
New South Wales Auditor-General's Report

Financial Audit

Volume Eight 2016

Report on Premier and Cabinet



The role of the Auditor-General

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

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

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

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

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

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

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

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

Margaret Crawford

Auditor-General
29 November 2016

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Section One

Premier and Cabinet



Executive Summary

This report analyses the results of the financial statement audits of the Premier and Cabinet cluster agencies (cluster agencies) for 2015–16. The table below summarises key observations.

Financial performance and reporting

Financial reporting

Unqualified audit opinions were issued for all Premier and Cabinet cluster agencies and financial reporting deadlines were met.

Financial performance

Cluster agencies need to implement further measures to improve the accuracy of budgets. Low liquidity levels and significant deficits for some cluster agencies need to be monitored.

Financial controls

Creditor payment and procurement performance

The performance of many agencies' in the cluster in paying invoices on time fell from the previous year. Agencies should approve purchase orders before ordering goods and services.

Internal controls

No high risk control issues were identified but agencies in the cluster need to improve asset management.

Shared services

Service levels fell during the transition from ServiceFirst to GovConnect.

Governance

Cluster arrangements

Governance arrangements and key roles and responsibilities within clusters are not clear across the NSW public sector.

Governance frameworks

The Audit Office Governance Lighthouse checklist and Fraud Control Improvement Kit helped some agencies in the cluster improve governance.

Risk management

Risk management maturity appears to be improving in some agencies within the cluster. There is no oversight of risk management at the Premier and Cabinet cluster level.

Service delivery

Premier's and State Priorities

Public reporting on Premier's Priorities started in October 2016. Reporting on State Priorities is yet to commence.

Sport and recreation centres

The net cost of operating the 11 sport and recreation centres was \$2.8 million in 2015–16 although their performance is measured against objectives other than profit.

Financial performance and reporting

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

Unqualified audit opinions were issued for 20 cluster agencies' 2015–16 financial statements. The number of misstatements fell overall, but the number of misstatements greater than \$1.0 million increased compared to 2013–14. Large errors have greater potential to affect the reliability of the financial statements.

Early close procedures can be improved further

The statutory deadlines for completing early close procedures and submitting financial statements were met by most cluster agencies. Early close procedures mandated by NSW Treasury contributed to this, but opportunities for improvements to early close procedures still exist in some agencies.

Cluster agencies can improve the accuracy of their budgets

A comparison of the cluster agencies' results against budget highlighted the need for improvements to budgeting processes. Nearly all agencies had variances of more than five per cent between actual results and original budgets for major financial statement line items.

Recommendation (repeat issue)

Premier and Cabinet cluster agencies need to implement measures to improve the accuracy of budgets.

Some cluster agencies revise their budgets during the year as agreed and approved by NSW Treasury. While the performance of these agencies was more aligned to the revised budgets, this reduces the effectiveness of the budgets as a tool to assess performance.

Some cluster agencies reported operating deficits and reduced liquidity

Twelve agencies recorded deficits in 2015–16 (nine in 2014–15). Venues NSW again recorded a deficit largely due to its inability to fund depreciation costs. Eight agencies had current ratios of less than one at 30 June 2016, indicating low liquidity levels. However, most of these agencies receive regular revenue allocations from the State.

A State Priority target is for total government expenditure growth to be less than long term revenue growth. Most cluster agencies have increasing expenses, but falling revenues. NSW Treasury cash management reforms impacted revenue growth in 2015–16 as agencies received less funding from Treasury and had lower cash balances.

Financial controls

Poor performance in paying invoices on time and raising purchase orders

Infrastructure NSW, the Public Service Commission and the Department of Premier and Cabinet (the Department) paid fewer invoices on time compared to other cluster agencies. Payment rates also dropped significantly from the previous years. This follows the change in service provider from ServiceFirst to GovConnect in December 2015.

Recommendation

All cluster agencies should address the issues preventing invoices being paid on time.

Seven cluster agencies had a high number of purchase orders raised after goods and services were ordered. The Parliamentary Counsel's Office and the Department of Premier and Cabinet had 83 per cent and 71 per cent respectively of purchase orders raised after the invoice dates.

Recommendations

Cluster agencies should strengthen procurement processes to ensure purchase orders are approved before goods and services are ordered.

Cluster agencies should collect information on purchase orders raised after invoice date and set targets to improve performance.

No high risk control weaknesses identified, but asset management can be improved

Internal control issues identified during the audits related to non-compliance with legislation, internal policies and processes, incomplete and inaccurate central registers and weaknesses in information technology controls. None were assessed as high risk. Some cluster agencies with significant land, building and infrastructure assets can improve their asset management.

Recommendation

Some agencies need to strengthen their asset management by developing:

- asset management plans
- financial and non-financial key performance indicators
- systems for collecting and monitoring asset management data.

Service levels fell during the transition from ServiceFirst to GovConnect

Service levels dropped significantly during the transition of shared services from ServiceFirst to GovConnect in December 2015. Examples include a fall in invoices being paid on time, an increase in the number purchase orders being approved after goods and services were ordered and some agencies not receiving accurate supporting information/reports from GovConnect. Outsourced service delivery arrangements should not result in service levels being adversely impacted.

Key performance measures for service providers agreed but not monitored

Most agencies using shared service arrangements had agreed key performance measures with the provider, but had no formal reporting of the service provider's performance against those measures.

Recommendation

Cluster agencies using shared service providers should ensure key performance targets and measures are monitored and reported on.

No assurance that service provider controls are operating effectively

Seven of the 20 cluster agencies use GovConnect, which replaced ServiceFirst in December 2015. The independent auditor found the internal controls of the former ServiceFirst could not be relied on for the period 1 July 2015 to 13 December 2015. The independent auditor of GovConnect could also not confirm the effectiveness of GovConnect's internal controls over transactions or the security of data for the period 14 December 2015 to 30 June 2016.

Cluster agencies using these shared services were unable to rely on controls over financial transactions and information for the year to 30 June 2016. This increased the risk of fraud and error.

Recommendation (repeat issue)

The Office of Sport, in its capacity as a shared service provider, should provide agencies with independent assurance over the design and operating effectiveness of its internal controls.

The Office of Sport provides shared service support such as financial reporting, accounts payable and human resource functions to four cluster agencies. The Office of Sport does not provide these client agencies with independent assurance over its internal controls. However

they do provide internal certification over their internal controls to client agencies' Chief Financial Officers.

