
New South Wales Auditor-General's Report
Financial Audit

Volume Twelve 2016

Report on Industry, Skills, Electricity and Water



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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GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Twelve of my 2016 report.

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

Margaret Crawford

Auditor-General
14 December 2016

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Section One

Industry, Skills, Electricity and Water



Executive Summary

This report analyses the results of the financial statement audits of agencies within the NSW Industry, Skills and Regional Development cluster. The Department of Industry, Skills and Regional Development (the Department) is the lead agency for the cluster.

Financial performance and reporting

Financial reporting

Unqualified audit opinions were issued for 33 out of 45 financial statement audits with 12 audits incomplete. Early close procedures continue to promote earlier and better quality financial reporting.

Financial performance

The electricity distributors earned \$5.7 billion (\$6.8 billion in 2014–15) in revenue and recorded combined net losses after tax of \$103 million (net profit after tax \$930 million).

Financial controls

Internal controls

We identified 158 internal control issues, including 40 repeat issues across the cluster.

Human resources

Agencies need to continue efforts to reduce annual leave balances to meet whole-of-government targets.

Asset management

Unplanned asset maintenance for water utilities has increased 33 per cent over the past five years.
A \$28.0 million recycled water treatment plant constructed in 2013 has never been used.

Governance

Risk management

The Department should implement risk management across the cluster.

Conflicts of interest

Cluster agencies should improve their model for managing conflicts of interest using guidance from the NSW Independent Commission Against Corruption (ICAC).

Service delivery

Crown land

The Department faces many challenges in the administration of Crown lands.

Aboriginal land claims

Unprocessed Aboriginal land claims remain high. The Department should continue implementing measures to reduce the number of unprocessed claims.

Premier and State Priorities

A Premier's priority for creating jobs has been achieved. The Department is on track to complete two State priorities on apprenticeships and business confidence.

Financial performance and reporting

The quality of financial reporting continues to improve

Unqualified audit opinions were issued for 33 out of 45 financial statement audits with 12 audits incomplete. This includes TAFE NSW where a qualified audit opinion was issued in 2014–15. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement.

Misstatements in cluster agencies financial statements fell from 167 in 2014–15 to 78 in 2015–16. Twelve misstatements over \$5.0 million were identified and only one was not corrected.

Financial statements were submitted and most audits were completed on time

Agencies submitted their financial statements on time and audit opinions were issued for most agencies' financial statements within statutory deadlines.

Audit opinions were issued after the statutory deadline for six agencies and two statutory audits are on ongoing. The delays were due to agencies addressing issues arising in the audit and finalising their financial statements.

Agencies substantially completed early close procedures

Cluster agencies met statutory deadlines for completing early close procedures and submitting financial statements. Agencies substantially complied with early close and year-end procedures. However, three were unable to finalise their revaluations of property, plant and equipment by the early close deadline.

Recording and accounting for Crown land needs to improve

Significant deficiencies in the recording and accounting of Crown land assets in the Crown Land Information Database (CLID) and the Department's general ledger have been reported for a number of years. The Department has not fully resolved these issues, but is continuing to work on them.

Unqualified audit opinion issued for TAFE NSW after \$10.0 million project

In 2014–15, system limitations meant TAFE NSW could not provide evidence to support its recorded student revenue. In 2015–16, TAFE NSW incurred costs of more than \$10.0 million to address the issue and remove the qualification. However, more work is required to address student administration system limitations.

The electricity distributors combined profit after tax fell significantly

The Australian Energy Regulator's (AER) determination, which sets the maximum allowable revenue the distributors can earn over five years was the primary driver for lower revenue in 2015–16 for all three distribution businesses. The distributors earned \$5.7 billion (\$6.8 billion in 2014–15) in revenue and recorded a combined net loss after tax of \$103 million (net profit after tax \$930 million).

Distributions from State owned corporations fell by \$675 million

Total distributions to government decreased from \$2.3 billion in 2014–15 to \$1.6 billion in 2015–16 from State owned corporations in the cluster.

Financial controls

Many internal control issues reported to agencies were repeat issues

The 2015–16 audits identified over 158 internal control issues, compared to 154 in 2014–15. Of these, 40 were repeat recommendations compared to 46 in the previous year.

Recommendation (repeat issue)

Internal control issues should be actioned promptly.

Annual leave balances continue to exceed whole-of-government targets

At 30 June 2016, 2,493 employees (2,646 at 30 June 2015) in some cluster agencies had leave balances above the 30 day whole-of-government target.

Recommendation (repeat issue)

Agencies need to continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets.

Debt held by electricity distributors increased to \$18.7 billion

The NSW Government's direction to convert Ausgrid's long-term debt to short-term debt contributed to an increase in borrowings from \$17.8 billion in 2014–15 to \$18.7 billion in 2015–16. The electricity distributors are due to repay or refinance borrowings of \$11.7 billion over the next five years.

Hoxton Park Recycled Water Treatment Plant has not operated since construction

Sydney Water Corporation constructed the Hoxton Park Recycled Water Treatment Plant in 2013 as part of a government initiative to increase the use of water recycling in new growth areas. The plant has not operated since construction as demand forecasts have not been met for the region. The value of the plant has decreased from \$28.0 million to \$8.0 million since February 2013 based on revised cash flow forecasts.

Water utilities' unplanned asset maintenance cost \$136 million

Water utilities' unplanned asset maintenance costs increased by 33 per cent over the past five years. The increase is mainly due to weather impacts on pipeline failures and general growth in the quantity of assets maintained.

Governance

The Department continues to develop risk management

The Department is progressing the development of departmental and cluster level risk management. Risk management is inconsistently applied across cluster agencies. Some agencies have effective risk management, while it is poor in others.

Recommendation

The Department should implement risk management across the cluster.

Some cluster entities do not have a signed service agreement in place

The Department provides financial services to other agencies, but does not have service agreements in place for most of them. Some service agreements are outdated or pending renewal.

Recommendation (repeat issue)

The Department should finalise service agreements with all serviced divisions and agencies.

Incidents of alleged fraud and corruption have been referred to the ICAC

Twenty-three incidents of alleged fraud and corruption have been referred to the ICAC by cluster agencies in 2015–16. The ICAC has completed its report on Operation Sonet for TAFE NSW.

Recommendation

Agencies should identify where instances of alleged fraud and corruption resulted from weaknesses in internal controls, and address the weaknesses.

Identification and management of conflicts of interest can improve

We identified instances where employees had not declared all their interests in other entities, and where existing policies and management of potential conflicts of interest could be improved.

Recommendation

Cluster agencies should improve their model for managing conflicts of interest using guidance from the ICAC.

Some major capital projects for water utilities have been delayed

Water utilities advise that scope changes and unplanned complexities have caused delays in the delivery of major capital projects of up to two years.

Service delivery

The Premier's priority has been achieved

The Department is responsible for implementing State priorities for apprenticeships and business confidence, and the Premier's priority for creating jobs. The Premier's priority has been achieved and the Department is on track to complete the two State priorities.

Improvements required to the administration of Crown lands

The administration of Crown lands is complex with many competing economic, social cultural, heritage, and community objectives and interests. The Department has had difficulty balancing these objectives for a number of years.

Unprocessed Aboriginal land claims continue to increase

The number of unprocessed Aboriginal land claims at 30 June 2016 was 29,284 (28,054 as at 30 June 2015). Based on the five year average clearance rate, it will take approximately 75 years to clear the existing backlog.

Recommendation (repeat issue)

The Department should continue to implement measures to reduce unprocessed Aboriginal land claims.

Water usage prices in New South Wales are comparable to other states

The average drinking water usage price in New South Wales is comparable to other states in recent years. Price variability in past years was mainly caused by costs associated with improving water security in New South Wales.

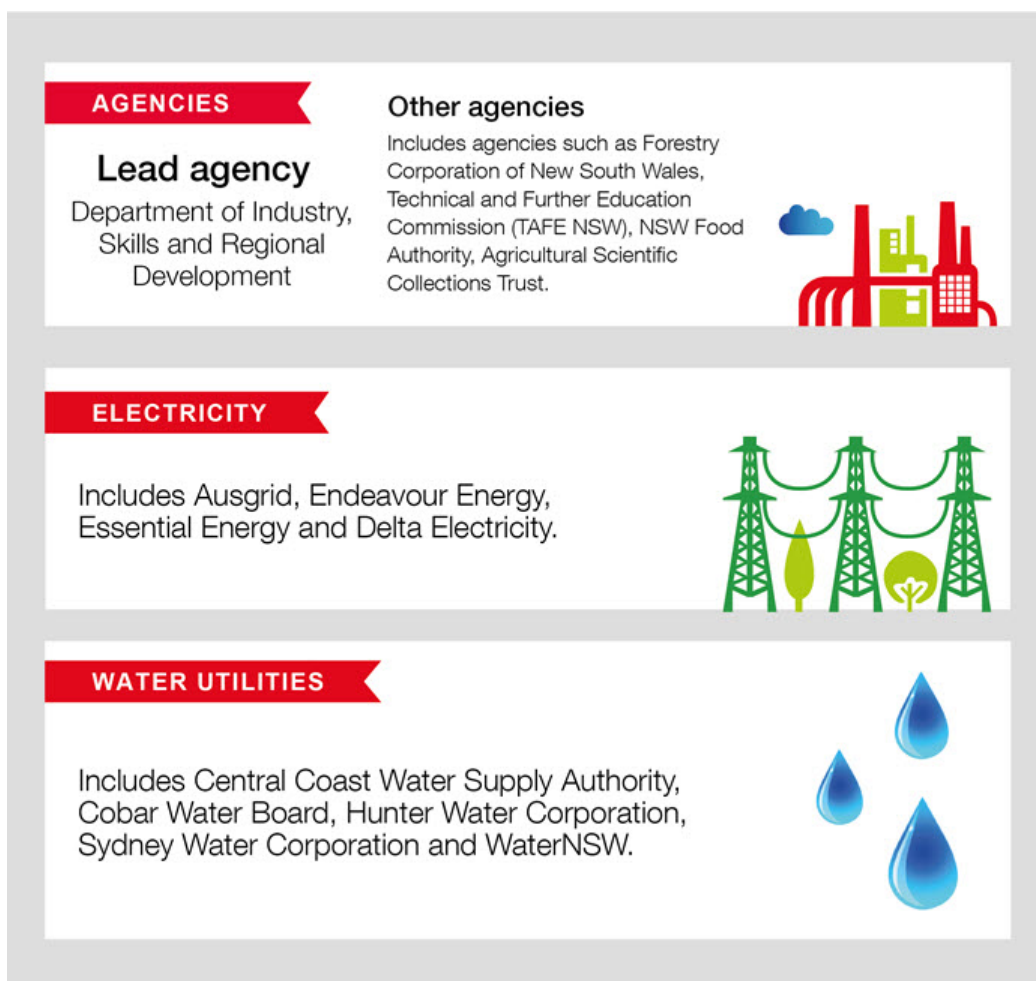
Water recycling operations for Sydney Water Corporation continue to incur losses

Sydney Water Corporation's recycled water operation has been incurring losses due to reduced demand for recycled water from both large industrial customers and residential developments.

Introduction

This report provides Parliament and other users of the NSW Department of Industry, Skills and Regional Development cluster agencies' (the Cluster) financial statements with audit results, conclusions and recommendations for:

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



This cluster leads the State's contribution to making New South Wales the place to invest and produce goods and services. Cluster agencies deliver services in the following areas:

- Primary industries
- Economic, Skills and Regional Development
- Resources and Energy
- Training Services.

They also support food safety, science and research capabilities, assistance to rural and regional areas, and help communities achieve resource management priorities.

The cluster has 45 agencies, which have been categorised as follows for analysis in this report:

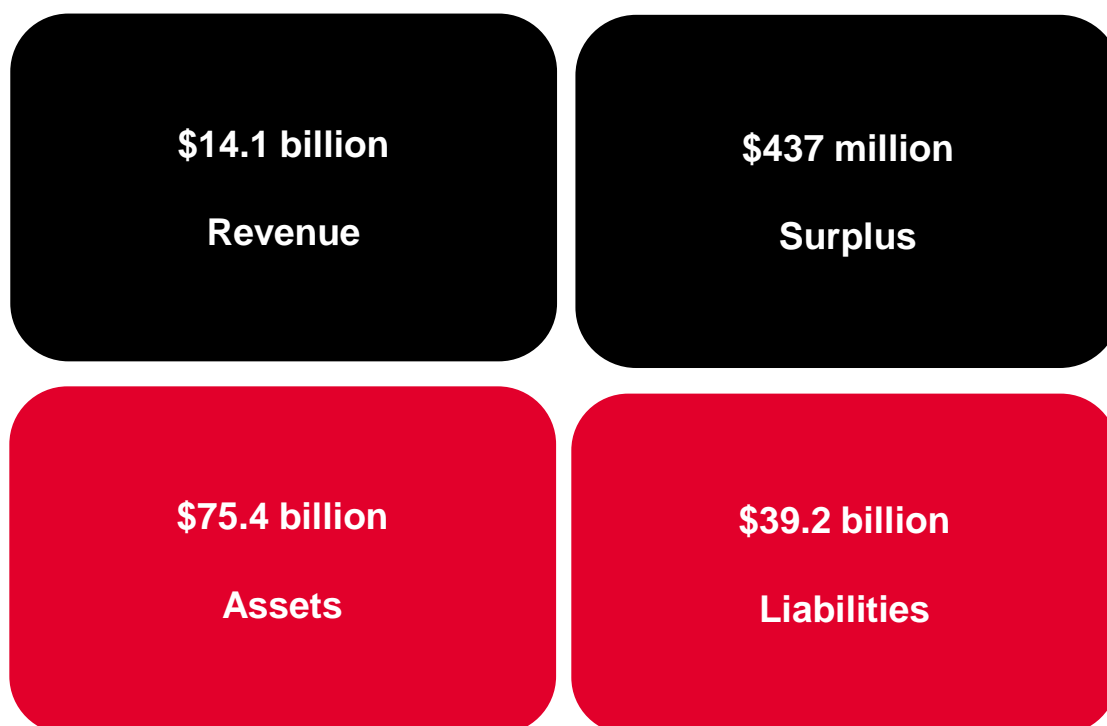
- the NSW Department of Industry, Skills and Regional Development and associated agencies (Department and other agencies)

- electricity businesses
- water utilities.

Appendix Seven provides a complete list of cluster agencies.

Snapshot of cluster agencies

A snapshot of the cluster's financial results for the year ended 30 June 2016 is shown below.



Changes to the cluster agencies

Machinery of government changes transformed the cluster

The 'Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2015' (the Order) resulted in changes to the cluster effective from 1 July 2015.

The Department of Trade and Investment, Regional Infrastructure and Services was abolished and the Department of Industry, Skills and Regional Development (the Department) was established.

The Order transferred some agencies to other clusters and other agencies and staff responsible for skills training into the cluster as shown below:

- staff and agencies relating to trade, tourism and major events to the Department of Premier and Cabinet
- responsibility for the Office of Liquor, Gaming and Racing, and Arts policy, to the Justice cluster
- the Independent Liquor and Gaming Authority, Art Gallery of New South Wales Trust, Australian Museum Trust, Library Council of NSW and the Trustees of the Museum of Applied Arts and Sciences, to the Justice cluster
- the remaining parts of the Department of Trade and Investment, Regional Infrastructure and Services were transferred to the Department of Industry, Skills and Regional Development.

Staff and functions were transferred to WaterNSW

On 1 July 2016, certain staff and functions were transferred from the Department and the Water Administration Ministerial Corporation to WaterNSW under the *Water NSW Amendment (Staff Transfers) Act 2016*. All customer transactional dealings and all in-field services for groundwater and surface water were transferred to WaterNSW on 1 July 2016.

Changes to water utilities

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 merged the Gosford Water Supply Authority and the Wyong Water Supply Authority to form the Central Coast Water Supply Authority.

Changes to electricity businesses

The NSW Government continues to divest its interest in electricity businesses through sales and complex, long-term leasing arrangements.

In June 2014, the NSW Government announced Rebuilding NSW, a plan to lease 49 per cent of the State's electricity network assets to fund a \$20.0 billion investment in new infrastructure across the State. The 49 per cent of the electricity network is made up of 100 per cent of TransGrid, 50.4 per cent of Ausgrid and 50.4 per cent of Endeavour Energy. Essential Energy will remain under government ownership.

On 16 December 2015, 100 per cent of the network assets of TransGrid were leased under a ninety nine year lease to an Australian-led consortium for \$10.3 billion. In June 2016, the State's 2016–17 budget confirmed the net proceeds of \$6.6 billion from this transaction were committed to the Rebuilding NSW plan. An electricity transmission ministerial holding corporation was created to act as the lessor of the network assets.

The lease of 50.4 per cent of Ausgrid for ninety nine years to an all-Australian consortium was completed on 1 December 2016. The successful unsolicited proposal by IFM Investors and Australian Super delivered gross proceeds of \$16.2 billion to the State. Net proceeds of approximately \$5.1 billion from this transaction are committed to the Government's Rebuilding NSW plan. The lease of 50 per cent of Endeavour Energy's distribution assets is expected to follow the Ausgrid transaction.

The NSW Government has disposed of virtually all its electricity generation businesses. Delta Electricity still retains ownership of Munmorah power station which has been decommissioned and will be demolished.

The NSW Government announced the sale of Delta Electricity's Brown Mountain hydro power station on 1 July 2016 for gross proceeds of \$4.5 million and executed the sale of Vales Point power station on 19 November 2015 for \$1.0 million.







The IPART is the new regulator for safety and reliability of NSW electricity distributors

On 4 June 2015, the NSW Government transferred regulatory responsibility for electricity safety and reliability to the Independent Pricing and Regulatory Tribunal (IPART). This was previously the responsibility of the Department.













The IPART also performs monitoring of compliance with network operator licence conditions.

Status of 2015 recommendations

Last year's Auditor-General's Report to Parliament included 24 recommendations for cluster agencies to improve their financial management and internal controls. The current status of each recommendation is shown below.

