets Ministerial Holding Corporation	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Electricity Assets Ministerial Holding Corporation	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Port Kembla Lessor Pty Limited	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Port Botany Lessor Pty Limited	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Liability Management Ministerial Corporation	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
State Rail Authority Residual Holding Corporation	<a href="http://www.treasury.nsw.gov.au/About_Us/Who_We_Are">www.treasury.nsw.gov.au/About_Us/Who_We_Are</a>
Cobbora Holding Company Pty Limited	<a href="http://www.cobbora.com">www.cobbora.com</a>
Cobbora Rail Company Pty Limited	<a href="http://www.cobbora.com">www.cobbora.com</a>
Cobbora Coal Mine Pty Limited	<a href="http://www.cobbora.com">www.cobbora.com</a>
Long Service Corporation	<a href="http://www.longservice.nsw.gov.au">www.longservice.nsw.gov.au</a>
Treasury Corporation Division of the Government Service***	<a href="http://www.tcorp.nsw.gov.au/html">www.tcorp.nsw.gov.au/html</a>
TCorp Nominees Pty Limited	<a href="http://www.tcorp.nsw.gov.au/html">www.tcorp.nsw.gov.au/html</a>
NSW Architects Registration Board	<a href="http://www.architects.nsw.gov.au">www.architects.nsw.gov.au</a>
State Records Authority of New South Wales	<a href="http://www.records.nsw.gov.au">www.records.nsw.gov.au</a>
Board of Surveying and Spatial Information	<a href="http://www.bossi.nsw.gov.au">www.bossi.nsw.gov.au</a>
Motor Vehicle Repair Industry Authority	<a href="http://www.fairtrading.nsw.gov.au/ftw/Tradespeople/Motor_repairers_and_insurers.page">www.fairtrading.nsw.gov.au/ftw/Tradespeople/Motor_repairers_and_insurers.page</a>
Rental Bond Board	<a href="http://www.fairtrading.nsw.gov.au/sites/ftw/About_us/How_Fair_Trading_works/Statutory_authorities_and_advisory_bodies.page">www.fairtrading.nsw.gov.au/sites/ftw/About_us/How_Fair_Trading_works/Statutory_authorities_and_advisory_bodies.page</a>
Teacher Housing Authority of New South Wales	<a href="http://www.tha.nsw.gov.au">www.tha.nsw.gov.au</a>
Financial Counselling Trust Fund	<a href="http://www.fairtrading.nsw.gov.au/ftw/About_us/Our_services/Grants/Financial_counselling_services_program.page">www.fairtrading.nsw.gov.au/ftw/About_us/Our_services/Grants/Financial_counselling_services_program.page</a>
Fair Trading Administration Corporation	<a href="http://www.fairtrading.nsw.gov.au/sites/ftw/About_us/How_Fair_Trading_works/Statutory_authorities_and_advisory_bodies.page">www.fairtrading.nsw.gov.au/sites/ftw/About_us/How_Fair_Trading_works/Statutory_authorities_and_advisory_bodies.page</a>
New South Wales Government Telecommunications Authority	<a href="http://www.telco.nsw.gov.au">www.telco.nsw.gov.au</a>
Ministerial Holding Corporation	<a href="http://www.finance.nsw.gov.au">www.finance.nsw.gov.au</a>
Port of Newcastle Lessor Pty Ltd	<a href="http://www.newportcorp.com.au/site">www.newportcorp.com.au/site</a>
Waste Assets Management Corporation	<a href="http://www.wamc.nsw.gov.au">www.wamc.nsw.gov.au</a>
Government Property NSW	<a href="http://www.property.nsw.gov.au">www.property.nsw.gov.au</a>

\*\* Abolished 8 January 2015.

\*\*\* Abolished 1 August 2014.

The following entities have not been included in this Overview and do not have a website:

Agency	Explanation
Macquarie University Professorial Superannuation Scheme	These entities are small, closed defined benefit superannuation schemes. The assets and liabilities of these schemes are included in the financial statements of the respective universities.
Sydney University Professorial Superannuation Scheme	
Buroba Pty Ltd Valley Commerce Pty Limited	These are dormant controlled entities of the STC Pooled Fund.
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	These entities are excluded due to their size and unique operations and will not be discussed separately in this Volume.
NSW Fire Brigades Superannuation Pty Ltd	

# Appendix A: Prescribed Entities

Section 45 of the *Public Finance and Audit Act 1983* requires the Auditor-General to perform audits of the financial statements of entities prescribed for the purposes of that section.