Governance

Governance arrangements for clusters are not clear across the NSW public sector

The Department is responsible for the NSW Public Sector Governance Framework across the NSW public sector. It is yet to update the Framework to address legislative and policy changes since February 2013. An updated Framework should provide clarity over governance arrangements across all clusters.

Recommendation (repeat issue)

The Department should release a revised NSW Public Sector Governance Framework. This should incorporate legislative and policy changes since February 2013 and define roles and responsibilities within the cluster.

Many Premier and Cabinet cluster agencies self-assessed their governance framework

A number of Premier and Cabinet cluster agencies self-assessed their governance framework against the Audit Office's 'Governance Lighthouse - Strategic Early Warning System'. Cluster agencies can use the principles in this guide to identify areas of governance that need attention. Compliance and fraud frameworks, and the management of conflicts of interest, are areas where improvements can be made by some agencies in the cluster.

Recommendation

Premier and Cabinet cluster agencies, that have not done so, should use the Audit Office's 'Governance Lighthouse - Strategic Early Warning System' to assess their governance frameworks.

Non-compliance with GIPA Act

The Department did not fully comply with the *Government Information (Public Access) Act 2009* (GIPA Act).

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*.

The contracts register should:

- include all relevant contracts valued at \$150,000 or more and material variations thereto on a timely basis
- be published on the government tenders website
- contain accurate information.

Compliance management framework and fraud and corruption policy

Four Premier and Cabinet cluster agencies do not maintain a compliance management framework or have adequate processes to ensure they comply with relevant legislative frameworks and requirements.

Recommendation (repeat issue)

All cluster agencies should maintain a compliance management framework, monitor compliance and report breaches to the audit and risk committee.

All but two cluster agencies have a fraud and corruption policy. Nine agencies followed our recommendation last year and voluntarily performed a self-assessment against the 2015 Audit Office Fraud Control Improvement Kit.

Opportunities exist to improve risk management

We assessed the risk management maturity of three Premier and Cabinet cluster agencies using the Audit Office's 'Risk Management Maturity Toolkit'. Risk management maturity is improving in these agencies.

Recommendation

Cluster agencies should perform a self-assessment against the Audit Office's Risk Management Maturity Toolkit.

There is no oversight of risk management at the Premier and Cabinet cluster level. Risk management is performed at an agency level and significant risks are not elevated to the lead cluster agency, the Department.

Recommendation

The Department should determine how risk management at an agency level is reported and monitored at the Premier and Cabinet cluster level.

Service delivery

No public reporting on the 18 State Priorities

The Department is responsible for driving the implementation of initiatives to deliver the 12 Premier's Priorities and supporting delivery of 18 State Priorities by agencies across the NSW public sector.

Progress against the 18 State Priorities has not been publicly reported since they were released in September 2015. The Department advises this is because the reporting format is still under development. The Department has a strategic engagement role with agencies to ensure the 18 State Priorities' targets are achieved by March 2019.

In October 2016, the government publicly reported on progress against the 12 Premier's Priorities.

Customer satisfaction is not regularly measured by Venues NSW

Venues NSW did not conduct regular surveys to measure customer satisfaction. However, an operational analysis is conducted after each event. This process captures incidents and compliants relating to the event and their respective responses. Two of its venues do not have a complaints handling policy and/or a centralised complaints register.

Recommendation

Venues NSW should regularly measure customer satisfaction, develop a centralised complaints handling policy and centralised complaints register across its venues.

The net cost of operating the 11 sport and recreation centres was \$2.8 million

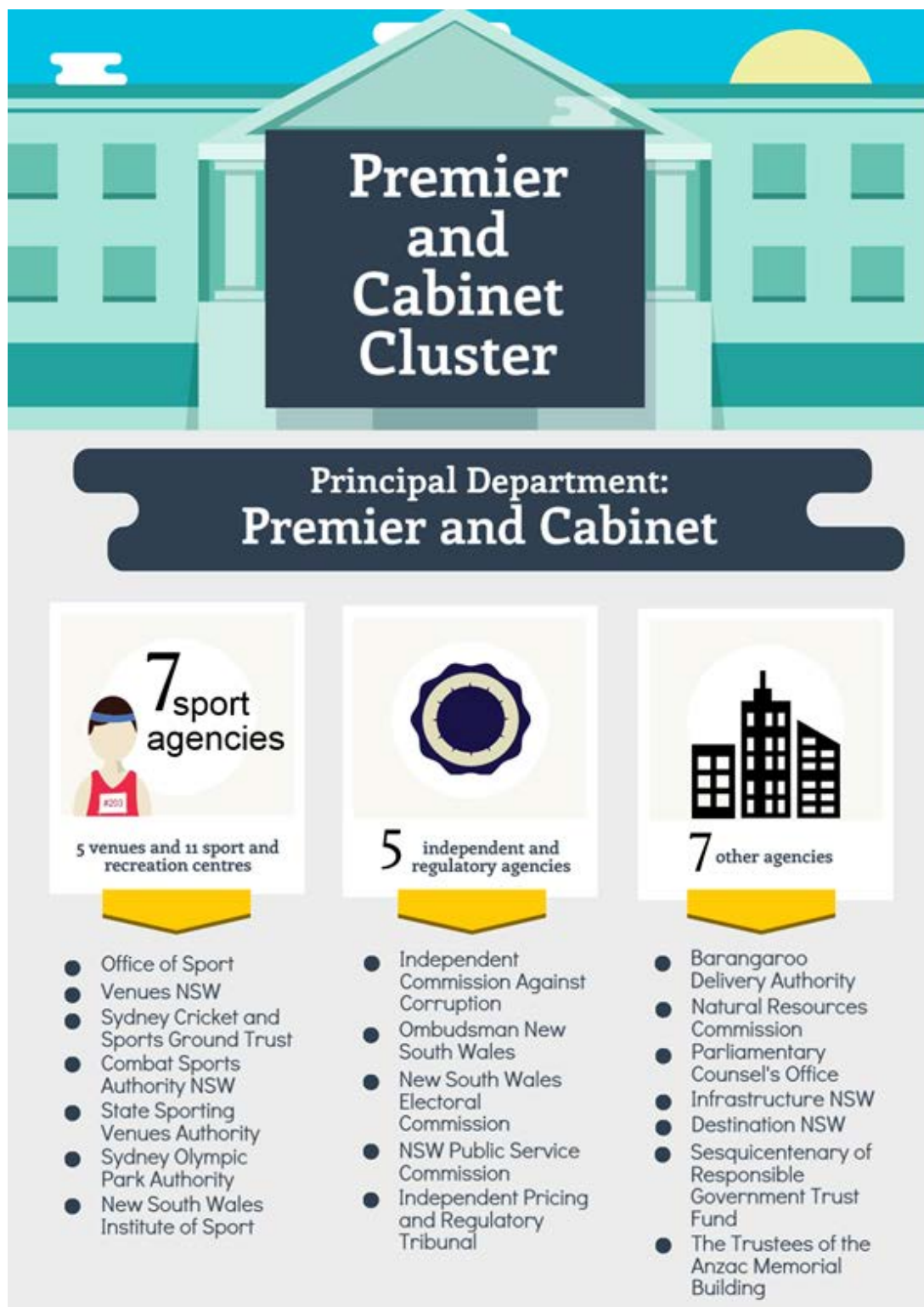
The 11 sport and recreation centres reported a combined net cost of service of \$2.8 million in 2015–16 and \$2.6 million in 2014–15. Many of the 11 individual centres did not generate revenues to cover their costs, however their performance is measured against other objectives.