Recommendation	Current status
The Department should:	
 Continue to improve its systems for recording and accounting for Crown land.	<p>Deficiencies continue to exist with the recording of Crown land in the Crown Land Information Database and the general ledger, and in accounting for transactions.</p> <p>The Department continues to improve data quality, revaluation processes, transaction processing and reporting.</p> <p>Refer to the Financial Performance and Reporting chapter.</p>
 Formalise disaster recovery planning and testing requirements with its external service provider for its key financial systems.	<p>The Department has addressed this recommendation. It collaborated with the service provider on developing and testing the key financial system.</p>
 Benchmark its governance arrangements against relevant better practice guides such as the Audit Office's Governance Lighthouse Checklist.	<p>The Department has engaged a consultant to improve its Enterprise Risk Management Framework. The framework will be assessed against the Audit Office's Governance Lighthouse Checklist as part of this process.</p>
 Sign service partnership agreements with all serviced divisions and agencies.	<p>Most service agreements between the Department's service division and agencies have not been signed.</p> <p>The Department is working through a matrix of cluster related entities to ensure appropriate agreements are prepared where they are warranted.</p>
 Clarify the measures it uses to determine goal achievement.	<p>The Department uses measures in the State Priority Implementation Plan to measure goal achievement in its 2015–19 Corporate Plan.</p>
 Implement measures to reduce the number of unprocessed Aboriginal land claims (repeat issue).	<p>The Department continues to seek efficiencies in the Aboriginal land claim investigation process.</p> <p>The ongoing implementation of the Aboriginal Land Agreement framework should help reduce the number of unprocessed Aboriginal land claims.</p> <p>Refer to the Service Delivery chapter.</p>

Recommendation	Current status
The Department and other agencies should:	
<ul style="list-style-type: none"> ● Perform asset revaluations early enough so the process is completed before the financial statements early close deadline. ● Review the revaluation results before including them in financial statements and early close work papers. 	<p>The Department did not complete its revaluation of Crown land before early close deadline. The revaluation was completed in April 2016 and did not give management sufficient time to review the revaluations prior to early close.</p>
	<p>Lands Administration Ministerial Corporation (LAMC) and Local Land Services (LLS) did not complete the revaluation of Crown land before the early close deadline.</p> <p>Refer to the Financial Performance and Reporting chapter.</p>
<ul style="list-style-type: none"> ● Improve the accuracy of budgets. 	<p>The actual results of six large cluster agencies varied by more than five per cent from their budgeted results.</p>
	<p>The agencies should continue improving the accuracy of their budgeting process.</p> <p>Details are provided in the Appendix Five..</p>
<ul style="list-style-type: none"> ● Action internal control issues promptly and avoid repeat issues. 	<p>Some issues previously reported to management have not been addressed. Refer to the Financial Controls chapter.</p>
<ul style="list-style-type: none"> ● Review disaster recovery requirements, plans and testing for financial systems and ensure they comply with NSW Government policies. 	<p>In 2015–16, the Department satisfactorily tested disaster recovery plans for the SAP ByDesign and SAP Human Resources systems. The disaster recovery plans for FARMS and SAP Loan Books are still being developed.</p>
<ul style="list-style-type: none"> ● Reduce employees' annual leave balances to meet whole-of-government targets. 	<p>The number of employees with excess annual leave balances increased in some agencies and fell in others.</p>
	<p>Refer to the Financial Controls chapter.</p>
<ul style="list-style-type: none"> ● Ensure that appropriate asset management plans, including project management and maintenance plans are in place. Maintenance targets and other key performance indicators should be set in order to monitor performance. 	<p>An asset maintenance framework has been drafted to increase consistency and identify gaps in maintenance funds and programs.</p> <p>The framework is decentralised and each division in the Department has its own project management arrangement in place.</p> <p>The Department is updating its Strategic Asset Management plan to comply with ISO5500 and NSW Treasury policies.</p>
<ul style="list-style-type: none"> ● Require the Chief Financial Officer of the agency and of any service provider, to attest to the effectiveness of internal controls as part of the financial statement preparation process. 	<p>The Department provided internal control certifications to all parties that rely on its services.</p>
<ul style="list-style-type: none"> ● Reassess fraud controls against the Audit Office's Fraud Control Improvement Kit, released in February 2015. 	<p>The Department engaged a consultant to improve its enterprise risk management framework and assess it against the Audit Office's Fraud Control Improvement Kit.</p> <p>Refer to the Governance chapter.</p>

Recommendation	Current status
 Maintain a compliance register, monitor compliance and report breaches to the audit and risk committee.	Significant work is occurring on the compliance register and intranet content to make compliance with the governance framework easier for staff.
Technical and Further Education should:	
 Update, finalise and sign a service level agreement with its shared service provider.	The Department of Education was unable to provide a signed copy of the service level agreement in 2015–16. TAFE NSW is bringing its corporate services function in-house.
 Identify and resolve significant issues with its student and administration system.	Work has started on remediating student data in the live student system. New procedures are being implemented to address limitations in the current student system. Refer to the Financial and Performance Reporting chapter.
Water utilities should:	
 Formally test and notify the Environment Protection Authority (EPA) of other contaminated sites in accordance with the <i>Contaminated Land Management Act 1997</i> and consider the financial implications of potential remediation costs.	WaterNSW's external consultant found no sites that needed to be reported to EPA under the <i>Contaminated Land Management Act 1997</i> . There were no financial implications at 30 June 2016.
 Improve the accuracy of budget information included in the Statements of Corporate Intent.	Water utilities continue to improve budget preparation processes and the accuracy of budgets. However variances of more than five per cent continue to be identified.
 Strengthen information security processes to reduce the risk of unauthorised access, data integrity issues and data privacy breaches.	Water utilities are strengthening information security processes and expect to complete these by 30 June 2017.
 Reassess fraud controls against the Audit Office's Fraud Control Improvement Kit to reduce the risk of fraud.	Water utilities are implementing mechanisms to manage the risk of fraud.
WaterNSW should:	
 Review its existing Disaster Recovery Plan documentation for significant financial applications and implement the requirements specified in the NSW Government guidelines.	WaterNSW implemented the additional requirements for significant financial applications in its disaster recovery plan.
Dam Safety Committee should:	
 Continue to liaise with dam owners to implement enforcement requirements.	The Dam Safety Committee liaises with major dam owners to ensure specified measures to ensure the safety of the dams are implemented.
Status of 2015 recommendations	
 Fully addressed	 Partially addressed
 Not addressed	

Financial Performance and Reporting

Financial performance and reporting are important elements of good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate and timely. Effective financial management and reporting helps key stakeholders, such as the NSW Government, make effective decisions and achieve desired outcomes efficiently.

This chapter outlines audit observations, conclusions and recommendations for the financial and performance reporting of agencies in the Cluster for 2015–16.

Financial reporting

Observation

Unqualified audit opinions were issued for 33 out of 45 financial statement audits with 12 audits incomplete.

An unqualified audit opinion was issued for TAFE NSW after a \$10.0 million project.

The number of misstatements within the cluster fell from 167 in 2014–15 to 78 in 2015–16.

Except for the revaluations of property, plant and equipment at three agencies, cluster agencies substantially complied with Treasury's early close procedures. Six agencies' financial statements were signed late and two had not been signed at the time of preparing this report.

Conclusion or recommendation

Ongoing improvements in the preparation of financial statements helped identify and resolve material issues.

Over 250,000 data exceptions, including a \$138 million understatement of revenue in 2014–15, were identified and resolved.

Misstatements have fallen each year since Treasury introduced its 'early close procedures' initiative in 2011–12.

Greater focus on financial reporting and effective early close procedures have improved the timing of financial reporting, but further improvements are required.

Financial performance

Observation

The cluster recorded a surplus of \$437 million in 2015–16 (\$838 million in 2014–15).

Electricity distributors' 2015–16 combined results fell by \$1.0 billion to a net loss after tax of \$103 million.

Over 1,460 employees left the electricity distributors.

Hunter Water Corporation contracted to sell its Kooragang Island Advanced Water Treatment Plant for \$35.5 million. The fair value of the plant decreased by \$20.5 million as a result.

Conclusion or recommendation

Cluster agencies continue to operate on a sustainable basis. Other than State owned corporations, most agencies receive the most of their revenue from the NSW Government.

Lower revenue was earned by all distributors due to the continuing impact of the AER determination. Ausgrid's net result was also impacted by a mark-to-market expense due to converting long-term debt into short-term debt.

The continuing reform of electricity businesses has resulted in more employee redundancies.

The sale was part of Hunter Water Corporation's long-term asset recycling initiative.

Quality of financial reporting

Unqualified audit opinions were issued for all completed financial statement audits

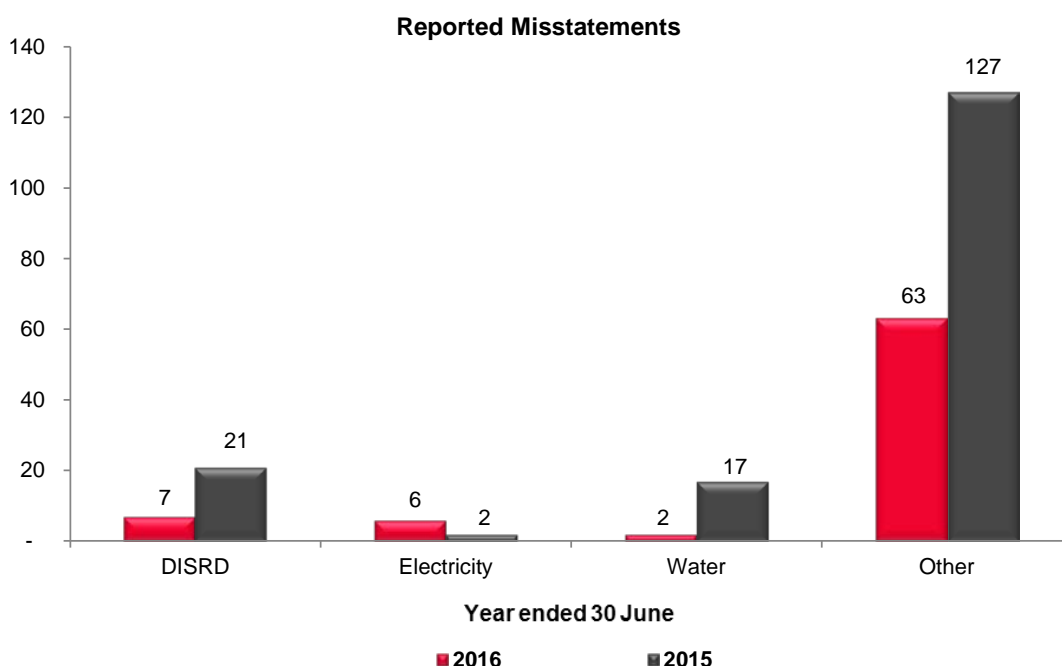
Unqualified audit opinions were issued for 33 out of 45 financial statement audits, including TAFE NSW, which received a qualified audit opinion in 2014–15. Sufficient audit evidence was obtained in 2015–16 to conclude the financial statements were free of material misstatement. Twelve audits are continuing.

The quality of financial reporting continues to improve

The number of reported misstatements has fallen for cluster agencies since Treasury introduced 'early close procedures' in 2011–12. This is largely attributed to early resolution of accounting issues during the early close procedures. The procedures help agencies meet earlier reporting deadlines and improve the quality and accuracy of financial reporting by bringing forward traditional year-end activities.

Misstatements reported fell by 51 per cent in 2015–16

Misstatements in cluster agencies' financial statements decreased from 167 in 2014–15 to 78 in 2015–16. The table below shows the number of reported misstatements across cluster agencies.



Source: Statutory Audit Reports.

Twelve misstatements, individually greater than \$5.0 million, were identified in the 2015–16 financial statements. Only one of these was not corrected. A material misstatement relates to an incorrect amount, classification, presentation or disclosure in the financial statements that could reasonably be expected to influence the economic decisions of users.

Six significant issues reported in 2015–16

The following significant issues, were reported to the portfolio Minister, the Treasurer and agency heads in 2015–16:

- the Department needs to improve recording and accounting for Crown Land (repeat issue)
- the financial reporting requirements for Local Land Services local boards, established under the *Local Land Service Act 2013*, need to be clarified (repeat issue)
- significant limitations exist in TAFE NSW's student administration system (repeat issue)

- Hunter Water Corporation contracted to sell Kooragang Island Advanced Water Treatment Plant for \$35.5 million, \$20.5 million less than its carrying value
- over the last four years, proceeds from the sale of land impacted by the decision not to construct Tillegra Dam totalled \$28.1 million, \$62.4 million less than \$90.5 million carrying value
- Sydney Water Corporation needs to ensure it has robust governance over the development of a new customer billing system and an integrated enterprise resource planning system, budgeted to cost \$184 million and \$54.5 million respectively.

No significant matters were reported for the electricity businesses.

Timeliness of financial reporting

Financial statements were submitted and most audits were completed on time

Agencies submitted the financial statements on time and the audit opinions for 17 agencies' financial statements were issued within statutory deadlines.

Audit opinions were issued after statutory deadlines for six agency audits and two audits are ongoing. Details are included in Appendix Three. The delays were predominately due to:

- the financial statements containing numerous large misstatements, some of which required retrospective adjustment, in particular the 2014–15 and 2015–16 LAMC's financial statements
- deficiencies and delays in preparing documents to support the financial statements
- the ongoing work of the Tactical Remediation Program to address the issues which resulted in qualification of TAFE NSW's 2014–15 financial statements.

Audit opinions have been issued for 10 financial statements, which are not subject to statutory deadlines, and the further 10 audits are on-going.

The former Marine Parks Authority financial statements and audits are now completed

Audit opinions on the former Marine Parks Authority's 2011–12, 2012–13, 2013–14 and 19 December 2014 financial statements were issued in November 2016. These audits were significantly delayed mainly due to issues in accurately identifying and valuing the Authority's property, plant and equipment.

The Marine Parks Authority was dissolved on 19 December 2014 and its assets and operations transferred to the Department of Industry, Skills and Regional Development.

Early close procedures were completed by all entities

Cluster agencies substantially complied with Treasury's early close procedures. The due dates for completing these procedures have been brought forward over the last three years.

However, the Department and LLS did not complete the revaluation of property, plant and equipment by the early close deadline. They did however, meet the statutory reporting deadlines for completion of their audits..

Agencies submitted proforma financial statements on time, and most reconciled key account balances and performed monthly accruals and management reviews as required. Most agencies also addressed issues raised in previous year Audit Office management letters.

Early close procedures are designed to bring forward year-end activities, such as valuing assets and resolving financial reporting issues, to reduce reporting timeframes and improve the quality of the financial statements.

Treasury's Hard Close Pilot program improved the timeliness of financial reporting

Forestry Corporation of New South Wales and Sydney Water Corporation shortened reporting timeframes by approximately two weeks in 2015–16. They participated in Treasury's Hard

Close Pilot to assess if hard close procedures should be adopted on a wider basis. Treasury is considering the outcomes of the pilot which included agencies in other clusters.

Key financial issues from cluster agencies

Department of Industry, Skills and Regional Development

Accounting for Crown land needs to be improved

Significant deficiencies in the recording and accounting of Crown land assets in the Crown Land Information Database (CLID) and the Department's general ledger have been reported for several years. The Department is addressing the issues, but has not fully resolved system limitations and control deficiencies.

The Department has established a Crown Land Estate (CLE) Valuation and Reporting Improvement Project. The project has developed a revaluation methodology to reduce volatility, increase transparency and improve quality assurance around the annual revaluation of the Crown Estate. Other key project milestones include establishing a single source of truth (to the extent possible) and improving processing of asset transactions, monthly reporting and reconciliations between CLID and SAP by eliminating timing differences. The project is on target for completion by February 2017.

The Department was unable to complete and review the revaluation of Crown land in time for the early close. It has started planning for the 2016–17 revaluation to ensure it is completed by 31 March 2017.

TAFE NSW

Unqualified audit opinion issued for TAFE NSW after \$10.0 million project

In 2014–15, system limitations meant TAFE NSW was not able to provide evidence to support its recorded student revenue of \$477 million, student receivables and accrued income of \$47.6 million and unearned revenue of \$398 million. This resulted in a qualified audit opinion on that year's financial statements.

TAFE NSW engaged a consultant to address the issue and avoid another qualified audit opinion in 2015–16. The engagement included remediating student data, developing a stand-alone database with correct data and recalculating the financial information so it met TAFE NSW's revenue recognition principles.

Management resolved over 250,000 data exceptions and found that revenue had been understated by \$138 million in 2014–15. This was recorded as a prior-period error in the financial statements.

The engagement was costly. It required 185 full time TAFE NSW employees (including contractors) and incurred costs of more than \$10.0 million. This exceeded initial scoping estimates.

An unqualified audit opinion was issued on the 2015–16 financial statements. The stand-alone database and associated data remediation provided evidence to support revenue related transactions for both 2014–15 and 2015–16.

More work is required to address TAFE NSW's student administration system limitations

Work has started on remediating student data in the live student system and implementing procedures to address limitations in the current student system.

This work is important, as it will provide the evidence to support recorded revenue and related transactions in 2016–17 and 2017–18.

The value of TAFE NSW's existing student system was further reduced

Due to the system limitations TAFE NSW wrote down the value of the current student system by \$12.7 million in 2014–15, and a further \$12.0 million in 2015–16. The carrying value of the

student system, originally \$40.2 million at October 2014, is approximately \$12.0 million at 30 June 2016.

In June 2016, the government confirmed TAFE NSW will replace its student administration system with a modern, cloud-based system. This will enable students to easily manage their training records and allow TAFE NSW to adapt quickly to new policy settings. The new student system will be progressively implemented from 2018. The expected cost of the new system has not been announced.

Hunter Water Corporation

Sale of Hunter Water Corporation's Kooragang Island Advanced Water Treatment Plant resulted in a decrease in the value of the assets by \$20.5 million

Hunter Water Corporation has contracted to sell its Kooragang Island Water Advanced Treatment Plant for \$35.5 million. Its carrying value was \$56.0 million.

The \$20.5 million decrease in its fair value was recognised in the 30 June 2016 financial statements.

The sale will be finalised when the buyer obtains a formal license to operate the plant. The sale of the plant, which mainly supplied recycled water to a private entity, is part of the Hunter Water's asset management initiative.

Key financial information

Cluster agencies recorded a \$437 million operating result

Cluster agencies recorded a combined operating surplus of \$437 million in 2015–16 (combined result of \$838 million surplus in 2014–15). The financial results included:

- \$105 million net loss (\$99 million net surplus) for the Department and other agencies
- \$669 million net profit after tax (\$551 million net profit after tax) for water utilities
- \$127 million net loss after tax (\$187 million net profit after tax) for electricity businesses.

Appendix four summarises key financial information for each agency.

Cluster agencies, excluding electricity and water entities, record losses of \$105 million

Significant changes in the net result of cluster agencies, excluding electricity distributors and water utilities, from the prior year included:

- the Department's net deficit was \$222 million compared to a net deficit of \$216 million in 2014–15. Expenses increased by \$521 million including an increase in grants and subsidies paid of \$595 million
- \$256 million less revenue for TAFE NSW due to grants and contributions decreasing by \$236 million
- \$39.0 million less revenue for Local Land Services due to grants and contributions decreasing by \$38.8 million partially offset by a \$4.0 million increase in employee related expenses.