The following were prescribed entities as at 30 June 2015:

Entity/Fund	Latest financial statements audited	Type of audit opinion issued
Agricultural Scientific Collections Trust	30 June 2013 <sup>(a)</sup>	Unmodified
Ambulance Service of NSW	30 June 2006 <sup>(c)</sup>	Unmodified
AustLII Foundation Limited	31 December 2014	Unmodified
Belgenny Farm Agricultural Heritage Centre Trust	30 June 2014 <sup>(b)</sup>	Unmodified
Buroba Pty Ltd	30 June 2015	Unmodified
C. B. Alexander Foundation	30 June 2014 <sup>(b)</sup>	Unmodified
City West Housing Pty Ltd	30 June 2015	Unmodified
Cowra Japanese Garden Maintenance Foundation Limited	31 March 2014	Unmodified
Cowra Japanese Garden Trust	31 March 2014	Unmodified
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	30 June 2015	Unmodified
Dumaresq-Barwon Border Rivers Commission	30 June 2011 <sup>(d)</sup>	Unmodified
Each board of management, state conservation area trust and trust board established for a state conservation area within the meaning of the <i>National Parks and Wildlife Act 1974</i>	-- <sup>(e)</sup>	--
Eif Pty Limited	30 June 2015	Unmodified
Energy Investment Fund	30 June 2015	Unmodified
Gosford City Council, being a water supply authority listed in Schedule 3 to the <i>Water Management Act 2000</i>	30 June 2014 <sup>(b)</sup>	Unmodified
Home Building Compensation Fund	30 June 2015	Unmodified with Emphasis of Matter - significant uncertainty in the measurement of the provision for outstanding claims

Entity/Fund	Latest financial statements audited	Type of audit opinion issued
Illawarra Health and Medical Research Institute Limited	30 June 2014 <sup>(b)</sup>	Unmodified
Macquarie University Professorial Superannuation Scheme	30 June 2014	Unmodified
Marine Estate Management Authority	30 June 2012 <sup>(f)</sup>	Unmodified
Minister administering the <i>Environmental Planning and Assessment Act 1979</i> (a corporation)	30 June 2014	Unmodified
Minister administering the <i>Heritage Act 1977</i> (a corporation)	30 June 2014	Unmodified
National Art School	31 December 2014	Unmodified with EoM - uncertainty over future funding arrangements
Networks NSW Pty Limited	30 June 2015	Unmodified
NSW Businesslink Pty Limited	30 June 2014	Unmodified
NSW Fire Brigades Superannuation Pty Limited	30 June 2015	Unmodified
Parliamentary Contributory Superannuation Fund	30 June 2015	Unmodified
State Super Allocated Pension Fund established by State Super Allocated Pension Fund Trust Deed dated 23 November 1993	30 June 2015	Unmodified
State Super Financial Services Australia Limited	30 June 2015	Unmodified
State Super Fixed Term Pension Plan established by State Super Fixed Term Pension Plan Trust Deed dated 14 July 1999	30 June 2015	Unmodified
State Super Investment Fund comprising:	30 June 2015	Unmodified
<ul style="list-style-type: none"> <li>• State Super Investment Fund – Cash Fund Constitution dated 22 November 1991</li> <li>• State Super Investment Fund – Capital Stable Fund Constitution dated 22 November 1991</li> <li>• State Super Investment Fund – Balanced Fund Constitution dated 22 November 1991</li> <li>• State Super Investment Fund – Growth Fund Constitution dated 24 April 1997</li> <li>• State Super Fixed Term Fund established 20 January 2015</li> </ul>		

Entity/Fund	Latest financial statements audited	Type of audit opinion issued
State Super Personal Retirement Plan established by State Super Personal Retirement Plan Trust Deed dated 3 April 1990	30 June 2015	Unmodified
The Brett Whiteley Foundation	30 June 2014 <sup>(b)</sup>	Unmodified
The superannuation fund amalgamated under the <i>Superannuation Administration Act 1991</i> and continued to be amalgamated under the <i>Superannuation Administration Act 1996 (known as the SAS Trustee Corporation Pooled Fund)</i>	30 June 2015	Unmodified
The trustees for the time being of each superannuation scheme established by a trust deed as referred to in section 127 of the <i>Superannuation Administration Act 1996</i>	30 June 2015	Unmodified
The trustees for the time being of The Art Gallery of New South Wales Foundation	30 June 2014 <sup>(b)</sup>	Unmodified
Trustee of the Home Purchase Assistance Fund	30 June 2014	Unmodified
Trustees of the Farrer Memorial Research Scholarship Fund	31 December 2014	Unmodified
United States Studies Centre	31 December 2014	Unmodified
Universities Admissions Centre (NSW and ACT) Pty Limited	30 June 201	Unmodified
University of Sydney Professorial Superannuation System	31 December 2014	Unmodified
Valley Commerce Pty Ltd	30 June 2015	Unmodified
Wyong Council, being a water supply authority listed in Schedule 3 to the <i>Water Management Act 2000</i>	30 June 2014	Unmodified

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- a 30 June 2014 financial statements have been audited. Awaiting signed financial statements to issue an unmodified Independent Auditor's Report. The 30 June 2015 financial statements have been submitted for audit. Audit is still in progress as at 21 September 2015.
- b 30 June 2015 financial statements have been submitted for audit. Audit still in progress as at 21 September 2015.
- c No financial statements submitted for individual audit since 2006. The Ambulance Service of NSW was removed from the list of prescribed entities effective 28 August 2015.
- d The Commission's financial statements are now audited by the Auditor-General for Queensland.
- e No financial statements have been submitted for audit since this group of entities was prescribed.
- f Financial statements submitted for 2013, 2014.

## Appendix B: Legal Opinions

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The Auditor-General is required by section 52(2) of the *Public Finance and Audit Act 1983* (PF&A Act) to publish any requests for a legal opinion submitted to the Attorney General or the Crown Solicitor under section 33 of the PF&A Act.

There were no such legal opinions since Volume Four 2014, released on 28 October 2014.

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