In 2015–16, 206,000 (200,000 in 2014–15) people participated in sport and recreational activities at these centres including school camps and community activities.

Introduction

This report provides Parliament and other users of Premier and Cabinet cluster agencies' financial statements with an analysis of the results and key observations in the areas of: Financial Performance and Reporting; Financial Controls; Governance; and Service Delivery.

Snapshot of the cluster*



* The cluster includes Public Service executive agencies related to the Department, separate Public Service agencies within the meaning of the *Government Sector Employment Act 2013* and a number of other agencies. Refer to Appendix Five.

Note: The Audit Office of NSW is an independent agency aligned with the Premier and Cabinet cluster but not commented upon in this report.









The Department of Premier and Cabinet (the Department), reporting to the Premier, is the lead agency in the cluster. It supports the Premier and Cabinet to identify, design and implement a coordinated policy, project and reform agenda to improve the efficiency, productivity and effectiveness of NSW. Some agencies operate within the Department's structure and report to the Secretary or relevant Boards. The exceptions are the independent and regulatory agencies listed in the snapshot above.










Changes to the cluster from 1 July 2015

The cluster was impacted by administrative changes effective from 1 July 2015. The Police Integrity Commission transferred to the Justice cluster. Destination NSW transferred into the cluster and parts of the Department of Industry, Skills and Regional Development transferred to the Department. The prior year information in this report has been adjusted to enable comparison.

Status of 2015 recommendations

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

Recommendation	Current status
Cluster agencies should:	
 Implement further measures to improve the accuracy of budgets.	Agencies are implementing measures, but the accuracy of budgets needs further improvement. Refer to Financial Performance and Reporting chapter.
 Venues NSW should continue to work with Treasury to establish a capital structure and funding arrangements for its financial sustainability.	Venues NSW is working with Treasury to address the adequacy of funding for asset maintenance and replacement.
 Develop asset management plans when planning significant investment in infrastructure.	Agencies with significant assets are implementing asset management plans, but further work is needed. Refer to Financial Controls chapter.
 Strengthen information security processes to reduce the risk of unauthorised access, security attacks, data integrity issues, data privacy breaches and identity theft.	Agencies are implementing processes and procedures to rectify the weaknesses and strengthen information security. Refer to Financial Controls chapter.
 The Office of Sport should document a Disaster Recovery Plan to restore financial systems in the event of a disaster.	The Office of Sport now has a Disaster Recovery Plan in place.
 Maintain a compliance register, monitor compliance and report breaches to the audit and risk committee.	Many cluster agencies now have a compliance register in place which is monitored and reported to audit and risk committee. Further work is needed for some agencies. Refer to Governance chapter.
 Use the Audit Office Fraud Control Improvement Kit to develop and enhance Fraud and Corruption policies and practices.	Many cluster agencies performed a self-assessment and developed a fraud and corruption policy using the Audit Office Fraud Control Improvement Kit.
 Finalise and sign service agreements with shared service providers before services commence. The agreements should include key performance targets and measures.	Some agencies still had not finalised and signed service agreements before services commenced. Refer to Financial Controls chapter.

Recommendation		Current status
	Obtain assurance over the design and operating effectiveness of internal controls at shared service providers.	GovConnect engaged an independent party to assess its internal controls. Significant deficiencies were identified. Refer to Financial Controls chapter.
	The Office of Sport, in its capacity as a service provider, should consider providing client agencies with independent assurance over the operating effectiveness of its internal controls.	The Office of Sport confirmed the effectiveness of its internal controls to Venues NSW and the Trustees of ANZAC Memorial Building. However, this was not independent assurance. Refer to Financial Controls chapter.
	Have a centralised contract register that is reviewed and updated on a regular and timely basis.	Many cluster agencies now have a centralised contract register, which is updated regularly and on a timely basis. Refer to Financial Controls chapter.
	Perform independent internal monitoring of significant contracts to check compliance with contract management frameworks and identify weaknesses.	Many cluster agencies performed a self-assessment, but others are still in the process of review and implementation.
The Department of Premier and Cabinet should:		
	Revise the NSW Public Sector Governance Framework to incorporate legislative and policy changes since February 2013.	The Department has not updated the Framework. Refer to the Governance chapter for further details.
	Consider how risk management at an agency level is reported and monitored at the cluster level when reviewing the governance framework.	The Department has not updated the Framework. Refer to the Governance chapter.
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.

This chapter outlines audit observations, conclusions or recommendations for Premier and Cabinet cluster agencies' financial performance and reporting.

Financial reporting

Observation

Unqualified audit opinions were issued for all cluster agencies' financial statements.

The statutory deadlines for completing early close procedures and submitting financial statements were met by most cluster agencies.

Conclusion or recommendation

Early close procedures contributed to financial reporting risks and issues being addressed early in the audit process.

Ongoing improvements in the quality and timeliness of financial reporting helped identify and resolve material misstatements.

Financial performance

Observation

Significant variances were found between actual financial performance and budget estimates for several cluster agencies.