Total combined assets were \$17.7 billion at 30 June 2016, down from \$18.5 billion at 30 June 2015. Total liabilities increased slightly to \$2.2 billion from \$2.1 billion.

Electricity businesses

Electricity distributors' actual revenues and combined net profits fell in 2015–16

The electricity distributors earned revenue of \$5.7 billion in 2015–16 (\$6.8 billion in 2014–15) and recorded a combined net loss after tax of \$103 million (net profit after tax of \$930 million).

The combined net loss was mainly due to a \$671 million fall in Ausgrid's net profit after tax. This loss included a \$408 million mark-to-market expense associated with converting long-

term debt into short-term debt to comply with the NSW Government's direction. The Australian Energy Regulator's determination for the 2014–19 regulatory period was the primary driver for lower revenue and profits for the electricity distributors. The determination set the maximum allowable revenue the distributors can earn over the five year period.

Endeavour Energy and Essential Energy's combined net profit after tax fell \$362 million, mainly due to lower revenue allowances under AER determination. Both distributors incurred higher finance costs and Endeavour Energy incurred higher distribution of energy and other service costs.

The NSW Government's investment in electricity businesses fell slightly

The value of the NSW Government's investment in the electricity businesses totalled \$8.4 billion at 30 June 2016 (\$8.7 billion at 30 June 2015). This comprised assets of \$31.7 billion (\$31.8 billion) less liabilities of \$23.4 billion (\$23.1 billion).

	Generator [^]		Electricity distributors		Total	
Year ended 30 June	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m
Total assets	138	325	31,603	31,510	31,741	31,835
Total liabilities	24	311	23,360	22,785	23,384	23,096
Net assets	114	14	8,243	8,725	8,357	8,739
Total revenue*	155	464	5,716	6,803	5,871	7,267
Total expense**	179	1,207	5,819	5,873	5,998	7,080
Net profit/(loss) after tax	(24)	(743)	(103)	930	(127)	187
Dividend provided from net profit	--	--	77	308	77	308

* Includes revenue, gain on disposals, financial instrument fair value gains, and income tax benefits.

** Includes loss on disposals, financial instrument fair value losses, and income tax expenses.

[^] Includes only Delta Electricity.

Source: Financial statements (audited).

Electricity distributors' assets increased by \$93.4 million

At 30 June 2016, the electricity distributors' assets totalled \$31.6 billion, an increase of \$93.4 million from 2014–15, primarily due to new capital expenditure, partially offset by higher depreciation costs. No distributors recognised significant movements in asset valuations in 2015–16.

At 30 June 2016, the distributors' total liabilities increased \$575 million to \$23.4 billion mainly due to increased borrowings across the distribution businesses. Ausgrid had the largest increase in borrowings mainly due to the NSW Government directing it to convert a portion of its long-term debt to short-term debt in preparation for the lease transaction.

The movement in asset and liability values resulted in a 6 per cent decrease in distributors' net assets to \$8.2 billion at 30 June 2016.

Water utilities

Water utilities' combined profits after tax increased to \$669 million

The \$118 million increase in profit after tax in 2015–16 was largely due to a reduction in the impairment expenses of infrastructure assets during the year.

Financial sustainability of self-funded cluster agencies

Self-funded agencies, other than State owned corporations

Self-funded agencies have liquidity ratios of more than one

The table below summarises the performance of self-funded cluster agencies, other than State owned corporations, against some commonly accepted sustainability indicators for 2015–16. Two agencies incurred significant losses in 2015–16, but the liquidity ratios remained above 1.0, indicating they have sufficient funds to settle liabilities falling due in the next 12 months.

Financial sustainability indicators for the year ended 30 June 2016						
Self-funded agencies	Net result-surplus/(deficit) \$m	Net result as a % of total revenue	Letter of support provided	Liquidity	Self-funding %	Expense growth rate %
Local Land Services*	(42.2)	(32.6)	No	1.7	67.2	2.4
New South Wales Rural Assistance Authority	0.8	3.0	Yes	1.5	66.5	(6.7)
NSW Food Authority	(9.6)	(45.8)	Yes	3.7	55.0	34.8

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

* Consolidated entity.

Source: Financial statements (audited).

LLS received \$39.8 million less in State and Commonwealth grants, the major cause of its net loss, whilst an \$8.7 million increase in personnel services costs was the major cause of the NSW Food Authority's net loss.

New South Wales Rural Assistance Authority (RAA) has a high debt to equity ratio due to the nature of its activities. It borrows from NSW Treasury and the Australian Government and lends money to its customers. RAA does not use the borrowings to fund internal operating costs.

Liquidity has decreased from 2014–15 for all the self-funded agencies. However, the liquidity ratios are still greater than one, indicating they have sufficient funds to settle liabilities falling due in the next 12 months.

The NSW Food Authority's 35 per cent expense growth rate is mainly due to an increase of \$8.6 million in actuarially assessed superannuation expenses in 2015–16, the main reason for its net deficit.

The financial sustainability of agencies mainly funded through State government grants has not been analysed as they rely on grants through the annual budget allocation process rather than self-generated revenue.

The Department provided letters of support to 19 agencies in the cluster to guarantee their ability to pay liabilities as they fall due.

Financial stability of cluster State owned corporations

Electricity distributors

All electricity distributors have low liquidity ratios

The liquidity and gearing ratios of electricity distributors indicate they may have short term sustainability concerns. However, these entities support ongoing operations with ratios at these levels through:

- regulated revenue streams and rates of return
- revenue generating assets with long useful lives
- debt funding approved by the NSW Treasurer under the *Public Authorities (Financial Arrangements) Act 1987*
- borrowings through the New South Wales Treasury Corporation
- letters of support from the NSW Treasurer for Ausgrid and Endeavour Energy

- safeguards within Treasury's Commercial Policy Framework, including constraints on dividend payments.

Ausgrid had the lowest ratio of 0.1, a decline of 0.3 in 2015–16 due to the conversion of long term debt to short term debt. Endeavour Energy and Essential Energy's liquidity ratios also deteriorated marginally.

The table below summarises the distributors' performance against some key financial indicators at 30 June 2016. Refer to Appendix Six for a description of ratios and risk assessments.

Financial sustainability indicators for the year ended 30 June 2016						
Electricity distributors	Liquidity	Gearing %	Underlying result %	Capital replacement *	Self - financing %	Indicator
Ausgrid	0.1	69.8	5.9	0.9	18.4	●
Endeavour Energy	0.2	69.4	10.1	1.2	17.1	●
Essential Energy	0.3	68.8	(0.1)	1.3	15.2	●

* Capitalised depreciation has been excluded.

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

Source: Financial statements (audited).

Gearing

The electricity distributors were operating with gearing ratios greater than 60 per cent at 30 June 2016. Ausgrid has the highest gearing ratio of 70 per cent. The AER uses this benchmark as an efficient gearing ratio for the NSW Government electricity businesses to ensure customers do not bear the costs of inefficient financing structures.

The gearing ratio for all distributors increased in 2015–16 due to increased borrowings and the retirement of long term debt to short term debt for Ausgrid. Ausgrid and Essential Energy experienced the largest increases in gearing compared to 2014–15. Lower operating cash flows resulted in Essential Energy increasing its borrowings to fund capital expenditure.

Underlying result

An entity's underlying result reflects the profit or loss from its ongoing activities. The electricity distributors recorded unfavourable underlying results in 2015–16 compared to 2014–15. This was largely due to combined revenues falling by \$1.1 billion with a similar \$1.0 billion fall in combined profits after tax in 2015–16. Further analysis of revenue and net results is included earlier in this report. The decline in the underlying result significantly reduced the distributions made to the government by the electricity distributors.

Capital replacement ratio

Both Endeavour Energy and Essential Energy recorded capital replacement ratios greater than one at 30 June 2016. A ratio greater than one indicates capital expenditure is greater than the rate of depreciation. Essential Energy had the highest capital replacement ratio, while Ausgrid had the lowest.

Long-term sustainability for electricity distribution businesses

The following indicators are derived from the consolidated operations of the electricity distributors. All sustainability indicators declined in 2015–16.

Long term sustainability - distributors					
Year ended 30 June	2016	2015	2014	2013	2012
Return on equity (%)	(1.3)	10.6	13.7	18.4	13.0
Return on assets (%)	(0.3)	7.8	8.2	10.3	8.7
Interest coverage ratio (times)	0.01	2.1	2.2	2.7	1.9
Gearing ratio (%)	69.4	65.6	65.5	65.3	70.1
Liquidity ratio (times)	0.1	0.3	0.4	0.4	0.4

Note: Indicators are calculated based on continuing and discontinued operations.

Source: Financial statements (audited).

The \$1.0 billion fall in combined net profits after tax of the electricity distribution businesses negatively impacted the return on equity in 2015–16 and the interest coverage ratio. Interest coverage was also negatively impacted by increased interest expenses.

The liquidity ratio fell in 2015–16 mainly due to increased borrowings and the conversion of Ausgrid's long term debt to short term debt (from a non-current liability to a current liability).

Water utilities

Two of the three major water utilities have low liquidity ratios

The water utilities' liquidity and gearing ratios are below benchmark levels. However, these entities support ongoing operations with ratios at these levels through:

- regulated revenue streams and regulated rates of return
- revenue generating assets with long useful lives
- debt funding approved by the NSW Treasurer under the *Public Authorities (Financial Arrangements) Act 1987*
- borrowings through New South Wales Treasury Corporation
- safeguards within Treasury's Commercial Policy Framework, including constraints on dividend payments.

The table below shows some performance indicators for the major water utilities for 2015–16.

Financial sustainability indicators for the year ended 30 June 2016						
	Underlying result %	Liquidity	Self-financing %	Gearing %	Capital replacement	Overall assessment
Hunter Water Corporation	11.8	0.7	24.7	47.8	1.7	●
Sydney Water Corporation	19.3	0.3	22.2	49.2	2.6	●
WaterNSW	15.7	1.0	48.9	34.3	1.0	●

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

Source: Financial statements (audited).

Liquidity

At 30 June 2016, the liquidity ratios of Hunter Water Corporation and Sydney Water Corporation were less than one, which is generally considered an appropriate level of liquidity to support continuing business operations.

However, because the water utilities have access to regulated revenue streams, regulated rates of return and strong cash inflows, they can operate at lower levels of liquidity.

Gearing

All water utilities are operating below the IPART's 60 per cent benchmark. IPART considers this to be an efficient gearing ratio (proportion of debt in total financing) for water utilities. A

higher ratio indicates an inefficient financing structure because the cost of equity financing is generally greater than the cost of debt financing.


Capital replacement

WaterNSW's capital replacement ratio is below other water utilities. This is in line with management's plan for lower capital expenditure in recent years.

Hunter Water Corporation and Sydney Water Corporation recorded higher capital replacement ratios as a result of higher capital expenditure to meet increased demand for the supply of water to new properties.

Forestry Corporation of New South Wales

Forestry Corporation of New South Wales performs well on sustainability indicators

Financial sustainability indicators for the year ended 30 June 2016						
	Underlying result %	Liquidity	Self-financing %	Gearing %	Capital replacement	Overall assessment
Forestry Corporation of New South Wales	21.2	1.3	96.2	5.1	0.6	

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

Source: Financial statements (audited).

Liquidity

At 30 June 2016, Forestry Corporation of New South Wales' (Forests) liquidity ratio was higher than one, indicating it has sufficient liquidity to support its continuing business operations.

Gearing

Forests' gearing ratio was five per cent, the lowest of all State owned corporations in the cluster. This means that Forests has the lowest level of borrowings compared to its total debt and equity.

Capital replacement

Its capital replacement ratio increased from 0.3 at 30 June 2015 to 0.6 at 30 June 2016 and is the lowest of all State owned corporations in the cluster. This indicates its rate of capital expenditure is lower than the rate at which its assets are depreciating.

Distributions to government

Distributions by State owned corporations to the government fell by \$675 million

Cluster State owned corporations' distributions to government fell from \$2.3 billion in 2014–15 to \$1.6 billion in 2015–16. The distributions included dividends, income tax equivalents and government guarantee fees.

State owned corporations distributions to NSW Government								
	Forestry \$m		Electricity businesses \$m		Water utilities \$m		Total \$m	
Year ended 30 June	2016	2015	2016	2015	2016	2015	2016	2015
Dividend	22	19	209	520	487	685	718	1,224
Income tax equivalent	39	35	153	423	262	205	454	660
Government guarantee fee	1	2	298	282	144	122	443	405
Total	62	56	660	1,225	893	1,012	1,615	2,290

Source: Financial statements (audited).

Forest distributions increased in 2015–16

Forests' total distributions to government increased from \$56 million in 2014–15 to \$62 million in 2015–16. The increase in dividend and income tax equivalent payments was due to Forests' higher net profits.

Electricity distributors' distributions decreased in 2015–16

Endeavour Energy's dividend payout ratio was 50 per cent of its after tax profits, adjusted for non-cash items. No ordinary dividends were payable by Ausgrid or Essential Energy because they recorded net losses in 2015–16. Energy rebate dividends, to fund the government's energy rebate program, were payable by all three distributors, regardless of whether the businesses made a profit or loss.

In 2015–16, electricity distributors accrued and paid \$362 million (\$943 million in 2014–15) to the NSW Government.

Dividends provided during the year and income taxes paid					
Year ended 30 June	2016 *	2015 *	2014	2013	2012
	\$m	\$m	\$m	\$m	\$m
Generators	--	--	33	177	304
Distributors	362	943**	1,417	1,335	945
Total	362	943	1,450	1,512	1,249

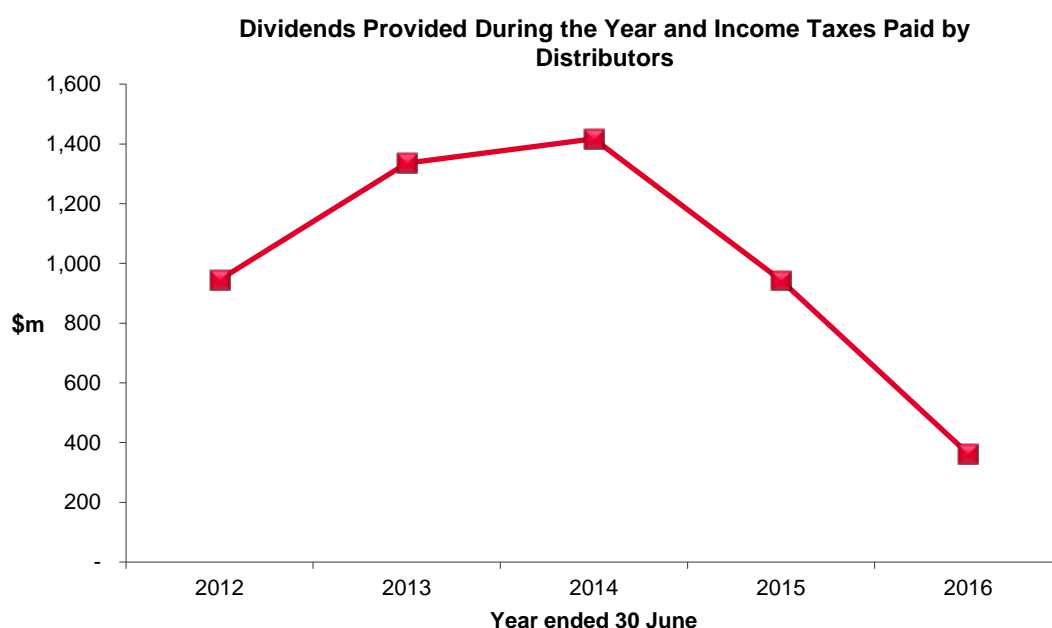
* Includes special dividend relating to the energy rebate.

** Excludes a special dividend of \$118 million relating to the sale of Ausgrid's head office building in 2013–14. Includes changes to the tax treatment for unread meters.

Source: NSW distributors and NSW generators Financial Statements (audited).

Under Treasury's Financial Distributions Policy for government businesses, dividend targets are negotiated annually between the shareholders and each electricity distributors' board. The targets are agreed in the Statement of Corporate Intent.

The graph below shows the electricity distributors' distributions to government have fallen significantly since 2014, following the Australia Energy Regulator's determination.



Water utilities paid \$893 million to the NSW Government in 2015–16

The table below shows total distributions to the NSW Government by the major water utilities for the past five years.

Distributions to NSW Government for the year ended 30 June					
Water utilities	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Hunter Water Corporation					
Dividends	37	21	36	16	21
Income tax equivalents	21	34	27	16	13
Government guarantee fee	17	15	15	19	16
Total distributions to NSW Government	75	70	78	51	50
Sydney Water Corporation					
Dividends	389	664	252	291	242
Income tax equivalents	239	149	188	181	92
Government guarantee fee	117	98	99	105	105
Total distributions to NSW Government	745	911	539	577	439
WaterNSW					
Dividends	61	--	48	51	29
Income tax equivalents	2	22	16	--	18
Government guarantee fee	10	9	9	10	9
Total distributions to NSW Government	73	31	73	61	56
Grand total	893	1,012	690	689	545

Note: Dividends for Sydney Water Corporation in 2012–13 excludes special dividend from the gain on sale of Sydney Desalination Plant Pty Limited.

The financial information for WaterNSW includes a combination of State Water Corporation and Sydney Catchment Authority for years 2012 – 2015.

Source: Financial statements (audited).

In 2014–15, Sydney Water Corporation's dividend was comprised of net profit after tax for 2014–15 plus the remaining profits from the previous two years. This contributed to the significant increase in its dividend to \$664 million in 2014–15.

Distributions from sales and leases of Crown land fell in 2015–16

The Department and LAMC collect Crown land sale proceeds and lease income which are distributed to the Consolidated Fund. The distributions, which are net of related costs and do not include monies held as deposits or in trust, fell from \$67.0 million in 2014–15 to \$63.0 million in 2015–16.

Impact of recent events on electricity businesses

The financial results and operations of the electricity businesses have been significantly impacted by industry wide reforms and decisions of the NSW Government as outlined below.

Australian Energy Regulator determination 2014–2019

The AER is responsible for the economic regulation of electricity transmission and distribution systems in all states and territories, except Western Australia and the Northern Territory. The revenue caps determined by the AER affect the distribution and transmission components of an electricity bill.

The AER periodically determines the revenue requirements of the regulated electricity businesses. In making its determination, it must be satisfied the level of capital and operating expenditure proposed by the distributors reflects the costs a prudent benchmark operator would need to operate a network safely and comply with obligations and safety standards.

The most recent AER determination covers the period 1 July 2014 to 30 June 2019. For comparative purposes, all AER figures reported here are expressed in nominal terms. All 2014–19 figures are based on April 2015 AER determination which was set aside by the

Australian Competition Tribunal (ACT). An update on this determination is discussed later in this report.