Some cluster agencies had current ratios of less than one indicating low liquidity levels and some recorded significant operating deficits in 2015–16.

Only two cluster agencies are self-funded. The others are funded by the State.

Conclusion or recommendation

Recommendation (repeat issue): Premier and Cabinet cluster agencies need to implement further measures to improve the accuracy of budgets.

Most cluster agencies receive regular revenue allocations from NSW Treasury or the Department. These agencies have sufficient budget allocations for 2016–17 to meet their liquidity requirements.

Quality of financial reporting

The audit opinions for all agencies' 2015–16 financial reports were unqualified

Unqualified audit opinions were issued on cluster agencies' 30 June 2016 financial statements. We obtained sufficient evidence to conclude the financial statements were free from material misstatement.

A financial audit is designed to identify matters considered important enough to report to those charged with governance of the agency, the portfolio Minister, Treasurer and agency head. No significant matters were reported in 2015–16.

Large misstatements continue to be identified in agencies' financial statements

The number of corrected and uncorrected misstatements has fallen from 32 in 2013–14 to 21 in 2015–16. However, the number of misstatements greater than \$1.0 million has increased from only one in 2013–14 to four in 2015–16 (six in 2014–15). One of these exceeded \$5.0 million and related to a reclassification from operating expenses to grants and subsidies. Large errors have greater potential to affect the reliability of the financial statements.

The number of corrected and uncorrected misstatements in the cluster over the past three years is shown in the table below:

Year ended 30 June	Number of misstatements					
	2016		2015		2014	
	Corrected	Uncorrected	Corrected	Uncorrected	Corrected	Uncorrected
Less than \$50,000	4	2	3	4	7	6
\$50,000 - \$250,000	6	1	8	4	10	2
\$250,001 - \$1,000,000	2	2	5	--	4	1
\$1,000,001 - \$5,000,000	3	--	3	--	--	1
Greater than \$5,000,000	1	--	3	--	1	--
Total number of misstatements	16	5	22	8	22	10

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

Timeliness of financial reporting

Early close procedures improved the timeliness of financial reporting

The statutory deadlines for completing early close procedures and submitting financial statements were met by most cluster agencies. Only one agency was two days late in meeting the financial statements submission deadline. Management advises the delay was due to problems in obtaining accurate information from GovConnect, the new service provider.

Most agencies reconciled key account balances and performed monthly accruals and monthly management reviews, including variance analysis. Agencies addressed or are actively addressing issues raised in the previous year's Audit Office management letters.

Opportunities to further improve early close procedures

Some cluster agencies did not complete all required early close procedures, which caused issues during the preparation and audit of the year-end financial statements. Opportunities for improvements at early close include:

- assessing and documenting the impact of new accounting standards
- ensuring all factors and indices used to revalue property, plant and equipment are appropriate and changes in values are accounted for in accordance with accounting standard requirements
- preparing reconciliations, which are properly supported and reviewed
- preparing accounting papers that adequately support complex or one-off transactions
- analysing and clearing suspense accounts.

Agencies were given less time in 2015–16 to perform early close procedures and prepare proforma financial statements. The deadline for the Audit Office to report findings from the early close process was also reduced. Bringing forward early close procedures helped ensure a smoother year-end process and allowed more time to resolve issues.

The table below shows the reduced deadlines for early close procedures over the last three years.

Key completion dates			
Year	2016	2015	2014
Agencies provide results of early close procedures to the Audit Office	26-Apr	27-Apr	27-May
Audit Office to provide feedback on early close procedures	27-May	29-May	30-Jun
Independent Auditor's Report and Statutory Report issued within deadline %	90	95	95

Other matters from financial audits

Barangaroo Delivery Authority's provision for restoration increased to \$299 million

The Barangaroo Delivery Authority's 30 June 2016 financial statements included a provision for restoration of \$299 million (\$224 million at 30 June 2015). This provision is subject to significant estimations and judgements, which are assessed and updated each year. The increase in 2015–16 is attributed to an assessment of future project requirements and the use of actual contract and tendered subcontracted amounts where available.

State Sporting Venues Authority purchases ANZ Stadium

State Sporting Venues Authority (SSVA) purchased the remaining lease of ANZ Stadium on 1 July 2016. SSVA acquired 100 per cent of the shares in Stadium Holdings Pty Ltd and its wholly owned subsidiaries from Specialist Asset Management Limited, the Trustee for Diversified Infrastructure Trust.

Key financial information

Cluster agencies recorded a combined deficit of \$35.4 million in 2015–16, an increase of \$16.9 million on the \$18.5 million deficit in 2014–15. In 2015–16, combined cluster expenditure increased by \$37.2 million and combined revenue increased by \$20.3 million.

The increase in expenditure was mostly due to \$26.9 million more for promotional expenses by Destination NSW, a \$20.2 million increase in employee related expenses at the Department, \$16.2 million for accelerated depreciation of Pirtek stadium and a \$9.2 million increase in Treasury approved grants by Office of Sport to sporting organisations. These increases were partially offset by lower expenses at Barangaroo Delivery Authority and NSW Electoral Commission. In the previous year, Barangaroo incurred \$38.2 million for the Wynyard Walk and the NSW Electoral Commission incurred \$55.6 million for the state election. These expenses were not incurred in 2015–16.

The increase in revenue was due to increased government contributions to fund the increases in expenditure.

The combined value of cluster agencies' assets was \$5.0 billion at 30 June 2016 (\$4.7 billion at 30 June 2015). Combined liabilities increased to \$1.2 billion from \$1.1 billion in the previous year.

Appendix One details key financial information for Premier and Cabinet agencies.

Performance against budget

The accuracy of budgeting needs to improve

Recommendation (repeat issue)

Premier and Cabinet cluster agencies need to implement measures to improve the accuracy of budgets.

Poor budgeting may result in over spending, cost inefficiencies and wastage of resources. Comparing an agency's performance against the budget it presented to Parliament helps in understanding how public funds are being used to achieve NSW Government policy objectives.

Of the 13 cluster agencies that reported a budget to Parliament in 2015–16:

- ten exceeded expense budgets by more than five per cent (five agencies if compared to revised budgets)
- eight exceeded revenue budgets by more than five per cent (three agencies if compared to revised budgets)
- six agencies' budgeted net asset positions varied to actual positions by more than 20 per cent (five when compared to revised budgets)
- nine agencies' budgeted property plant and equipment purchases varied to actual purchases by more than 25 per cent (eight when compared to revised budgets).