Impact on distributors' revenue

All distributors' revenue forecasts are consistent with AER revenue allowances

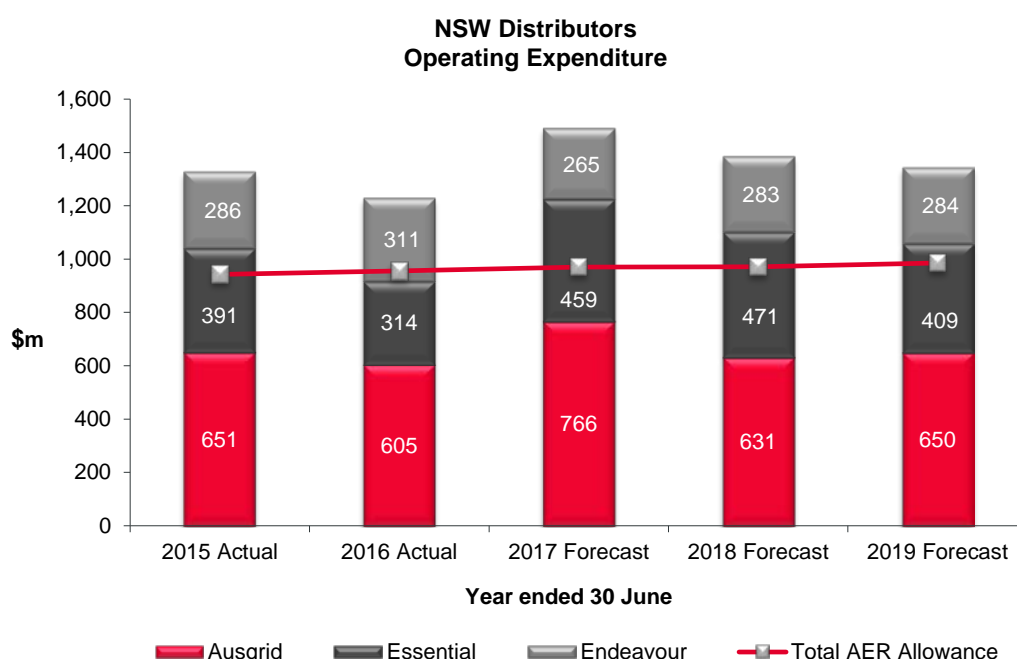
Under the AER determination, the distributors were allowed to recover network revenue of \$18.2 billion over the regulatory period (\$20.1 billion in 2009–2014). All distributors' revenue forecasts are consistent with this AER determination.

Under the revenue cap pricing model, revenue should not exceed the Maximum Allowable Revenue cap (MAR) over the five year period. Prices are adjusted year to year for excesses or shortfalls in revenue.

Impact on distributors' operating expenditure

Distributors anticipate exceeding AER operating expenditure allowances by \$2.0 billion

The electricity distributors anticipate exceeding the AER's \$4.8 billion (\$6.8 billion) 2014–19 operating expenditure allowances by \$2.0 billion.



Source: Data obtained from Ausgrid, Endeavour Energy and Essential Energy (unaudited). Figures are presented in nominal values. These are rounded for presentation purposes.

Over the 2014–2019 regulatory period, Ausgrid has the highest forecast overspend of 66 per cent. Essential Energy and Endeavour Energy have forecast overspends of 27 per cent and 17 per cent respectively.

The distributors are decreasing operating expenditure and improving operating efficiency through employee redundancies and strategies to reduce fleet, contractor and plant costs.

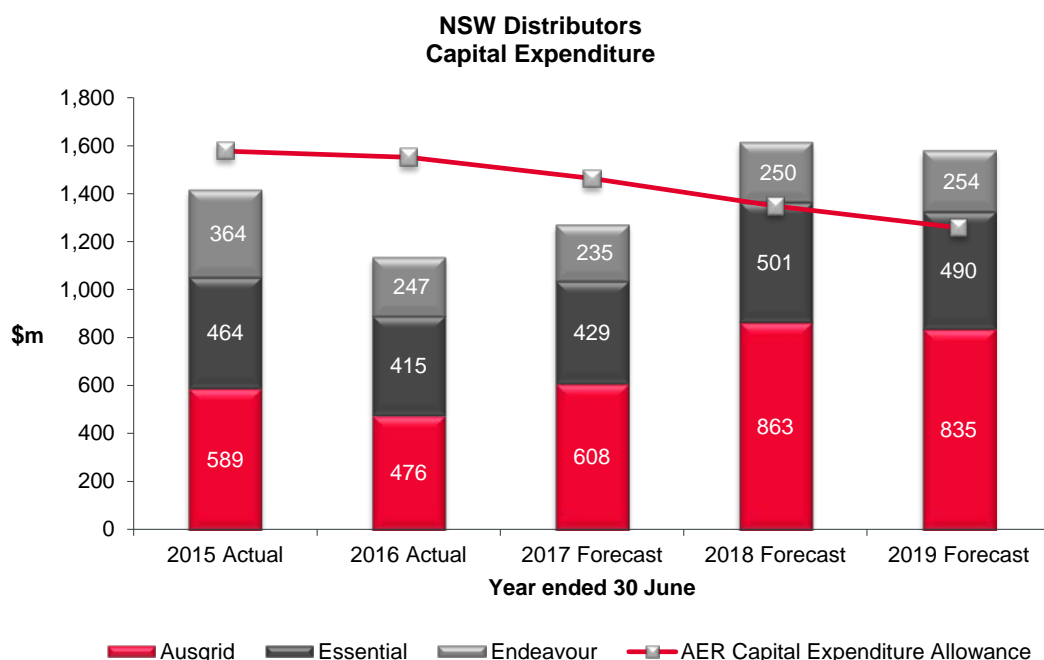
Impact on distributors' capital expenditure

Distributors expect to meet 2014–2019 AER capital expenditure allowances

The AER approved lower capital expenditure allowances than the distribution businesses requested, totalling \$7.2 billion for 2014–2019 (\$15.5 billion for 2009–2014). Collectively, the distributors expect to meet the AER's allowance over the five years. Endeavour Energy and Essential Energy have forecast capital expenditure lower than the allowance, while Ausgrid's forecast is 5 per cent higher than the allowance.

The distributors have reduced capital expenditure by reviewing capital programs and delaying projects, managing demand, and prioritising investment in the network's growth to priority growth areas.

The graph below shows the distributors collectively underspent on capital projects in the first two years of the regulatory period. This was due to the uncertainty around the 2014–2019 AER determination released in April 2015.



Source: Data obtained from Ausgrid, Endeavour Energy and Essential Energy (unaudited). Figures are presented in nominal values. These are rounded for presentation purposes.

The AER determines the capital expenditure allowance it believes a prudent and efficient operator requires to operate a network safely, meet realistic demand expectations and comply with obligations and service standards.

In 2015–16, the number of capital projects completed by Ausgrid and Essential Energy were two and a half per cent and two per cent below target respectively. They attribute this to more efficient cost delivery models, cancelling or deferring projects and reassessed asset conditions resulting from the decline in electricity consumption. Endeavour Energy exceeded its target by six per cent.

Response to AER determination

Judicial appeal to AER determination

In February 2016, the Australian Competition Tribunal (ACT) set aside the AER's April 2015 determination following an appeal from the distributors. The determination was referred back to the AER to address errors in the weighted average cost of capital and the efficient level of operational expenditure.

On 24 March 2016, the AER appealed to the Federal Court of Australia to review the decisions of the ACT. The judicial review was heard by the Full Federal Court in October 2016 and the outcome is not expected to be known until 2017.

On 16 May 2016, the AER accepted a court enforceable undertaking offered by the distributors which provided a legal basis for setting prices for 2017.

Redundancy

More than 1,461 employees left the electricity distributors in 2015–16

During 2015–16, the distributors continued reforming the businesses to achieve operational efficiencies and reduce costs. Redundancy costs in 2015–16 are shown below.

Year ended 30 June 2016	Ausgrid	Endeavour Energy	Essential Energy	Total
Redundancy and stranded cost expense (\$m)	103	18	25	146
Total employees provided for through redundancy	367	25	12	404
Total employees who exited through redundancy	610	289	562	1,461

Source: NSW Distribution Business (unaudited).

Ausgrid's provision for 367 employees is mainly attributed to those employees identified as surplus to business needs following its network reform program. The provision includes the costs of continuing to pay salaries to surplus staff and estimated redundancy payments.

Ausgrid advises the redundancies are the result of strategies to reduce business costs and achieve operational efficiencies and are not related to the leasing transaction.

Financial Controls

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

This chapter outlines our 2015–16 audit observations, conclusions or recommendations for financial controls in cluster agencies.

Financial controls	
Observation	Conclusion or recommendation
We identified over 158 internal control issues, including 40 repeat issues, across the cluster	Recommendation: Internal control issues should be actioned promptly.
Employees in the Department and other agencies had excessive annual leave balances at 30 June 2016.	Recommendation: Agencies need to continue efforts to reduce employee annual leave balances to meet whole-of-government targets.
Electricity distributors' overtime costs and associated allowances were lower in 2015–16 than 2014–15.	The distributors have continued to improve the management of overtime.
Electricity distributors' debt increased to \$18.7 billion in 2015–16, with over \$11.7 billion due to be repaid or refinanced within the next five years.	The NSW Government's direction to retire Ausgrid's long term debt to short term resulted in increased borrowings.
Water utilities' unplanned asset maintenance costs increased by 33 per cent over the past five years.	Water utilities are reassessing asset management plans reduce the increasing trend in unplanned maintenance.
Sydney Water Corporation's Hoxton Park Recycled Water Treatment Plant, constructed in 2013 at a cost of \$28.0 million, has not commenced operations.	The value of the plant decreased to \$8.0 million at 30 June 2016.

Internal controls

High risk control deficiencies fell from seven in 2014–15 to two in 2015–16

Last year's Auditor-General's Report to Parliament recommended cluster agencies action internal control issues promptly and avoid repeat issues. The 2015–16 financial statement audits identified fewer high risk control deficiencies, falling from seven in 2014–15 to two in 2015–16. This indicates management is actively assessing and addressing high risk issues.

Weaknesses in internal controls increase the risk of fraud and error. We report weaknesses identified in the audit process and recommend how they should be addressed through letters to management and those charged with agency governance.

Of the 158 internal control issues we reported, 40 were repeat issues

Recommendation (repeat issue)

Internal control issues should be actioned promptly.

The 2015–16 audits identified a total of 158 internal control issues, compared to 154 issues in 2014–15. Of these, 40 were repeat issues compared to 46 in the previous year.

The number of new internal control issues increased from 108 in 2014–15 to 118 in 2015–16.

Summary of audit recommendations by risk-assessment level

Audit recommendations by risk-assessment level						
Year ended 30 June	2016			2015		
Risk assessment	New	Repeat	Total	New	Repeat	Total
Other agencies						
High	1	1	2	2	4	6
Medium	60	24	84	44	25	69
Low	27	7	34	25	11	36
Total	88	32	120	71	40	111
Electricity distributors						
High	--	--	--	--	--	--
Medium	11	1	12	7	1	8
Low	2	--	2	2	4	6
Total	13	1	14	9	5	14
Water utilities						
High	--	--	--	1	--	1
Medium	10	4	14	19	--	19
Low	7	3	10	8	1	9
Total	17	7	24	28	1	29
Total for cluster	118	40	158	108	46	154

Source: Management letters drafted and issued to agencies by the Audit Office.

Agencies vary in size and complexity and the risk ratings assigned to audit findings depend on the importance of the issues to the agency. An issue may be rated as a high/extreme risk in one agency, but low risk in another.

The risk assessment matrix we use to rate issues is aligned to 'Treasury Policy Paper TPP12-03 'Risk Management Toolkit for the NSW Public Sector'. The risk rating considers consequence and likelihood. The more frequent an event/transaction combined with a high consequence, the higher the risk.

Key themes of issues identified are summarised below.

Non-compliance with processes or regulations

These issues include non-compliance with:

- Public Finance and Audit Act 1983 requirements
- Government Information (Public Access) Act 2009 requirements
- internal policies and procedures
- financial delegation limits
- Treasury's policies and procedures.

Information technology

Key control weaknesses include:

- password parameters not meeting best practice standards
- inadequate administration of user access to financial systems for terminated staff.

Accounting misstatements and others

These issues include:

- incorrect accounting treatments
- liabilities not recorded in the correct period
- deficiencies in the valuation of property, plant and equipment
- unrecorded liabilities.

Human resources

Managing excess annual leave

Annual leave balances continue to exceed whole-of-government targets

Recommendation (repeat issue)

Agencies need to continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets.

Reducing excess annual leave continues to challenge many cluster agencies. At 30 June 2016, 2,493 employees in certain agencies had annual leave balances above the 30 day whole-of-government target.

The number of employees with excess annual leave balances fell six per cent, while the associated liability increased to \$7.7 million.

Cluster agencies	Staff with annual leave > 30 days	Liability \$'000	Staff with annual leave > 30 days	Liability \$'000
At 30 June	2016		2015	
Department of Industry, Skills and Regional Development	969	2,667	975	2,109
Forestry Corporation of NSW	198	608	193	461
Local Land Services	179	700	184	718
New South Wales Rural Assistance Authority*	6	16	7	33
NSW Food Authority*	23	66	23	78
Technical and Further Education NSW	1,118	3,593	1,264	2,761
Total	2,493	7,650	2,646	6,160

* Staff are employees of the Department.

Source: provided by agencies (unaudited).

Cluster agencies efforts to reduce annual leave balances should include:

- regular monitoring of current and projected leave balances to the end of the financial year (e.g. quarterly)
- developing and agreeing leave plans with employees to reduce the balances over an acceptable timeframe.

The implications of excessive leave balances include:

- possible work health and safety issues
- disruptions to service delivery when key employees take lengthy periods of leave
- employee fraud remaining undetected
- an increasing financial liability over time as salaries increase.

Treasury Circular TC16/03 'Managing Accrued Recreation Leave Balances' requires agencies to manage accrued employee recreation leave balances to a maximum of 30 days or less on an ongoing basis, within the constraints of relevant industrial instruments and legislation.

Overtime and associated allowances in electricity distributors

Overtime and associated allowances paid decreased by 27 per cent

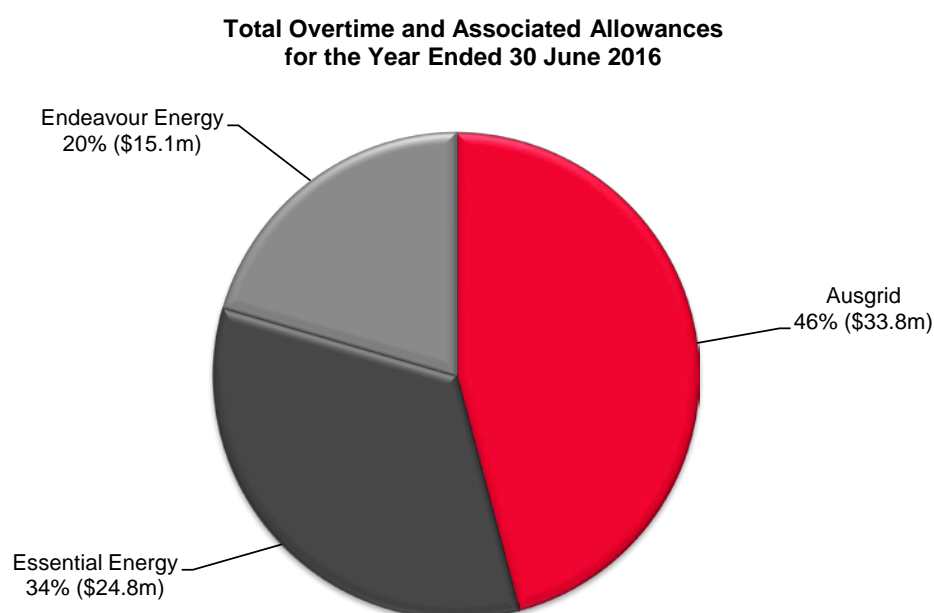
Total overtime and associated allowances paid by distributors in 2015–16 fell 27 per cent to \$73.7 million (\$101 million in 2014–15). The distributors attribute this mainly to reduced levels of planned overtime, in response to the AER's reduced operating and capital expenditure allowances.

The distributors continue to improve the management of overtime, which is impacted by the frequency of network-related incidents. Such events include emergency responses to weather

conditions, other network faults, the need for capital and maintenance work to be completed outside employees' scheduled operating hours, and the remoteness of some locations.

Overtime is paid at a premium rate. If not effectively managed, unnecessary costs and increased work and health and safety issues may occur, particularly when fatigued employees perform high-risk tasks. Previous Auditor-General's Reports to Parliament have identified the need to closely monitor overtime levels to ensure business.

The graph below shows Ausgrid, the largest distributor, paid \$33.8 million (46 per cent) of the total overtime expense.



Source: NSW distributors (unaudited).

In 2015–16, 67 employees (167 in 2014–15) were paid more than 50 per cent of their base salary in overtime and associated allowances, an overall decrease of 60 per cent.

The decrease is mainly attributable to Ausgrid where the number of employees receiving more than 50 per cent of their base salary in overtime fell from 144 in 2014–15 to 51 in 2015–16. Significant storm events in 2014–15 resulted in Ausgrid paying more employees overtime .

Number of employees receiving more than 50 per cent of their base salary in overtime and associated allowances				
Year ended 30 June	2016	2015	2014	Increase/(decrease) from 2015 %
Ausgrid	51	144	169	(64.6)
Essential	16	11	32	45.5
Endeavour	--	12	6	(100.0)
Total	67	167	207	(59.9)

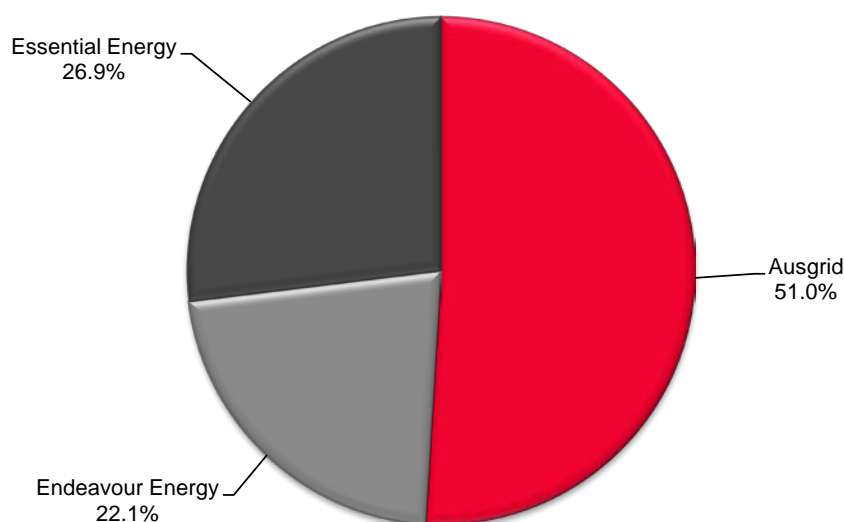
Source: NSW distributors (unaudited).