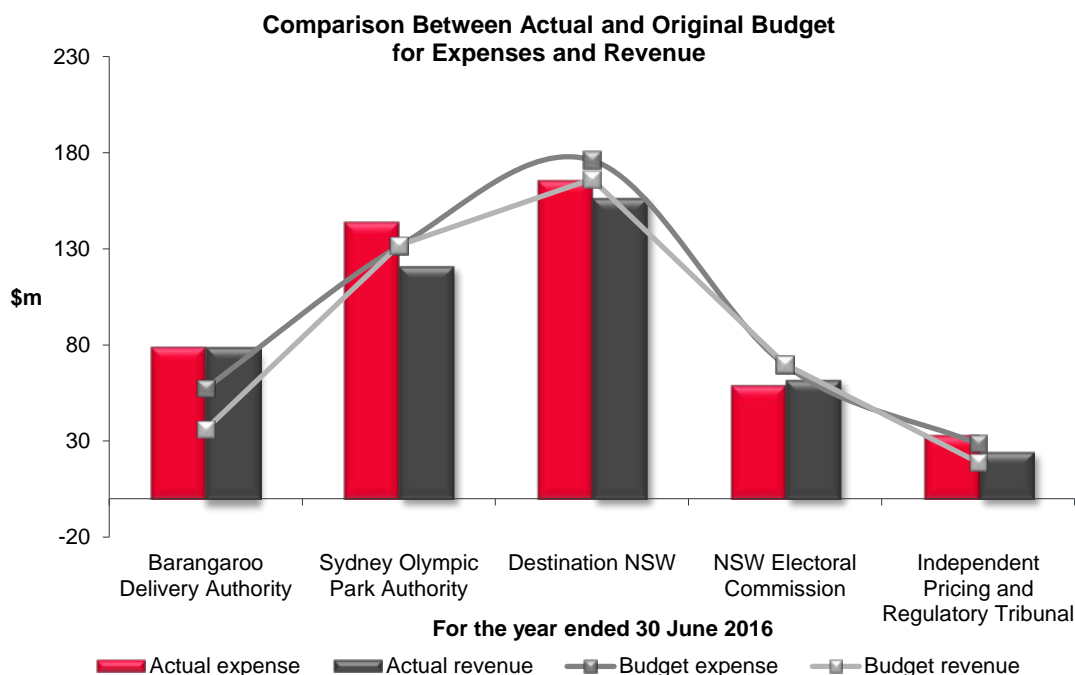
Changes to budgets during the year limit assessments of agencies' performance

Most cluster agencies obtained Treasury approval to revise budgets during the year to reflect changes in roles and activities. While the performance of these agencies was more aligned to the revised budgets, the effectiveness of budgeting as a tool to assess performance, and maintain accountability, is diminished.

Reasons for original budget variances in cluster agencies' income and expenses included:

- Sydney Olympic Park Authority (SOPA) paid a \$10.0 million grant to the NSW Rugby League Centre of Excellence earlier than expected and recorded \$12.0 million less for gains on disposal of its development sites due to a delay in the sale of one site
- higher than budgeted depreciation and amortisation charges due to incremental asset valuations
- a net unbudgeted increase of \$20.9 million in Barangaroo's provision for restoration
- an unbudgeted carry forward of current year funding to later years, which resulted in Destination NSW receiving almost \$10.0 million less in government funding and paying \$10.5 million less in grants and subsidies.

The five agencies with the most significant variances in expenses and revenues against budget are shown in the chart below.



The table in Appendix Two compares the 2015–16 actual results of cluster agencies to their 2015–16 original budgets presented to Parliament. It highlights variances of greater than five per cent for major financial statement total line items. Agencies in the cluster that did not present a budget to Parliament were not analysed. This does not mean they do not develop budgets against which they can monitor and manage their performance.

Financial and sustainability analysis

Significant deficits recorded by some cluster agencies in 2015–16

Twelve cluster agencies recorded deficits in 2015–16 (nine in 2014–15). SOPA had the highest deficit of \$23.0 million (\$25.1 million surplus in 2014–15). This was followed by Venues NSW at \$19.5 million deficit (\$9.1 million deficit).

SOPA's deficit was because it did not receive recurrent grants in 2015–16 compared to \$26.9 million in 2014–15. No staged sales of residential properties occurred in 2015–16 compared to \$19.8 million in 2014–15.

The Department's result changed from a \$10.2 million deficit to a \$4.5 million surplus because of an increase in recurrent funding from NSW Treasury of \$45.0 million.

Venues NSW's deficit largely reflects its inability to fund depreciation costs. The depreciation expense was \$24.9 million (\$9.3 million). This included \$16.2 million accelerated depreciation for Pirtek Stadium, which ceased operating on 30 September 2016 and will be demolished. If accelerated depreciation is excluded, its expenses fell five per cent (grew ten per cent in 2014–15) and its revenues increased 12 per cent (eight per cent).

Low liquidity across the cluster

A measure of liquidity is the current ratio. The normal range for this ratio is between 1.0 to 2.0. Ten cluster agencies had a current ratio above 1.0 at 30 June 2016 indicating they can meet their short term liabilities as they fall due. The Trustees of the ANZAC Memorial Building had the highest current ratio of 49.1 (10.4), due to a \$15.7 million capital grant from NSW Treasury to upgrade the ANZAC War Memorial.

The following eight agencies had current ratios below 1.0 at 30 June 2016:

Agency	Ratio
Barangaroo Delivery Authority	0.5
Parliamentary Counsel's Office	0.5
Independent Commission Against Corruption	0.5
Public Service Commission	0.5
Sydney Cricket and Sports Ground Trust	0.6
Ombudsman's Office	0.6
Department of Premier and Cabinet	0.7
Independent Pricing and Regulatory Tribunal	0.8

A current ratio below 1.0 indicates agencies may have insufficient current assets to meet their short term obligations. However, because the agencies above receive revenues from NSW Treasury or the Department regularly, and have sufficient budget allocations for 2016–17, they should be able to meet their liabilities as they fall due. Most agencies had lower cash balances at 30 June 2016 due to the introduction of NSW Treasury cash management reforms. These reforms require agencies to only hold cash balances to cover their immediate operational requirements. As a consequence, agencies could have a cash balance less than the agency's current liabilities at the balance date.