Borrowings

Debt held by electricity distributors increased to \$18.7 billion

The distributors' total debt increased to \$18.7 billion at 30 June 2016 (\$17.8 billion at 30 June 2015). Ausgrid accounted for 51 per cent of the total debt, with borrowings of \$9.5 billion (\$9.0 billion). It has the largest capital investment program of the distributors.

Share of Total Debt at 30 June 2016



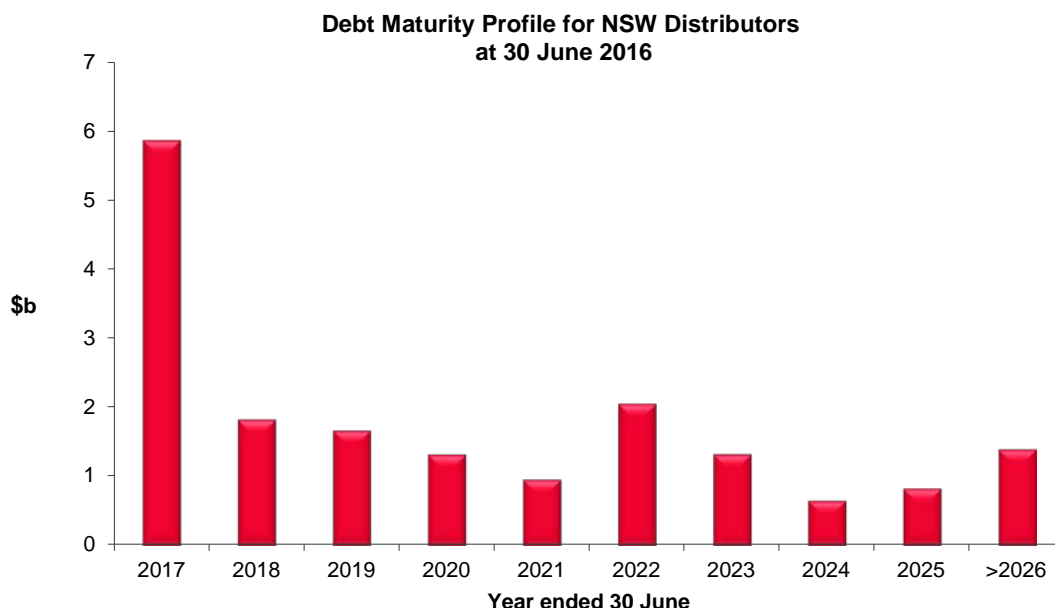
Source: NSW distributors financial statements (audited).

Ausgrid's borrowings increased mainly due to the NSW Government directing it convert a portion of its long term debt to short term debt in anticipation of the lease transaction. Essential Energy and Endeavour Energy increased borrowings to mainly fund capital expenditure programs.

Over \$11.7 billion in debt must be repaid or refinanced over the next five years

The distributors are due to repay or refinance 63 per cent of total debt in the next five years.

The graph below shows a significant proportion of the distributors' debt matures in 2017, largely because of the NSW Government's direction to convert a portion of Ausgrid's long term debt to short term debt. The direction caused Ausgrid to breach its capital management policy with more than 25 per cent of its short term debt due to mature in less than one year.



> 2026 includes all debt maturing in the financial year ending 30 June 2026 and beyond.
Source: NSW distributors financial statements (audited).

Endeavour Energy and Essential Energy stayed within their short-term debt maturity limit. Forty-six per cent of Ausgrid's total debt is due to mature in less than one year.

The distributors' internal policies limit the amount of debt that can mature within a certain period. The maximum portion of debt that can mature in less than one year cannot exceed 25 per cent of the total debt portfolio, and the weighted average life of the debt portfolio must be within the limit set by the Board.

Borrowing costs of electricity businesses increased

Borrowing costs (including capitalised interest) totalled \$1.6 billion in 2015–16, \$233 million higher than 2014–15. Losses of \$408 million resulting from Ausgrid converting long term debt to short term debt contributed to the increase in borrowing costs.

Borrowing costs and external debt			
Year ended 30 June	2016	2015	2014
	\$m	\$m	\$m
Distributors			
Borrowing costs	1,615	1,231	1,237
External debt	18,728	17,771	17,161
Generator			
Borrowing costs	--	151	112
External debt	--	--	1,370
Total borrowing costs	1,615	1,382	1,349
Total external debt	18,728	17,771	18,531

Source: NSW distributors and NSW generators financial statements (audited).

Asset management

Asset maintenance for electricity businesses

Electricity businesses maintenance expenses have fallen over the past five years

The table below shows the value of the property, plant and equipment (PPE) has increased 27 per cent (\$6.5 billion) over the past five years. However, the ratio of maintenance

expenditure to the value of PPE has fallen to slightly over two per cent in 2015–16. Both Essential Energy and Ausgrid have incurred lower maintenance costs over the past five years.

Asset maintenance expenditure					
Year ended 30 June	2016	2015	2014	2013	2012
Maintenance expenditure (\$m)	710	795	790	854	836
PPE values at 30 June (\$b)	30.2	29.8	29.1	28.2	23.7
Maintenance expenditure/PPE values (%)	2.4	2.7	2.7	3.0	3.5

Source: NSW distributors (audited).

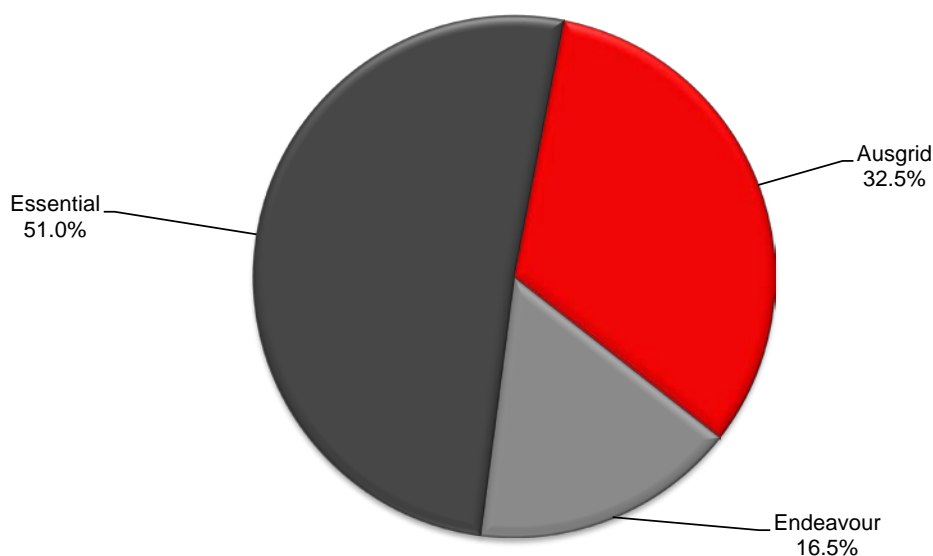
Electricity distributors spent nearly \$4.0 billion on maintenance over the past five years

The distributors spent close to \$4.0 billion on maintenance over the past five years. Essential Energy accounted for over half of this because it maintains the electricity distribution network in regional New South Wales. It services 95 per cent of the State.

Ausgrid incurred 33 per cent of this expenditure maintaining the network in Sydney, Newcastle, the Hunter Valley and Central Coast of New South Wales.

Endeavour Energy incurred 17 per cent maintaining the network in Sydney's Greater West, the Blue Mountains, Southern Highlands, Illawarra and South Coast of New South Wales.

Total Maintenance Expense over the Past Five Years



Source: NSW distributors (audited).

Water utilities' unplanned asset maintenance

Unplanned asset maintenance costs have increased 33 per cent over five years

Water utilities' planned maintenance jobs have decreased over the past five years, while unplanned maintenance jobs have increased. This has resulted in unplanned maintenance costs increasing from \$102 million in 2011–12 to \$136 million in 2015–16, mainly due to pipeline failures caused by weather events and growth in the number of assets.

The table below shows the number and cost of maintenance activities over the last five years.

Analysis of planned and unplanned maintenance					
For the year ended 30 June	2016	2015	2014	2013	2012
Planned maintenance activities (number of jobs)	99,188	94,573	93,907	97,037	109,240
Planned maintenance activities - expenses (\$m)	141.2	141.3	121.3	119.1	124.6
Unplanned maintenance activities (number of jobs)	74,895	73,512	75,217	69,936	67,173
Unplanned maintenance activities - expenses (\$m)	136.4	131.8	131.5	112.8	102.2

Source: Hunter Water Corporation (unaudited), Sydney Water Corporation (unaudited) and WaterNSW (unaudited).

Constructed water assets not in use

Sydney Water Corporation constructed Hoxton Park Recycled Water Treatment Plant in 2013 as part of a government initiative to increase water recycling in new growth areas. Sydney Water Corporation advises the plant has not operated since construction as demand has not met forecasts for the region. The value of the plant has fallen from \$28.0 million to \$8.0 million since February 2013 based on revised cash flow forecasts.

The plant was constructed as part of the Hoxton Park Recycled Water Scheme within the NSW Government's 2004 Metropolitan Water Plan. It aimed to reduce the use of drinking water in areas with new development.

Governance

Governance refers to high-level frameworks, processes and behaviours that ensure an entity performs by meeting its intended purpose, complies with legislative and other requirements, and meets probity, accountability and transparency expectations.

This chapter outlines audit observations, conclusions and recommendations for the governance of cluster agencies for 2015–16.

Governance	
Observation	Conclusion or recommendation
Risk management is inconsistently applied across the Cluster.	Recommendation: The Department should implement risk management across the cluster.
The Department provides financial services to other agencies, but does not have service agreements in place for most of them. Some service agreements were outdated or pending renewal.	Recommendation (repeat): The Department should sign service agreements with all serviced divisions and agencies.
The Department of Education continues providing finance and corporate related services to TAFE NSW without a signed service level agreement.	Recommendation (repeat): TAFE NSW should update, finalise and sign the service level agreement with its shared service provider.
Instances of alleged fraud across the Cluster have been reported to the ICAC.	Recommendation: Agencies should identify where instances of alleged fraud and corruption resulted from weaknesses in internal controls, and address the weaknesses.
Identification and management of potential conflicts of interest can improve. Cluster employees have not always declared their interests in other entities.	Recommendation: Cluster agencies should improve the model for managing conflicts of interest using guidance from the ICAC.
The Audit Office reviewed 13 agencies' compliance with Part 3 Division 5 of the <i>Government Information (Public Access) Act 2009</i> (GIPA Act). One cluster agency was selected for the review and instances of non-compliance were identified.	Recommendation: Agencies in the cluster should ensure they have an appropriately designed government contracts register that complies with Part 3 Division 5 of the <i>Government Information (Public Access) Act 2009</i> .
The Dam Safety Committee (DSC) has identified 17 dams as high risk.	The DSC continues to liaise with major dam owners to ensure implementation of specified measures issued under Section 18 of the <i>Dam Safety Act 1978</i> to ensure safety of the dams.

Governance framework and risk management

The Department continues to develop governance arrangements

The Department is progressing the development of departmental and cluster level governance arrangements as recommended in last year's Auditor-General's Report to Parliament.

The Department has advised it will assess its governance arrangements against the Audit Office's Governance Lighthouse Checklist. However this has not yet occurred.

Recommendation

The Department should implement risk management across the cluster.

The Department is working on fully implementing its risk management framework so that it escalates key risks to those charged with governance. The Department conducted a detailed assessment of its risk management maturity using the Audit Office's risk management framework tool. It concluded risk management is inconsistently applied and levels of risk maturity vary across the organisation.

The Department advises the new arrangements will comply with the requirements of Treasury Policy Paper 15–03 'Internal Audit and Risk Management Policy for the NSW Public Sector'.

Risk management is inconsistently applied across cluster agencies. Some agencies have effective risk management, while it is poor in others.

Effective 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 risk management programs. The more mature an agency's risk management, the stronger its culture in balancing the tension between value creation and protection.

Service agreements

Service agreements are not in place for many agencies

Recommendation (repeat issue)

The Department should finalise service agreements with all serviced divisions and agencies.

The Department provides financial and corporate services to other agencies, but does not have service agreements in place for most of them. Some service agreements are pending renewal.

As a service provider, the Department should finalise service agreements with recipient entities as soon as possible, and preferably before starting to provide the services. Failing to do so increases the risk of disputes over the scope, cost, quality and timeliness of the services provided. For some agencies the Department provides services at a reduced cost or free of charge and this should be clearly detailed in the agreement.

Service arrangements aim to create efficiencies and reduce costs by centralising the delivery of services, such as human resources, financial and information technology, from a single location. The Department's Finance Strategy and Operations Division provides a range of corporate services to cluster agencies. It earns revenue on a cost recovery basis from some clients. The Department has been delivering services to some agencies for several years.

TAFE NSW service level agreement is outdated and unsigned

Recommendations (repeat issue)

TAFE NSW should update, finalise and sign the service level agreement with its shared service provider.

Last year's Auditor-General's report to Parliament recommended TAFE NSW should update, finalise and sign the service level agreement with its shared service provider

The Department of Education provides finance related corporate services to TAFE NSW without a signed service level agreement. TAFE NSW is bringing its corporate services function in-house, but the Department of Education continued to provide services in 2015–16 and the timetable to bring them in-house is uncertain.

Fraud control

Incidents of alleged fraud and corruption referred to the ICAC

Recommendation

Agencies should identify where instances of alleged fraud and corruption resulted from weaknesses in internal controls, and address the weaknesses.

Cluster agencies referred 23 instances of alleged corruption to the ICAC. The ICAC assesses each referral and determines whether a formal investigation is required.

Agencies should act to address weaknesses in internal controls that may enable fraud or corrupt conduct.

Reported instances of alleged fraud and corruption included:

- falsified records to claim for non-existent students
- undisclosed conflicts of interest
- corrupt conduct in recruitment processes.

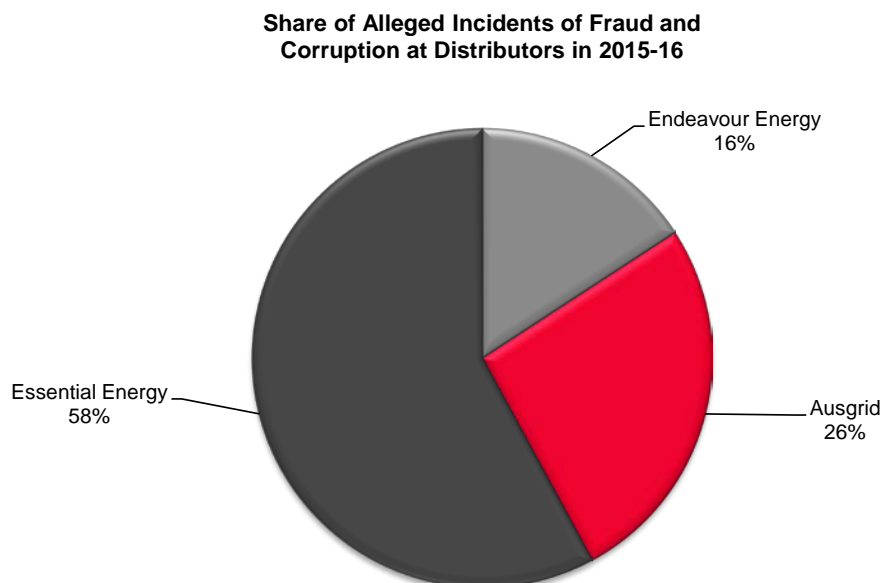
The ICAC completed Operation Sonet

Last year's Auditor-General's report to parliament reported on an ICAC investigation relating to TAFE South Western Sydney Institute (the Institute). In March 2016, the ICAC completed Operation Sonet and made three corruption prevention recommendations to TAFE NSW. TAFE NSW has reported that the Institute has fully implemented the recommendations.

Instances of alleged fraud and corruption decreased among electricity distributors

In 2015–16, 19 incidents of alleged fraud and corruption (32 in 2014–15) were reported to the ICAC or referred to the electricity distributors' Chief Executives by the ICAC. This equates to an average of one alleged incident per 468 employees.

The chart below shows more than half the alleged incidents occurred in Essential Energy and Endeavour Energy had the least incidents.



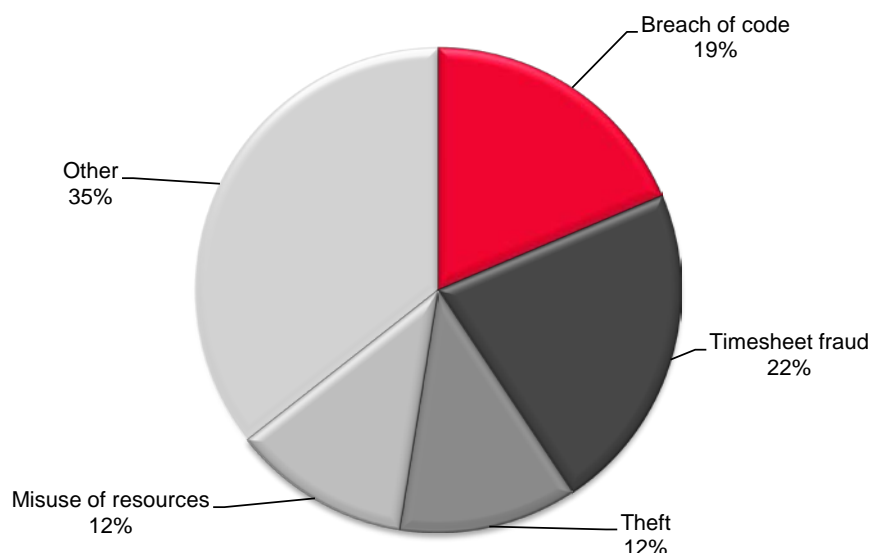
Source: NSW distributors (unaudited).

The following chart shows the outcome of the entities' investigations into the alleged incidents of fraud and corruption in 2015–16.

The main types of substantiated incidents were timesheet fraud, breaches of codes of conduct, misuse of resources and theft. Other substantiated incidents relate to falsifying records, procurement and releasing confidential information.

Substantiated incidents resulted in the termination of employees or contractors, counselling or formal warnings.

Substantiated Types of Fraud or Corruption in 2015-16 Distributors



Source: NSW distributors (unaudited).