Large movements in expenses for some cluster agencies

There were significant movements in cluster agencies expenses compared to the prior year.

The Barangaroo Delivery Authority's expenses fell 38 per cent and the NSW Electoral Commission's fell 41 per cent. The decrease in the Barangaroo Delivery Authority was mainly due to the \$38.2 million final grant paid for the Wynyard Walk in 2014–15 and the lower net increase of \$20.9 million in the provision for remediation (\$54 million increase in 2014–15).

The NSW Electoral Commission's expenses fell in 2015–16 because it did not incur the costs of the State election, which took place in March 2015.

The Department's expense growth rate was 12 per cent in 2015–16 mainly due to significant increases in staff to work on initiatives like the amalgamation of local councils.

The Office of Sport's expenses grew 23 per cent in 2015–16 mainly due to the transfer of employees from the NSW Institute of Sport on 2 September 2015 and more Treasury approved grants and subsidies to cluster agencies and sporting organisations.

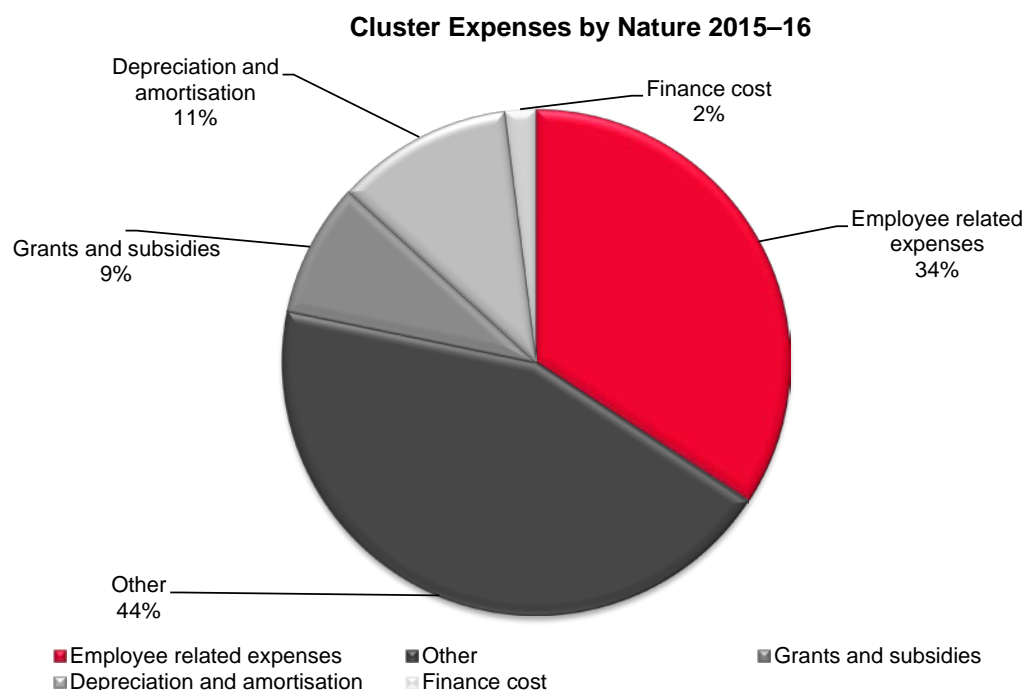
Destination NSW's expenses rose by 22 per cent because of a 43 per cent rise in promotional expenses.

Revenues are falling in comparison to increasing expenses

Except for the NSW Electoral Commission, all independent and regulatory agencies in the cluster had increasing expenses compared to the prior year and falling revenue, except for the Ombudsman's Office, where revenue grew five per cent. For the others, revenue growth rates fell by between 17 to 37 per cent and this was a direct result of NSW Treasury's implementation of the cash management reforms. These reforms require agencies to utilise surplus cash funds before drawing down additional funding from NSW Treasury.

SOPA's expenses grew seven per cent, but revenue fell 24 per cent. As stated in the financial and sustainability section above, this was due to no residential sales and no recurrent grants in 2015–16 as a result of the NSW Treasury cash management reforms that took effect in 2015–16.

A State Priority target is for total government expenditure growth to be less than long term revenue growth. Agencies will need to monitor expenditure closely to achieve this target.



Sustainability issues at Venues NSW

Venues NSW recorded significant deficits over the past three years and a large portion of its cash assets have restrictions on how they can be used. Venues NSW is largely self-funded, but received \$5.0 million in government grants in 2015–16 (\$100,000 in 2014–15). The grants included non-operating capital grants of \$3.8 million mainly for the new Western Sydney Stadium. Excluding the accelerated depreciation for the decommissioned Pirtek Stadium, depreciation is a major expense item and comprises 31 per cent of total expenses.

The continued deficits indicate Venues NSW may not be able to fund future asset replacements. However, its current ratio improved from 0.9 last year to 1.3 at 30 June 2016, indicating it will be able to meet its short term obligations.

On 4 September 2015, the NSW Government announced a commitment to build a new 30,000 seat stadium on the site of the existing Pirtek Stadium. The stadium ceased operating on 30 September 2016. It will be demolished to make way for the new stadium, which is expected to be completed by 2019. Management engaged an independent valuer who assessed the salvage value of the existing assets as immaterial.

Venues NSW will need to effectively manage its finances to meet current and future spending commitments to provide high quality venues, invest in future growth and remain financially sustainable. To achieve these goals, it must generate sufficient operating surpluses to respond to changes in economic conditions, government policy, and the competitive environment.

The table below summarises cluster agencies' performance against some key financial indicators.