The distributors have strong frameworks to help prevent, identify, investigate and report suspected and actual fraud. In 2015–16, they:

- reviewed and updated fraud risk registers to respond to changes in business environments
- continued implementing three year Fraud and Corruption Control Plans.

The Fraud and Corruption Control Plans support strong governance, continuous improvement, build a fraud and corruption resistant culture, and address new and emerging fraud and corruption risks.

The distributors' fraud investigation procedures require all allegations to go through a three-stage assessment process to ensure only allegations supported by evidence progress to investigation.

Two instances of alleged fraud were reported by the water utilities

Water utilities reported two instances of alleged fraud in 2015–16 (two in 2014–15). These matters are being investigated by the ICAC.

Water utilities advise they are continuing to implement mechanisms to manage the risk of fraud.

Conflicts of interest management

The identification and management of conflicts of interest can improve

Recommendation

Cluster agencies should improve the model for managing conflicts of interest using guidance from the ICAC.

We identified instances where employees had not declared all interests in other entities, and where existing policies and the management of potential conflicts of interest can be improved.

The Department identified the need to improve the way it captures, records and manages potential conflicts of interest. The Corporate Strategy branch maintains a conflict of interest register, which is only accessible through the branch. The Department relies heavily on self-reporting by employees.

The NSW Public Service Commission requires agency managers and executives to ensure real or perceived conflicts of interests are avoided or effectively managed. The absence of an assessable centralised register makes it difficult for managers and executives to fulfil this responsibility.

The Department advises strategies are being implemented to better manage conflicts of interest. Pecuniary interest disclosure training has been presented to all senior executives and they are receiving training on conflicts of interest and managing gifts and benefits.

Managing real or perceived conflicts of interest is important to demonstrate that public interests are placed over personal interests to maintain integrity, trust, service and accountability by government. The ICAC has published a guide on 'Identifying and managing conflicts of interest in the public sector' which has standards agencies can use to assess current practices.

Government Information (Public Access) Act 2009 (GIPA)

Some cluster agencies did not fully comply with GIPA requirements

Recommendation

Agencies in the cluster should ensure they have an appropriately designed government contracts register that complies with Part 3 Division 5 of the Government Information (Public Access) Act 2009.

This year, the Audit Office reviewed the compliance of 13 agencies with Part 3 Division 5 of the *Government Information (Public Access) Act 2009* (GIPA Act). One agency in the cluster was selected for the review. The review found that, while the agency substantially complied with the requirements of the Act:

- not all contracts valued at \$150,000 or more were recorded in the contracts register
- not all qualifying contracts were recorded in the register within 45 working days of the contracts becoming effective
- the contracts register included a contract that did not relate to the agency.

The results of the review were reported in the Auditor-General's 2016 Special Report 'Government agencies compliance with the GIPA Act'.

Capital project governance

Water utilities

Some of the water utilities' major capital projects have been delayed

Major water utilities advise that scope changes and unplanned complexities are responsible for delays in delivering some major capital projects. However, the current cost estimates of projects have fallen due to lower pricing from favourable market conditions and scope changes.

The current cost estimates and delivery dates for major capital projects are shown below.

Major capital projects above \$15 million at 30 June 2016				
Hunter Water Corporation	Original cost estimate \$m	Current cost estimate \$m	Original service delivery date	Achieved / estimated service delivery date
Enterprise Resource Planning Upgrade	15.1	13.1	July 2015	March 2016
Shortland Wastewater Treatment Works Sludge Handling	18.0	15.2	December 2015	October 2015
Morpeth Wastewater Treatment Works - Hydraulic Upgrade	18.4	16.7	December 2015	June 2016
Billing System Refresh	15.3	15.3	April 2017	June 2019
Dungog Wastewater Treatment Works - Stage 1	16.6	14.6	June 2018	May 2020
Burwood Beach Wastewater Treatment Works - Disinfection	18.9	14.0	June 2016	March 2017

Source: Hunter Water Corporation (unaudited).

The delivery of most projects is later than the original estimates. Hunter Water Corporation advises the variances to original cost estimates and delays in completing some projects were mainly due to scope changes and improved contractual arrangements.

Major capital projects above \$30 million at 30 June 2016				
Sydney Water Corporation	Original cost estimate \$m	Current cost estimate \$m	Original service delivery date	Achieved / estimated service delivery date
North West Growth Centre Servicing Package 2 and 3A	120.0	98.0	Mid 2015	August 2015
Green Square Trunk Drainage	53.0	64.0	Late 2017	Mid 2018
Riverstone Wastewater Treatment Plant Upgrade Stage 1	125.0	113.0	Late 2018	Late 2018
Malabar Wastewater Treatment Plant Improvement Program	106.0	99.0	Mid 2017	Mid 2019
South West Growth Centre Precincts Wastewater Infrastructure	46.0	31.0	July 2016	September 2016
North Head NSOOS Scrubber Replacement	44.0	36.0	Mid 2016	Mid 2017
Business Experience Platform - Stage 1	54.5	45.6	September 2017	March 2017
Customer Experience Platform	184.0	158.0	December 2019	December 2019

Source: Sydney Water Corporation (unaudited).

Sydney Water Corporation advises several projects will be completed later than the original service delivery date due to unanticipated complexities, scope changes and delays in stakeholder approvals.

Major capital projects above \$15 million at 30 June 2016				
WaterNSW	Original cost estimate \$m	Current cost estimate \$m	Original service delivery date	Achieved / estimated service delivery date
Burrendong Dam Upgrade	24.6	24.3	June 2016	June 2016
MDBA Murray Darling Metering Project	29.0	28.7	October 2016	October 2016
Keepit Dam Upgrade	33.2	33.4	June 2019	June 2019
Wyangala Dam Upgrade	55.3	45.2	January 2016	December 2016
Broken Hill Menindee Production Bores	24.7	16.5	June 2017	June 2017
Chaffey Dam Augmentation and Stage 2 Safety Upgrade	49.8	49.0	May 2016	January 2017

Source: WaterNSW (unaudited).

WaterNSW advises the Wyangala Dam Upgrade and Chaffey Dam Augmentation projects are delayed mainly due to quality issues with the contractor and the additional time required to resolve landholder claims.

Information technology project governance

Sydney Water Corporation has major information technology projects

Sydney Water Corporation's information technology projects comprise:

- a new customer billing system with a budget of \$184 million
- an integrated enterprise resource planning system with a budget of \$54.5 million.

The projects are complex in nature because they include sophisticated system engineering, multiple system components and cutting-edge applications.

Such projects have significant inherent risks with a high potential for cost overruns and delays. Strong governance arrangements are required to mitigate these risks, which could result in reputational damage and financial loss.

Operating licence compliance

Electricity distributors reported four instances of non-compliance with licences

Electricity distributors breached four licence conditions in 2014–15. The table below shows the number of obligations breached by each electricity distributor over the past two years.

Number of obligations breached by electricity distributors		
Year ended 30 June	2015	2014
Ausgrid	2	1
Endeavour Energy	1	1
Essential Energy	1	--
Total	4	2

Source: Energy Distribution Licences Annual Compliance Report 2014–15 by the IPART.

Ausgrid reported the most breaches in 2014–15, which mainly related to non-compliance with:

- Australian Energy Market Operator (AEMO) requirements for remotely controlling and monitoring substation connection to the network, affecting two sites
- network performance requirements, expected to be resolved by 30 June 2016.

Endeavour Energy and Essential Energy did not advertise the availability of \$80 payments customers can claim for electrical outages. The breaches were addressed in July 2015 and August 2015 respectively.

The IPART annually audits electricity distributors' compliance with distribution licences. The 2015–16 IPART report on licence breaches has not been finalised.

Sydney Water Corporation reported one instance of non-compliance with licences

Sydney Water Corporation was non-compliant when it levied developer charges for the Hoxton Park Recycled Water Scheme. It did not have the Developer Servicing Plan (DSP) required by IPART's pricing determination. After publicly exhibiting the DSP in June 2016, IPART registered it with effect from 29 August 2016.

Hunter Water Corporation and WaterNSW complied with all operating licence conditions.

The table below shows the results of operating licence compliance audits.

Operating licence compliance audits						
	Hunter Water Corporation		Sydney Water Corporation		WaterNSW	
Year ended 30 June	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%
Full compliance	89	76	67	86	89	74
High compliance	11	19	22	14	11	26
Adequate compliance	--	5	11	--	--	--
Non-compliant	--	--	--	--	--	--
Total	100	100	100	100	100	100

Source: IPART Operational Audit of Hunter Water Corporation 2014–2015 Report, IPART Operational Audit of Sydney Water Corporation 2014–2015 Report and IPART Operational Audit of WaterNSW 2014–2015 Report (unaudited).

The IPART annually audits water utilities' compliance with operating licences. The 2015–16 audits are still in progress.

An operating licence sets out responsibilities, system standards, service standards and customer rights. It establishes systems for water quality and environmental and asset management.

Dam safety issues

The Dam Safety Committee identified 17 dams as high risk

At 30 June 2016, the Dam Safety Committee (DSC) had assigned a high risk rating to 17 prescribed dams (16 at 30 June 2015). They include major dams such as the Warragamba Dam.

A high risk assessment indicates failure of a dam may result in loss of lives due to catastrophic flooding. The DSC assigns risks to all prescribed dams in New South Wales, considering both the probability of failure and potential lives lost.

The DSC continues to liaise with major dam owners to ensure implementation of specified measures issued under Section 18 of the *Dam Safety Act 1978* to ensure safety of the dams.

Infringement notices

Fewer infringement and other non-compliance notices issued

In 2015–16, Sydney Water Corporation received two infringement notices issued under the Protection of the *Environment Administration Act 1991* (one in 2014–15) for wastewater overflow.

It also entered into an enforceable undertaking for a water pollution incident involving an unlicensed discharge of untreated sewage from a sewer pipe into the Parramatta River.

Hunter Water Corporation received one infringement notice in 2015–16 (one). It involved prosecution for a discharge from Dungog Water Treatment Plant. It also received two official cautions for administrative pesticide management activities.

The table below shows the number of NSW Environmental Protection Authority (EPA) notices issued to water utilities.

Infringement notices						
	Hunter Water Corporation		Sydney Water Corporation		WaterNSW	
Year ended 30 June	2016	2015	2016	2015	2016	2015
No. of infringement notices	1	1	2	1	--	--
No. of other notices	2	2	1	1	--	--
Total	3	3	3	2	--	--

Source: Environmental Protection Agency (unaudited).

The EPA is New South Wales' principal environmental regulator responsible for licensing and regulating wastewater and water quality. It has powers to issue infringement notices.

Service Delivery

Government outcomes can be achieved by delivering the desired mix of services through the public, private or not-for-profit sectors. Service delivery reform is most successful if there is clear accountability for service delivery outcomes, decisions are aligned to the government's strategic direction, and performance is monitored and evaluated.

This chapter outlines our audit observations, conclusions and recommendations for the service delivery of agencies in the cluster for 2015–16.

Service delivery	
Observation	Conclusion or recommendation
The Department is responsible for two State priorities (increase apprenticeships and business confidence) and the Premier's priority of creating jobs. The Department also supports the State priority to make New South Wales the easiest state to start a business.	The Premier's priority has been achieved and the Department is on track to complete the two State priorities.
The Department faces many challenges in the administration of Crown land.	The Department is implementing recommendations from a recent performance audit and considering recommendations from a Parliamentary Inquiry.
The number of unprocessed Aboriginal land claims continues to increase. Introduction of Aboriginal Land Agreements may help address the claims backlog. The number of claims approved, but not yet transferred, fell from 220 to 194 at 30 June 2016.	Recommendation (repeat Issue): The Department should continue to implement measures to reduce the number of unprocessed Aboriginal land claims.
Consumption of electricity is expected to remain flat over the next twenty years.	The expected flattening of electricity consumption is due to more energy efficient household appliances and forecast growth in rooftop solar panels.
Network reliability has improved for Essential Energy and Endeavour Energy, but deteriorated for Ausgrid.	Fewer storm events improved network reliability for Essential Energy and Endeavour Energy in 2015–16. Ausgrid's performance fell due to weather events impacting its network.
Lost time injury rates improved for all distributors.	Increased focus on customer orientated processes and safety improved customer satisfaction and safety.
Hunter Water Corporation's recycling operations made losses until 2014–15.	Increased sales in Hunter Water Corporation's recycled water are attributed to the recently constructed water recycling plant.

Measuring and reporting on performance

A key objective of public sector reform is to improve performance and create a culture of accountability. Performance reporting against benchmarks and targets is an effective measure of the success of these reforms.

Premier and State Priorities

The NSW Premier issued 'NSW Making it Happen' in September 2015, comprising 30 Priorities - 12 Premier's priorities and 18 State priorities. The cluster is responsible for implementing two State priorities and one Premier's priority.

Premier's priority: To create 150,000 new jobs by 2019

The Premier's priority of creating 150,000 new jobs has been achieved. In 2015–16, the Jobs for NSW Fund provided grants of \$13.9 million to industry to support job creation, as part of the government's commitment to provide \$190 million.

State priority: To increase the proportion of people completing apprenticeships and traineeships to 65 per cent by 2019

This is measured by the percentage of the apprentices and trainees successfully completing their apprenticeship or traineeship.

In June 2016, 62 per cent of apprentices and trainees successfully completed their apprenticeship or traineeship within the expected time period. The Department reported the high percentage was mainly due to changes in the Commonwealth employer incentives program in 2013. The Commonwealth Government provided completion incentive payments to employees which resulted in a spike in traineeships in late 2013.

The incentive was not provided in the subsequent years and the completion rate is expected to decline. The Department reported it has intensified efforts by actively working with business and industry, including the seven compact partners, to drive up apprenticeship and traineeship commencements and completions.

Key initiatives

Some of the Department's key initiatives to increase the proportion of people completing apprenticeships and traineeships to 65 per cent by 2019 include:

- providing information, advice and guidance through the delivery of networking and careers events and the development of promotional resources and tools
- engaging with schools to provide careers advice, and develop Vocational Education Training (VET) pathways
- promoting access to pre-apprenticeships and traineeships and pre-vocational qualifications
- working with Compact partners to develop the Infrastructure Skills Legacy Program
- developing VET pathways to university - four pilot projects are planned for 2017 and 2018.

State priority: For NSW to be the leading Australian state in business confidence

This is measured by the average ranking among Australian states in major business confidence indicators.

Key initiatives

The Department advises this priority is currently being achieved, with all planned milestones completed or progressed.

The Department's key initiatives to be the leading Australian state in business confidence include:

- Economic Development Committee established
- key industry leaders engaged to identify and respond to critical issues (50 one-on-one meetings held)
- a NSW Government Innovation strategy developed
- a dashboard for determining the state of the NSW economy developed
- Jobs for NSW established
- a NSW Regional Development Framework developed.

Improvements required in the administration of Crown land

Key responsibilities of the Department are managing Crown land and administering the *Crown Lands Act 1989* and other legislation that impacts on Crown land.

Administering Crown land is complex with many competing economic, social cultural, heritage, and community objectives and interests.

The Department has had difficulty balancing all these objectives for a number of years. Refer to the Financial and Performance Reporting Chapter for issues on valuing and accounting for Crown lands.

The Department is not managing the sale and leasing of Crown land effectively

A performance audit tabled in Parliament in 2016 assessed whether the Department is managing the sale and leasing of Crown land effectively. In assessing this, the audit examined the Department's:

- strategy for the use of Crown land
- compliance with legislative requirements and policies for Crown land management
- systems for ensuring quality and transparency in decision-making for leasing and sales of Crown land
- engagement with stakeholders when leasing or selling Crown land.

The audit concluded the Department is not currently managing the sale and leasing of Crown land effectively. The Department has made some improvements recently, but these are not fully implemented. It needs to make a concerted effort to manage ongoing risks. The Department has accepted the report's recommendations and is actively working on implementing them.

Parliamentary Inquiry recommended changes in the management of Crown land

A Parliamentary Inquiry into Crown land was tabled in October 2016. The report made 20 recommendations for changes in managing Crown land. These are being considered by the government.

Crown land is land owned by the State of New South Wales. Some Crown land is used for public purposes like sports and recreation, while other Crown land is managed and protected for its environmental or heritage value. Crown land can also be leased, licensed or sold.

The Department is responsible for managing, leasing and selling Crown land. The Department currently manages, either directly or indirectly, more than 580,000 parcels of land covering over 33 million hectares, around 42 per cent of the State. Ninety-six per cent is in the far west of the State and used mostly for grazing and agriculture.

The Department administers around 8,500 leases, mostly used for grazing, golf and bowling clubs, tennis courts and aged care services. The average annual return for each lease is less than \$10,000. Of the leases overseen by the Department, 275 have an annual rental return greater than \$20,000 and are considered 'high value'. They include retail and commercial leases for cafes, caravan parks and marinas.

The total Crown land estate was valued at approximately \$12 billion at 30 June 2016. The Department recognises \$6 billion of this in its financial statements. The remaining land is controlled by other entities, including local councils and community trusts.

A reform process for Crown land has been underway since 2012.

Crown Land Management Act 2016

The Act consolidates eight existing pieces of legislation into one

The *Crown Land Management Act 2016* (the Act) received assent from Parliament on 14 November 2016, but much of the Act is not yet in force. It is anticipated that the majority of the new Act will commence in early 2018. The Act's aims include:

- stronger and more effective community engagement in decisions about Crown land
- continuing community involvement in the management of Crown land reserves
- local management for the benefit of local communities
- enabling the most appropriate local owner of Crown land
- protecting environment, social and cultural heritage
- meaningful involvement for Aboriginal communities in Crown land
- effectively managing Crown land with native title rights and interests
- a fairer and more consistent approach to Crown land tenures
- facilitating a sustainable and prosperous Western Division
- greater powers to stop illegal activity on Crown land.

It reduces complexity and duplication, and should deliver better social, environmental and economic outcomes and facilitate community involvement with Crown land.

Aboriginal land claims over Crown land

The number of unprocessed Aboriginal land claims continues to increase

Recommendation (repeat issue)

The Department should continue to implement measures to reduce unprocessed Aboriginal land claims.

The Department has implemented initiatives to deal with unprocessed Aboriginal land claims. They have resulted in the number of claims determined during the year increasing from 204 in 2014–15 to 567 in 2015–16. However, the number of unprocessed claims continues to increase.

At 30 June 2016 there were:

- 29,284 (28,054 at 30 June 2015) unprocessed claims
- 24,396 (83 per cent) unprocessed claims five or more years old, with 6,183 (754 at 30 June 2015) ten or more years old
- 194 (220 at 30 June 2015) approved claims, worth approximately \$748 million (\$742 million), where the land has not been transferred out of the Department.