Financial analysis indicators at 30 June 2016

Cluster agencies	Surplus/ (deficit) \$'000	Liquidity	Government funding %	Expense growth rate %	Revenue growth rate %
Principal department					
Department of Premier and Cabinet	4,509	0.7	93	12	20
Sport and recreation agencies					
Combat Sports Authority NSW	--	N/A	69	10	10
New South Wales Institute of Sport	(886)	1.5	82	8	5
Office of Sport	7,454	1.8	52	23	27
State Sporting Venues Authority	(924)	N/A	100	10	21
Sydney Cricket and Sports Ground Trust	8,200	0.6	6	3	(4)
Sydney Olympic Park Authority	(23,006)	3.5	13	7	(24)
Venues NSW	(19,525)	1.3*	20**	42***	12
Other agencies					
Barangaroo Delivery Authority	(478)	0.5	N/A	(38)	1
Infrastructure NSW	274	1.2	58	(2)	3
Destination NSW	(9,113)	1.1	100	22	15
Natural Resources Commission	1,040	2.1	96	19	21
Parliamentary Counsel's Office	(410)	0.5	93	1	(6)
Sesquicentenary of Responsible Government Trust Fund	(4)	8.8	N/A	(29)	(50)
Trustees of the ANZAC Memorial Building	15,479	49.1	97	17	94
Independent and regulatory agencies					
Independent Commission Against Corruption	(2,807)	0.5	95	4	(18)
Independent Pricing and Regulatory Tribunal	(8,709)	0.8	79	20	(20)
New South Wales Electoral Commission	2,769	2.8	92	(41)	(37)
Ombudsman's Office	(930)	0.6	91	6	5
Public Service Commission	(8,309)	0.5	89	12	(17)

N/A Not Applicable.

* Calculation excludes restricted cash of \$20.0 million.

** Excluding the \$3.8 million non-operating capital grants, the government funding was 4.8 per cent.

*** Excluding the \$16.2 million accelerated depreciation for Pirtek Stadium, the expenses fell by five per cent.

Source: Financial Statements (audited). Appendix Three includes the definition of each of the indicators.

Financial Controls

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

This chapter outlines findings about financial controls of agencies in the Premier and Cabinet cluster for 2015–16. The table below summarises key observations and conclusions or recommendations.

Financial controls	
Observation	Conclusion or recommendation
We did not identify any high risk control issues but did identify areas where internal controls can improve of which some were repeat issues.	Management accepted the audit findings and is actioning recommendations. Some issues are complex and require more time to address.
The performance of many cluster agencies in paying invoices on time fell from the previous year.	Recommendation: All cluster agencies should address the issues preventing invoices being paid on time.
All seven cluster agencies that provided information had a high number of purchase orders raised after goods and services were ordered.	Recommendations: Cluster agencies should strengthen procurement processes to ensure purchase orders are approved before goods and services are ordered.
Eighty three per cent of the Parliamentary Counsel's Office and 71 per cent of the Department of Premier and Cabinet's purchase orders were raised after invoice date.	Cluster agencies should collect information on purchase orders raised after invoice date and set targets to improve performance.
Asset management at cluster agencies with significant assets can be improved.	Recommendation: Some agencies need to strengthen asset management by developing asset management plans, financial and non-financial key performance indicators, and systems for collecting and monitoring asset management data.
Most cluster agencies using shared service arrangements had agreed key performance measures with the provider, but no formal reporting of the service provider's performance against those measures had occurred.	Recommendation: Cluster agencies using shared service providers should ensure key performance targets and measures are monitored and reported on.
Service levels fell during the transition from ServiceFirst to GovConnect.	Outsource service delivery arrangements should ensure service levels are not adversely impacted.
Agencies using shared services from the former ServiceFirst and GovConnect were unable to rely on controls over financial transactions and information for the year to 30 June 2016. This increased the risk of fraud and error.	No assurance that shared service provider internal controls are operating effectively.
The Office of Sport does not provide client agencies with independent assurance over the design and operating effectiveness of its internal controls. However it does provide internal certification over its internal controls to CFOs of its client agencies.	Recommendation (repeat issue): The Office of Sport, in its capacity as a shared service provider, should provide agencies with independent assurance over the operating effectiveness of its internal controls.

Internal controls

No high risk internal control weaknesses were identified

The 2015–16 financial statement audits of cluster agencies found internal controls were generally appropriately designed and operated effectively to produce reliable and timely financial statements. The audits did not identify high risk internal control weaknesses, but did identify areas where internal controls can improve. These and recommendations to address the weaknesses were reported to management.

Twelve of the 69 internal control issues reported were repeat issues

The 69 internal control weaknesses reported to management were all assessed as either moderate or low risk. Of these, 12 were identified in previous audits and had not been fully actioned by management. Agencies' management advise that some issues take longer to address due to the complexity of the issue and/or resource constraints.

Breakdowns and weaknesses in internal controls increase the risk of fraud and error and should be addressed promptly. The status of these issues will be monitored in future audits.

The number of internal control weaknesses has fallen

The table below shows the number internal of internal control weaknesses and repeat issues identified and reported to management over the last three years.

Year ended 30 June	Number of recommendations	Number of repeat recommendations	Total recommendations
2016	57	12	69
2015	67	10	77
2014	64	21	85

Source: Draft Management Letters issued by the Audit Office.

Internal control weaknesses identified and key themes across the cluster agencies included:

Non-compliance with legislation and policy:

- *Government Information (Public Access) Act 2009* - refer to the Governance chapter for details of non-compliance
- Treasury Circular TC 14–11 'Reduction of Accrued Leave Balances' - 300 employees in the cluster had annual leave balances exceeding the 30 day target (238 in 2014–15)
- Section 12 of the *Public Finance and Audit Act 1983* - purchase orders were raised after invoice date.

Internal policies and processes:

- no evidence of management review of reconciliations and work papers prepared by GovConnect
- instances of unreliable financial work papers and reports provided by GovConnect
- gaps in controls and inconsistent application of accounting policies at regional Sport Centres for inventory and payroll
- outdated internal policies and procedures.

Incomplete and inaccurate central registers:

- no centralised contract registers to capture and review relevant details of contracts entered into
- no legislative compliance registers to capture and report on compliance with key legislation
- no conflict of interests registers to capture conflicts that exist with agency staff.

Weaknesses in information technology controls:

- weak user administration processes increasing the risk of users having excessive or unauthorised access to critical financial systems
- password settings for financial systems not securely configured in line with agencies' policies and better practice standards.

CFOs certified the effectiveness of internal controls over financial information

The CFOs of cluster agencies certified internal controls over financial information for 2015–16 as required by TPP 14–05 'Certifying the Effectiveness of Internal Controls over Financial Information'. This certification provides the agency head and Treasury with some assurance financial controls are adequate for financial reporting purposes. The agency head receives this assurance before signing the annual financial statements. Additional work was performed in 2015–16 by cluster CFO's to identify mitigating controls and respond to the adverse assurance report on payroll controls provided by GovConnect.