The Department reported the claims backlog grew due to factors, such as:

- limited resources to process and manage claims
- the complexity of claim investigation and legal challenges to claims
- land claim legislation which provides limited restrictions on new claims, and often results in multiple claims over the same property.

In 2015–16, of the 567 claims determined, 146 were successful and 421 refused or withdrawn.

A key initiative to reduce the unprocessed claims was an amendment to the *Aboriginal Land Rights Act 1983 (NSW)* (ALRA) on 1 July 2015. The amendment provided for Aboriginal Land Agreements, which allow for the settlement of multiple land claims.

The Department has been piloting Aboriginal Land Agreements in a few locations and anticipates they could have a positive impact on the backlog of claims.

The Department advises it is responding to recommendations made by two Parliamentary Inquiries on the economic development of Aboriginal communities and the management of Crown land. Key recommendations include, that the NSW Government:

- amend the processing system for Aboriginal land claims and Aboriginal Land Agreements to allow the prioritisation of sites with significant potential for economic development
- allocate additional resources, for at least five years, to reduce the backlog of Aboriginal land claims, and allow private solicitors to prepare and submit land claim applications to the Department
- Minister for Lands and Water develop a policy to prioritise Aboriginal land claims for economically viable land.

The Department advises it continues to work with the NSW Aboriginal Land Council and Local Aboriginal Land Councils to improve processes and investigate priority land claims.

Land claims approved but not yet transferred fell by 12 per cent

At 30 June 2016, the Minister or a court had approved 194 (220 at 30 June 2015) Aboriginal land claims, but the land had yet to be transferred out of the Department. These claims are worth approximately \$748 million (\$742 million). Eighty seven of the claims were approved ten or more years ago.

The Department is implementing strategies to reduce the number of approved claims awaiting survey and transfer to acceptable levels by 2018–19.

Smart and Skilled

Providers offered 4,656 qualifications and courses as part of Smart and Skilled in 2015

The Smart and Skilled reform was introduced on 1 January 2015 to provide government subsidised training to eligible students and providers for qualifications most needed in the NSW economy. In 2015, 301 providers commenced Smart and Skilled students in 4,639 qualification and region combination courses.

The NSW Skills Board commissioned a review of the first year of the Smart and Skilled program. The review highlighted that in 2015:

- Smart and Skilled funding (excluding direct funding to TAFE NSW) totalled \$680 million
- 156,609 students commenced under the program, 85 per cent with TAFE NSW
- 14 VET providers received suspensions, six were reinstated and two terminated
- 11 VET providers had contracts terminated, five for quality issues and six for entering into liquidation or administration.

Eight-four per cent of the Targeted Priorities Program budget unspent

The Department advised the NSW Government budgeted \$39.9 million to fund the Smart and Skilled Targeted Priorities Program, however 84 per cent of the money for targeted priority courses to be delivered by private sector providers had not been committed or paid.

Expenditure for the program is driven by demand, which was significantly lower than anticipated. Unspent program funds were redistributed to give providers more flexibility to deliver a wider range of qualifications and to meet increasing demand in 2016.

Smart and Skilled was designed to achieve six main objectives. The review assessed progress against these objectives:

Objectives of Smart and Skilled	Progress
Increase participation in VET	Training activity decreased for a range of reasons, but there were signs in late 2015 and early 2016 that this is improving.
Give students greater choice	Consumers' training options are increasing as the Smart and Skilled market develops.
Meet industry training needs	Apprenticeship and traineeship training initially declined but has been increasing in 2016.
Support disadvantaged students	Disadvantaged groups appear to be well-represented under Smart and Skilled.
Support TAFE NSW so that it remains a strong and viable public provider	TAFE NSW appears to have performed better against their financial caps than other provider types.
Improve the quality of VET	It is too early to effectively measure quality however there do not appear to be widespread quality issues at this stage.

Source: Smart and Skilled Year One Program Review (unaudited).

The review includes recommendations to make the Smart and Skilled market more innovative, responsive and agile to ensure the future needs of students, industry and the economy are met.

A full copy of the reports conducted are available on the NSW Skills Board website:
<http://www.skillsboard.nsw.gov.au/>

The Legislative Council of Parliament Inquiry into Vocational Education made 25 recommendations in its report released in December 2015.

In response to the findings and recommendations the Department issued a Directions Statement for Vocational Education and Training in July 2016. The Statement focussed on:

- improving access and choice for students
- continue to ensure fair pricing and funding
- a responsive, flexible NSW Skills list
- stronger accountability and controls over subcontractors and brokers
- ensuring an efficient application process that maintains quality.

The Department monitors providers to ensure they meet the requirements to deliver quality training, practice strong ethics, and be responsive and accountable. Performance monitoring included reviews of enrolment data and student records, telephone interviews with students, site visits, and audit processes.

Just under 1,700 students were affected by Smart and Skill contract cancellations

The Department advises that at 8 November 2016, 12 providers have had their Smart and Skilled contracts cancelled due to quality issues. This has affected just under 1,700 students. The Department is working with the students to ensure they can transfer to another training provider and is offering help with foregone fees.

Customer consumption and demand for electricity

Annual consumption of electricity is expected to remain relatively flat

The AEMO has forecast annual consumption of grid-supplied electricity will remain flat over the next twenty years (2016–17 to 2035–36). Forecast population growth and the increased use of electronic appliances by Australian households is expected to increase consumption. However, the AEMO expects this will be offset by the improved energy efficiency of household appliances and strong growth in the use of rooftop solar panel systems.

Maximum (peak) demand for electricity is expected to remain relatively flat

Winter maximum demand is forecast to grow at a higher rate and become comparable to summer maximum demand over the next twenty years. Growth in maximum winter demand is mainly due to a change from gas fuelled to electrical appliances for heating. Maximum summer demand is forecast to remain stable due to more efficient cooling systems and continued growth in the use of solar panel systems.

Maximum demand	2016-17	2021-22	2026-27	2035-36
New South Wales - summer (%)	14.2	14.1	14.0	14.1
New South Wales - winter (%)	12.3	12.5	12.8	13.2

Source: AEMO National Electricity Forecasting Report 2015 (unaudited).

Minimum demand	2016-17	2021-22	2026-27	2035-36
New South Wales	4.9	5.0	4.3	2.9

Source: AEMO National Electricity Forecasting Report 2015 (unaudited).

Industry benchmarks

The electricity distributors use a range of common benchmarks to assess financial, operational and environmental performance.

Electricity distributors' benchmarks

Year ended 30 June	Ausgrid			Essential Energy			Endeavour Energy		
	2016 Actual	2016 Target	2015 Actual	2016 Actual	2016 Target	2015 Actual	2016 Actual	2016 Target	2015 Actual
Operational statistics									
Network reliability – unplanned system average interruption duration index SAIDI (minutes)	76	74	71	214	212	222	87	76	104
Customer satisfaction (%)	77.5	80.0	79.0	82.8	80.0	81.8	80.0	80.0	80.0
Employee statistics									
Lost time injury frequency rate	1.3	1.3	1.4	0.7	1.4	1.5	0.7	1.8	2.7
Reportable incidents - controllable SENI*	53	40	44	11	21	12	10	12	13
Environmental statistics									
Reportable incidents – environment	4	5	4	2	3	2	--	1	--

* SENI is defined as significant electrical network incidents.

Source: NSW distributors Draft Annual Report 2015–16 and Statement of Corporate Intent 2015–16 (unaudited).

Network reliability performance improved for most distributor's except Ausgrid

The system average interruption duration index (SAIDI) measures network reliability as the number of minutes, on average, a customer is without electricity.

In 2015–16, Essential Energy and Endeavour Energy's SAIDI improved due to fewer storm events and more favourable weather conditions. Ausgrid's performance fell due to more network outages caused by weather events. No distributors performed better than target.

Most distributors, except Ausgrid, met customer satisfaction targets

In 2015–16, Ausgrid's customer satisfaction fell and did not meet target. Ausgrid advises it is examining options to improve customer support, particularly for critical infrastructure customers. Essential Energy's customer satisfaction improved and exceeded target. Endeavour Energy's customer satisfaction was stable and in line with target.

Essential Energy's customer satisfaction improved partly due to an increased focus on customer orientated processes. This included building on Customer Commitment Statements introduced to raise customer awareness and ensure business decisions are more aligned to customers' needs and priorities. Improvements to compliance and feedback resolution processes also contributed to the improvement.

All distributors' lost time injury rates improved compared to 2014–15

The lost time injury frequency rate (LTIFR) reflects lost time injuries per one million hours worked.

In 2015–16, all three distributors recorded lower LTIFR compared to 2014–15. Endeavour Energy and Essential Energy performed better than target and recorded their lowest ever LTIFR. This is attributed to new safety programs targeting safe behaviours and an improved culture where employees take responsibility for safety.

Ausgrid met its LTIFR target and its performance improved slightly compared to 2014–15. Ausgrid's result continues a five year decline in its LTIFR following introduction of its safety strategic plan, which focuses on fatal risks and improving health and safety management.

Most distributors' controllable network incidents fell in 2015–16

Essential Energy and Endeavour Energy's reportable incidents, controllable significant electrical network incidents (SENI), were better than target and 2014–15. Ausgrid's SENI was worse than target and the prior year due to more tree trimming incidents damaging its network. All distributors continued implementing safety action plans and programs to improve safety behaviours, culture and performance. The plans focus on fatal risk management, safety management systems, and safety training and development.

All distributors' environmental incidents remained stable

All distributors performed better than or equalled reportable environmental incident targets in 2015–16. Endeavour Energy had zero incidents for a second year, while Ausgrid and Essential Energy had the same number of incidents compared to 2014–15. All distributors have implemented an Environment Strategy to reduce and manage incidents and risks.

Water security

The Metropolitan Water Directorate developed water efficiency initiatives for Hunter Water Corporation under the Lower Hunter Water Plan. It has not set specific water recycling targets for Sydney Water Corporation.

The table below shows Hunter Water Corporation's water recycling and conservation performance:

Water recycling and conservation					
Year ended 30 June	2016	2015	2014	2013	2012
Hunter Water Corporation					
Water recycling					
Actual recycled water production (gigalitres)	5.4	4.6	4.9	4.3	4.7
Water recycling targets (gigalitres)	6.0	6.0	6.0	6.0	5.0
Water conservation					
Actual water conservation production (gigalitres)	na	0.3	0.3	0.5	0.3
Water conservation targets (gigalitres)	0.3	0.3	0.2	0.3	0.3

na not available.

Source: Hunter Water Corporation (unaudited).

The volume of Hunter Water Corporation's recycled water increased 17 per cent in 2015–16. The increase is mainly attributed to Mayfield West Advanced Water Treatment Plant operating for a full year.

However, the volume of recycled water produced was still below target due to significant rainfall reducing agricultural and municipal demand.

No water recycling target was available for Sydney Water Corporation. However, water conservation targets are set in its operating licence.

The table below shows Sydney Water Corporation's water recycling and conservation performance:

Water recycling and conservation					
Year ended 30 June	2016	2015	2014	2013	2012
Sydney Water Corporation					
Water recycling					
Actual recycled water production (gigalitres)	43.3	43.1	46.9	47.0	45.9
Water recycling targets (gigalitres)	na	na	na	na	na
Water conservation					
Water usage per person per day (litres)	293	295	307	310	297
Target maximum water usage per person per day (litres)	329	329	329	329	329

na not available.

Source: Sydney Water Corporation (unaudited).

The volume of Sydney Water Corporation's recycled water has been stable for the past five years.

Per capita water use has been consistently lower than the operating licence target of 329 litres per person per day. This is mainly due to:

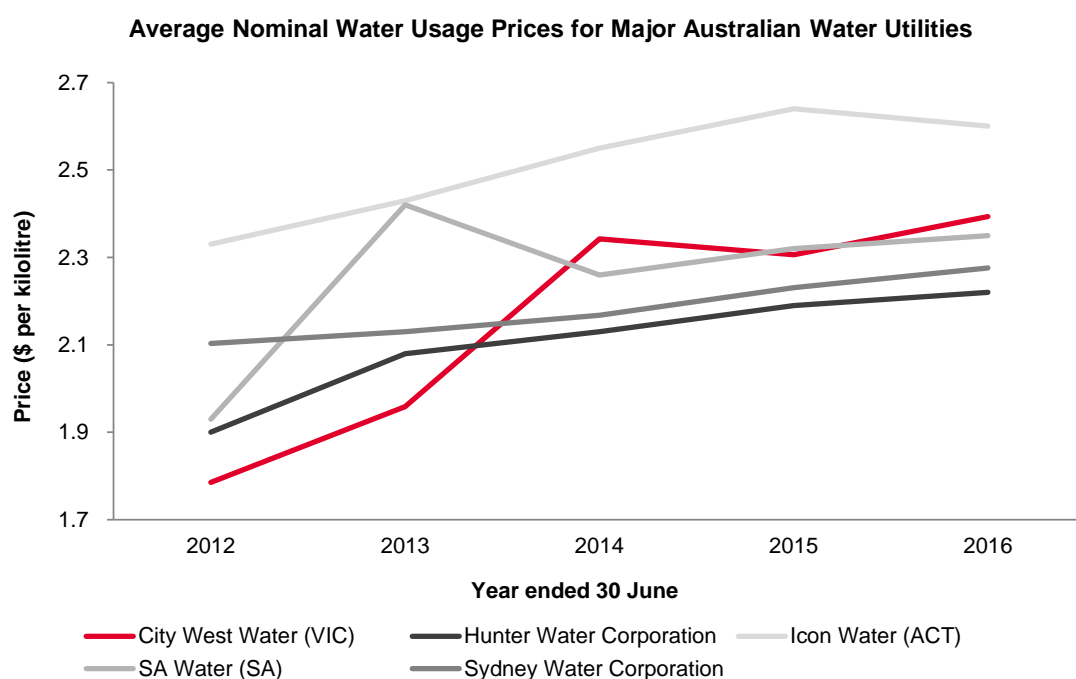
- water efficient appliances and fixtures used by most households and embedded in the market place
- several water intensive industrial users moving out of Sydney
- regulatory measures such as the NSW Building Sustainability Index (BASIX) for new houses
- more multi-unit dwellings, instead of standalone houses, reducing outdoor water use.

Water prices

New South Wales water prices

New South Wales' water prices are comparable to other states

The price charged by major water utilities per mega litre of water over the past five years is shown below:



Source: Selected major utilities with 100,000+ customers' websites (unaudited).

Increases in the average price of drinking water in New South Wales have been flatter and more consistent in recent years. Steeper price increases in previous years were mainly caused by the costs of improving water security in New South Wales.

Water recycling

Sydney Water Corporation's water recycling operations continue to incur losses

Water recycling					
Year ended 30 June	2016	2015	2014	2013	2012
Hunter Water Corporation					
Total volume of recycled water produced (megalitres)	5,373	4,600	4,895	4,269	4,674
Total sales of recycled water (\$'000)	4,295	2,608	503	428	263
Total cost of recycled water (\$'000)	2,482	2,172	1,007	831	945
Profit/(loss) from recycled water (\$'000)	1,813	436	(504)	(403)	(682)
Sydney Water Corporation					
Total recycled water produced (megalitres)	43,341	43,075	46,943	46,951	45,929
Total sales of recycled water (\$'000)	16,683	17,422	19,889	18,731	13,490
Total cost of recycled water (\$'000)	28,433	28,081	29,276	27,247	20,114
Loss from recycled water (\$'000)	(11,750)	(10,659)	(9,387)	(8,516)	(6,624)

Source: Hunter Water Corporation and Sydney Water Corporation (unaudited).

Sydney Water Corporation advises its recycled water operations continue to incur losses mainly due to:

- reduced demand for recycled water from large industrial customers that have moved out of Sydney
- lower than expected demand from new residential developments, which has resulted in the Hoxton Park Recycled Water Plant not commencing operations.

Hunter Water Corporation advises the increase in recycled water sales in 2015–16 is mainly attributed to the Kooragang Island Advanced Water Treatment Plant's sales of recycled water to a private sector entity. The plant started generating revenue from these sales in December 2014. As noted earlier in this report the Hunter Water Corporation has contracted to sell this plant.

Section Two

Appendices



Appendix One – Recommendation

The table below summarises the recommendations from the Auditor-General's Volume Twelve Report to Parliament covering agencies in the NSW Department of Industry, Skills and Regional Development for the year ended 30 June 2016.

Financial controls

Internal control issues

Internal control issues should be actioned promptly.

Annual leave balances

Agencies need to continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets (repeat issue).

Governance

Risk management

The Department should implement risk management across the cluster.

Service level agreements

The Department should finalise service agreements with all serviced divisions and agencies (repeat issue).

TAFE NSW should update, finalise and sign the service level agreement with its shared service provider.

Fraud control

Agencies should identify where instances of alleged fraud and corruption resulted from weaknesses in internal controls, and address the weaknesses.

Conflicts of interest register

Cluster agencies should improve their model for managing conflicts of interest using guidance from the ICAC.

Compliance with the *Government Information (Public Access) Act 2009*

Agencies in the cluster should ensure they have an appropriately designed government contracts register that complies with Part 3 Division 5 of the *Government Information (Public Access) Act 2009*.

Service delivery

Unprocessed Aboriginal land claim numbers continue to increase

The Department should continue to implement measures to reduce the number of unprocessed Aboriginal land claims (repeat issue).

Appendix Two – Quality of Financial Reporting

Agency	Audit result		Reported misstatements for the year ended 30 June		
	Modified opinion	Number of significant matters	2016	2015	2014
Department of Industry, Skills and Regional Development*	No	1	7	21	35
Other agencies					
Agricultural Scientific Collections Trust	No	--	1	2	1
Belgenny Farm Trust	No	--	1	5	3
C B Alexander Foundation	No	--	3	4	3
Cemeteries and Crematoria NSW	No	--	5	4	N/A
Dam Safety Committee	No	--	--	1	3
Forestry Corporation of NSW	No	--	--	--	1
Land Administration Ministerial Corporation**	No	--	12	18	1
Local Land Services	No	1	2	6	13
Local Land Services Staff Agency	No	--	1	3	1
Marine Parks Authority	N/A	--	N/A	3	4
New South Wales Rural Assistance Authority	No	--	4	7	4
NSW Food Authority	No	--	5	4	3
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	No	--	1	4	2
Rice Marketing Board	No	--	--	--	--
Trustees of the Farrer Memorial Research Scholarship Fund	No	--	n/a	2	1
Veterinary Practitioners Board	No	--	5	3	2
Water Administration Ministerial Corporation**	No	--	--	--	--
Wentworth Park Sporting Complex Trust	No	--	3	2	2
Wild Dog Destruction Board	No	--	n/a	2	--
Wine Grapes Marketing Board	No	--	n/a	1	1
Special deposit accounts					
Aquaculture Trust Fund**	--	--	--	11	--
Charter Fishing Trust Fund**	--	--	--	4	--
Coal Innovation Fund NSW	No	--	1	2	7
Commercial Fishing Trust Fund**	--	--	--	1	--
Fish Conservation Trust Fund**	--	--	--	4	--
Game and Pest Management Trust Fund**	--	--	--	5	--
Jobs for NSW Fund	No	--	--	N/A	N/A
Public Reserves Management Fund**	--	--	--	9	--
Recreational Fishing (Freshwater) Trust Fund**	--	--	--	4	--
Recreational Fishing (Saltwater) Trust Fund**	--	--	--	6	--

Agency	Audit result		Reported misstatements for the year ended 30 June		
	Modified opinion	Number of significant matters	2016	2015	2014
Skills					
NSW Skills Board	No	--	1	1	3
Technical and Further Education Commission	No	1	11	3	5
Technical and Further Education Commission Staff Agency	No	--	7	6	N/A
Technical Education Trust Funds	No	--	n/a	--	--
Total Department and other agencies		3	70	148	95
Electricity businesses					
Ausgrid	No	--	2	2	--
Delta Electricity	No	--	1	--	--
Endeavour Energy	No	--	3	--	--
Essential Energy	No	--	--	--	--
Total		--	6	2	--
Water agencies					
Hunter Water Corporation	No	2	--	2	7
Cobar Water Board	No	--	--	3	1
Gosford Water Supply Authority**	--	--	--	4	2
Sydney Water Corporation	No	1	--	1	1
WaterNSW	No	--	2	4	3
Wyong Water Supply Authority**	--	--	--	3	--
Total		3	2	17	14
Total for cluster		6	78	167	109

* Consolidated entity.

** Audit is on-going.

na not available, as agency has 31 December year end.

N/A not applicable, agency did not exist.

Water Administration Ministerial Corporation audits are ongoing for 2011, 2012, 2013, 2014, 2015 and 2016.

Lands Administration Ministerial Corporation audits are ongoing for 2015 and 2016.

Gosford Water Supply Authority and Wyong Water Supply Authority have been amalgamated to form the Central Coast Water Supply Authority on 12 May 2016.

Appendix Three – Timeliness of Financial Reporting - Exceptions

This table shows agencies whose financial statements are subject to statutory deadlines where a deadline was not achieved.

	Financial statements	Audit
Agency	Received by statutory date	Completed by statutory date
Cemeteries and Crematoria NSW	Yes	No
Dam Safety Committee	Yes	No
Land Administration Ministerial Corporation	Yes	Audit ongoing
NSW Skills Board	Yes	No
Rice Marketing Board	Yes	No
Technical and Further Education Commission	Yes	No
Technical and Further Education Commission Staff Agency	Yes	No
Water Administration Ministerial Corporation	Yes	Audit ongoing

Appendix Four – Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(deficit)	
Year ended 30 June	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cluster lead entity										
Department of Industry, Skills and Regional Development*	8,946	9,492	379	376	2,030	1,515	2,252	1,731	(222)	(216)
Other agencies										
Agricultural Scientific Collections Trust	103	103	--	--	--	--	--	--	--	--
Belgenny Farm Trust**	1	1	--	--	2	2	2	2	--	--
C B Alexander Foundation	31	24	2	2	8	1	2	1	6	--
Cemeteries and Crematoria NSW**	1	--	1	--	2	--	2	--	--	--
Dam Safety Committee	--	1	--	--	2	2	2	2	--	--
Forestry Corporation of New South Wales	1,993	2,053	815	816	426	393	335	312	91	81
Local Land Services*	511	609	48	45	130	169	172	168	(42)	1
Marine Parks Authority	--	--	--	--	--	2	--	3	--	(1)
New South Wales Rural Assistance Authority	356	353	332	330	26	51	25	27	1	24
NSW Food Authority	42	40	38	26	21	22	31	23	(10)	(1)
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	1	1	--	--	--	--	--	--	--	--
Rice Marketing Board	6	7	5	6	1	1	1	1	--	--
Trustees of the Farrer Memorial Research Scholarship Fund	n/a	1	n/a	--	n/a	--	n/a	--	n/a	--
Veterinary Practitioners Board	3	3	1	1	1	1	1	1	--	--
Wentworth Park Sporting Complex Trust	54	49	7	7	1	1	3	3	(2)	(2)
Wild Dog Destruction Board	n/a	11	n/a	--	n/a	2	n/a	3	n/a	(1)
Wine Grapes Marketing Board	n/a	3	n/a	--	n/a	1	n/a	1	n/a	--
Total	12,048	12,751	1,628	1,609	2,650	2,163	2,828	2,277	(178)	(115)

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(deficit)	
Year ended 30 June	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Special deposit accounts										
Aquaculture Trust Fund**	2	2	--	--	1	1	1	1	--	--
Charter Fishing Trust Fund**	1	1	--	--	--	--	--	--	--	--
Coal Innovation NSW Fund	85	86	--	1	2	2	2	3	--	(1)
Commercial Fishing Trust Fund**	11	12	--	2	5	6	4	4	1	2
Fish Conservation Trust Fund**	--	--	--	--	--	--	--	--	--	--
Game and Pest Management Trust Fund**	--	1	--	--	1	1	1	1	--	--
Jobs for NSW Fund	--	N/A	--	N/A	14	N/A	14	N/A	--	N/A
Public Reserves Management Fund	50	42	4	--	19	13	15	31	4	(18)
Recreational Fishing (Freshwater) Trust Fund**	2	1	--	--	5	5	4	4	1	1
Recreational Fishing (Saltwater) Trust Fund	15	15	2	5	11	11	9	9	2	2
Total	166	160	6	8	58	39	50	53	8	(14)
Skills										
NSW Skills Board	4	3	1	--	2	2	2	1	--	1
Technical and Further Education Commission *	5,445	5,576	526	514	1,800	2,056	1,735	1,829	65	227
Technical Education Trust Funds	1	--	--	--	--	--	--	--	--	--
Total	5,450	5,579	527	514	1,802	2,058	1,737	1,830	65	228
Electricity businesses										
Ausgrid	15,960	16,084	11,833	11,575	2,679	3,173	2,930	2,753	(251)	420
Delta Electricity	138	325	24	311	155	293	179	791	(24)	(498)
Endeavour Energy	7,360	7,198	5,532	5,364	1,478	1,577	1,329	1,333	149	244
Essential Energy	8,283	8,228	5,995	5,846	1,559	2,053	1,560	1,787	(1)	266
Macquarie Generation	N/A	--	N/A	--	N/A	171	N/A	416	N/A	(245)
Total	31,741	31,835	23,384	23,096	5,871	7,267	5,998	7,080	(127)	187

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(deficit)	
Year ended 30 June	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Water agencies										
Central Coast Water Authority**	--	N/A	--	N/A	--	N/A	--	N/A	--	N/A
Cobar Water Board	95	94	1	1	3	4	4	5	(1)	(1)
Gosford Water Supply Authority**	1,386	2,130	135	153	92	98	78	93	14	5
Hunter Water Corporation	2,632	2,723	1,464	1,421	330	323	291	284	39	39
Sydney Water Corporation	17,647	15,946	10,648	9,479	2,844	2,728	2,296	2,215	548	513
WaterNSW	2,510	2,301	1,249	1,108	342	346	288	353	54	(7)
Wyang Water Supply Authority**	1,697	1,757	206	218	88	91	73	89	15	2
Total	25,967	24,951	13,703	12,380	3,699	3,590	3,030	3,039	669	551
Total for cluster	75,372	75,275	39,248	37,607	14,079	15,117	13,642	14,279	437	838

* Consolidated financial statements.

** Unaudited financial statements.

na Year end 31st December.

N/A not applicable, agency did not exist.

Gosford Water Supply Authority and Wyong Water Supply Authority have been amalgamated to form the Central Coast Water Supply Authority on 12 May 2016.

Source: Financial statements (audited).

Appendix Five – Performance Against Budget

Not for profit

	Department of industry, Skills and Regional Development*		Local Land Services*		New South Wales Rural Assistance Authority		NSW Food Authority		New South Wales Technical and Further Education Commission*	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m
Abridged statement of comprehensive income - year ended 30 June										
Total expenses	2,252	2,654	172	162	25	61	31	21	1,735	1,992
Total revenue	2,030	2,432	130	122	26	46	21	20	1,800	1,906
Surplus/(deficit)	(222)	(222)	(42)	(40)	1	(15)	(10)	(1)	65	(86)
Total other comprehensive income/(expense)**	(55)	--	20	--	--	--	--	--	18	--
Total comprehensive income/(expense)	(277)	(222)	(22)	(40)	1	(15)	(10)	(1)	83	(86)
Abridged statement of financial position - at 30 June										
Total assets	8,946	8,911	589	549	356	318	42	38	5,445	4,918
Total liabilities	379	297	48	33	332	320	38	24	526	449
Net assets	8,567	8,614	541	516	24	(2)	4	14	4,919	4,469
Abridged statement of cash flows - year ended 30 June										
Purchases of property, plant and equipment and intangibles	48	48	1	5	--	--	--	1	55	82

* Consolidated.

** Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans Source: Financial statements (audited).

Source: Financial statements (audited).

Actual v Budget indicator

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

For profit

	Forestry Corporation of New South Wales		Hunter Water Corporation		Sydney Water Corporation		WaterNSW		Ausgrid		Endeavour Energy		Essential Energy	
	Actual \$m	SCI \$m	Actual \$m	SCI \$m	Actual \$m	SCI \$m	Actual \$m	SCI \$m	Actual \$m	SCI \$m	Actual \$m	SCI \$m	Actual \$m	SCI \$m
Abridged statement of comprehensive income - year ended 30 June														
Total revenue	426	332	330	307	2,844	2,766	342	354	2,679	2,522	1,478	1,355	1,559	1,504
Profit before tax	130	43	78	57	783	664	54	75	(193)	18	213	96	(8)	(109)
Profit after tax	91	30	39	39	548	462	54	70	(251)	13	149	67	(1)	(77)
Total other comprehensive income/(expense)*	(127)	--	(147)	--	359	--	75	--	(67)	--	(38)	--	(65)	--
Total comprehensive income/(expense)	(36)	30	(108)	39	907	462	129	70	(318)	**	111	**	(66)	**
Abridged statement of financial position - at 30 June														
Total assets	1,993	2,055	2,632	2,790	17,647	16,845	2,510	2,298	15,960	**	7,360	**	8,283	**
Total liabilities	815	809	1,464	1,437	10,648	10,404	1,249	1,079	11,833	**	5,532	**	5,995	**
Net assets	1,178	1,246	1,168	1,353	6,999	6,441	1,261	1,219	4,127	**	1,828	**	2,288	**
Abridged statement of cash flows - year ended 30 June														
Purchases of property, plant and equipment	5	8	(86)	(117)	(661)	(689)	(56)	(121)	503	**	267	**	439	**

Note: SCI – Statement of corporate intent.

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

** Information not available.

Actual v Budget indicator

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

Appendix Six – Financial Analysis

Indicator	Formula	Description
Net result - surplus / (deficit)	Net result from audited financial statements	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term.
Underlying result %	Adjusted net surplus / total underlying revenue	<p>A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term.</p> <p>Underlying revenue does not take into account one-off or non-recurring transactions. Net result and total underlying revenue is obtained from the comprehensive operating statement and is adjusted to take into account large one-off (non-recurring) transactions.</p>
Net result as a % of total revenue	Net result / total revenue	This measures an agency's net result (defined above) during the year as a proportion of total revenue. A result less than zero indicates that expenses exceeded revenues, and a result greater than zero indicates that revenues exceeded expenses. The larger the percentage, the more significant the net result compared to total revenue. A negative result cannot be sustained in the long-term. Net result and total revenue are sourced from the audited Statement of Comprehensive Income.
Liquidity	Current assets/ adjusted current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio above one means there is more cash and current assets than short-term liabilities.</p> <p>Current liabilities exclude current annual leave and long service leave liabilities expected to be settled after 12 months.</p>
Debt to equity percentage (gearing)	Debt/(Debt+Equity)	<p>This is a longer-term measure that compares all current and non-current interest bearing borrowings to equity.</p> <p>It complements the current ratio which is a short-term measure.</p> <p>A low percentage indicates less reliance on debt to finance the capital structure of an organisation.</p>
Capital replacement (ratio)	Cash outflows for property, plant and equipment and intangibles / depreciation and amortisation	Comparison of the rate of spending on infrastructure, property, plant and equipment and intangibles with their depreciation and amortisation. Ratios greater than one indicate that spending is greater than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available. From operations, and borrowing is not an option. Cash outflows for infrastructure, property, plant and equipment and intangibles are taken from the cash flow statement. Depreciation and amortisation is taken from the comprehensive operating statement.

Indicator	Formula	Description
Self - funding percentage	Revenue from non-NSW Government sources / total revenue	Measures the ability of an agency to fund its operations using cash generated by its own operations, rather than cash granted from the NSW Government. The higher the percentage, the lower the agency's reliance on NSW Government funding. Revenue from non-NSW Government sources and total revenue are from the audited Statement of Comprehensive Income.
Self-financing percentage	Net operating cash flows / underlying revenue	Measures the ability to replace assets using cash generated by the entity's operations. The higher the percentage the more effectively this can be done. Net operating cash flows are obtained from the cash flow statement.
Expense growth rate percentage	(Total expenditure 2016 less total expenditure 2015) / total expenditure 2015	This measures the rate of growth in expenditure for an agency in the current year, compared to the prior year. A positive rate indicates that expenses have increased compared to prior year, while a negative rate indicates that expenses have decreased compared to prior year.

Appendix Seven – Cluster Information

Entity name	Website	Period/year ended
Cluster lead entity		
Department of Industry, Skills and Regional Development	http://www.industry.nsw.gov.au/	30 June 2016
Controlled agency of the Department		
Lands Administration Ministerial Corporation	*	30 June 2016
Water Administration Ministerial Corporation	*	30 June 2016
Other related agencies		
Agricultural Scientific Collections Trust	http://www.dpi.nsw.gov.au/about-us/legislation/list/agricultural-scientific-collections-trust	30 June 2016
Belgenny Farm Agricultural Heritage Centre Trust	http://www.belgennyfarm.com.au	30 June 2016
C B Alexander Foundation	http://www.tocal.com/tocal-organisations/cb-alexander-foundation	30 June 2016
Cemeteries and Crematoria NSW	http://www.dpi.nsw.gov.au/lands/cemeteries-crematoria	30 June 2016
Dams Safety Committee	http://www.damsafety.nsw.gov.au	30 June 2016
Forestry Corporation of NSW	http://www.forestrycorporation.com.au	30 June 2016
Local Land Services	http://www.lls.nsw.gov.au	30 June 2016
Local Land Services Staff Agency	*	30 June 2016
New South Wales Rural Assistance Authority	http://www.raa.nsw.gov.au	30 June 2016
NSW Food Authority	http://www.foodauthority.nsw.gov.au	30 June 2016
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	*	30 June 2016
Rice Marketing Board for the State of New South Wales	http://www.rmbnsw.org.au	30 June 2016
Trustees of the Farrer Memorial Research Scholarship Fund	http://www.dpi.nsw.gov.au/aboutus/about/farrer-memorial-trust	31 December 2015
Veterinary Practitioners Board	http://www.vpb.nsw.gov.au	30 June 2016
Wentworth Park Sporting Complex Trust	http://www.wentworthparksport.com.au	30 June 2016
Wild Dog Destruction Board	*	31 December 2015
Wine Grapes Marketing Board	http://www.wgmb.net.au	31 December 2015

Entity name	Website	Period/year ended
Special deposit accounts		
Aquaculture Trust Fund	http://www.dpi.nsw.gov.au/fisheries/aquaculture	30 June 2016
Charter Fishing Trust Fund	http://www.dpi.nsw.gov.au/fisheries/recreational/info/charter	30 June 2016
Coal Innovation Fund NSW	http://www.resourcesandenergy.nsw.gov.au/energy-consumers/energy-sources/coal-innovation-nsw	30 June 2016
Commercial Fishing Trust Fund	http://www.dpi.nsw.gov.au/fisheries/commercial	30 June 2016
Fish Conservation Trust Fund	*	30 June 2016
Game and Pest Management Trust Fund	http://www.dpi.nsw.gov.au/hunting/game-and-pest-board	30 June 2016
Jobs for NSW Fund	http://www.industry.nsw.gov.au/invest-in-nsw/why-sydney-and-nsw/jobs-for-nsw	30 June 2016
Public Reserves Management Fund	http://www.crownland.nsw.gov.au/crown_land/crown_reserves/funding/PRMFP	30 June 2016
Recreational Fishing (Freshwater) Trust Fund	http://www.dpi.nsw.gov.au/fishing/recreational	30 June 2016
Recreational Fishing (Saltwater) Trust Fund	http://www.dpi.nsw.gov.au/fishing/recreational	30 June 2016
Educational institutions		
NSW Skills Board	http://www.skillsboard.nsw.gov.au	30 June 2016
Technical and Further Education Commission	https://www.tafensw.edu.au	30 June 2016
Technical and Further Education Commission Staff Agency	*	30 June 2016
Technical Education Trust Funds	*	31 December 2015
Electricity businesses		
Electricity generator		
Delta Electricity	http://www.deltaelectricity.com.au	30 June 2016
Electricity transmitter		
TransGrid**	www.transgrid.com.au	16 December 2015
Electricity distributors		
Ausgrid	https://www.ausgrid.com.au	30 June 2016
Ausgrid Pty Limited	*	30 June 2016
Endeavour Energy	http://www.endeavourenergy.com.au	30 June 2016
Essential Energy	http://www.essentialenergy.com.au	30 June 2016
Networks NSW Pty Limited****	*	30 June 2016

Entity name	Website	Period/year ended
Water utilities		
Central Coast Water Supply Authority	*	30 June 2016
Cobar Water Board	http://www.cobar.nsw.gov.au	30 June 2016
Gosford Water Supply Authority***	http://www.gosford.nsw.gov.au	12 May 2016
Hunter Water Corporation	http://www.hunterwater.com.au	30 June 2016
Sydney Water Corporation	http://www.sydneywater.com.au	30 June 2016
WaterNSW	http://www.waternsw.com.au	30 June 2016
Wyong Water Supply Authority***	https://www.wyong.nsw.gov.au	12 May 2016

* These agencies have no website.

** This agency was leased for 99 years during 2015–16.

*** These two agencies have been amalgamated to form the Central Coast Water Supply Authority on 12 May 2016.

**** This agency has been deregistered in August 2016.

Our vision

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Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

t +61 2 9275 7100

f +61 2 9275 7200

e mail@audit.nsw.gov.au

office hours 8.30 am–5.00 pm

audit.nsw.gov.au