Creditors' payment and procurement performance

Most cluster agencies' performance paying invoices on time deteriorated

Recommendation

All cluster agencies should address the issues preventing invoices from being paid on time.

We analysed whether cluster agencies were paying supplier invoices on time and in accordance with set targets. From 16 cluster agencies that were able to provide invoice payment information:

- four did not have set targets
- four did not achieve the target for paying invoices on time
- ten agencies' performance deteriorated compared to the previous year.

The table below shows the percentage of invoices paid on time by cluster agency.

Infrastructure NSW, the Public Service Commission and the Department of Premier and Cabinet had the lowest percentages of invoices paid on time. Venues NSW and the Natural Resources Commission also failed to achieve their targets.

With the exception of Venues NSW, these agencies' payment rates dropped significantly when the service provider changed from ServiceFirst to GovConnect in December 2015.

Invoice paid on time				
Year ended 30 June	2016	2016 target	2015	Service provider
Entity	%	%	%	
Principal department				
Department of Premier and Cabinet	74	N/A	83	GovConnect
Sport and recreation agencies				
Combat Sports Authority NSW*	Purchases through Office of Sport			Office of Sport
New South Wales Institute of Sport	90	95	93	--
Office of Sport	92	90	92	--
State Sporting Venues Authority	Purchases through Office of Sport			Office of Sport
Sydney Cricket and Sports Ground Trust**	92	90	93	--
Sydney Olympic Park Authority	98	95	98	--
Venues NSW	87	100	95	Office of Sport
Other agencies				
Barangaroo Delivery Authority	91	90	97	GovConnect
Destination NSW				Department of Industry, Skills and Regional Development
	98	N/A	99	
Infrastructure NSW	68	90	82	GovConnect
Natural Resources Commission	87	95	95	GovConnect
Parliamentary Counsel's Office	80	N/A	93	GovConnect
Sesquicentenary of Responsible Government Trust Fund*	N/A	N/A	N/A	N/A
Trustees of the ANZAC Memorial Building	93	90	N/A	Office of Sport
Independent and regulatory agencies				
Independent Commission Against Corruption	99	95	99	--
Independent Pricing and Regulatory Tribunal	N/A	N/A	N/A	GovConnect
New South Wales Electoral Commission	100	100	100	N/A
Ombudsman's Office	99	98	98	--
Public Service Commission***	73	N/A	89	GovConnect

* Agencies with minimal procurement activities.

** Sydney Cricket and Sports Ground Trust has a year end of 28/29 February.

*** Invoice payments by value.

-- No service provider used as services performed in-house.

N/A Information not provided by agencies / not available.

Source: Cluster agencies (unaudited).

Government expenditure helps the economy create new jobs and opportunities. A predictable cash flow is vital for all business. Late payment of invoices adversely impacts the cash flow of suppliers. Government agencies have a responsibility to pay suppliers promptly. Late payment can expose agencies to extra costs, such as late payment fees.

High number of purchase orders approved after goods and services were ordered

Recommendations

Cluster agencies should strengthen procurement processes to ensure purchase orders are approved before goods and services are ordered.

Cluster agencies should collect information on purchase orders raised after invoice date and set targets to improve performance.

All seven cluster agencies that provided information had a high number of purchase orders raised after goods and services were ordered. Sydney Cricket and Sports Ground Trust and Barangaroo Delivery Authority have set targets, but did not meet them.

The Parliamentary Counsel's Office and the Department of Premier and Cabinet had high rates of purchase orders raised after invoice date - 83.0 per cent (71.0 per cent in 2014–15) and 70.7 per cent (64.9 per cent) respectively.

The table below shows the percentage of purchase orders raised after invoice date.

Purchase orders raised after invoice date				
Year ended 30 June	2016	2016 target	2015	Service provider
Entity	%	%	%	
Principal department				
Department of Premier and Cabinet	70	N/A	65	GovConnect
Sport and recreation agencies				
Combat Sports Authority NSW*	Purchases through Office of Sport			Office of Sport
New South Wales Institute of Sport	N/A	N/A	N/A	--
Office of Sport	27	N/A	24	--
State Sporting Venues Authority	Purchases through Office of Sport			Office of Sport
Sydney Cricket and Sports Ground Trust**	24	15	27	--
Sydney Olympic Park Authority	N/A	N/A	N/A	--
Venues NSW	40	N/A	32	Office of Sport
Other agencies				
Barangaroo Delivery Authority	28	5	N/A	GovConnect
Destination NSW	N/A	N/A	N/A	Department of Industry
Infrastructure NSW	N/A	N/A	N/A	GovConnect
Natural Resources Commission	N/A	N/A	N/A	GovConnect
Parliamentary Counsel's Office	83	N/A	71	GovConnect
Sesquicentenary of Responsible	N/A	N/A	N/A	N/A
Trustees of the ANZAC Memorial Building	56	N/A	58	Office of Sport
Independent and regulatory agencies				
Independent Commission Against	N/A	N/A	N/A	--
Independent Pricing and Regulatory	N/A	N/A	N/A	GovConnect
New South Wales Electoral Commission	N/A	N/A	N/A	N/A
Ombudsman's Office	N/A	N/A	N/A	--
Public Service Commission	N/A	N/A	N/A	GovConnect

* Agencies with minimal procurement activities.

** Sydney Cricket and Sports Ground Trust has a year end of 28/29 February.

-- No service provider used as services performed in-house.

N/A Information not provided by agencies /not available.

Source: Cluster agencies (unaudited).

Using purchase orders is a control mechanism that provides clear evidence that the purchases, and the agreed costs and payment terms have been approved before an expense is incurred by an agency. They minimise the risk of queries, disputes and possible legal action, and enhance budget management as expenditure commitments can be tracked. Government policy and best practice require purchase orders to be approved before goods and services are ordered.

Asset management

Asset management at some cluster agencies can be improved

Recommendation

Some agencies need to strengthen their asset management by developing:

- asset management plans
- both financial and non-financial key performance indicators
- systems for collecting and monitoring asset management data.

Six cluster agencies have land, building and infrastructure assets with a value of more than \$100 million. We assessed how the assets were used and managed against four asset management criteria. Key observations included:

- one agency did not have an asset management plan and one has not updated its plan since 2012
- only Sydney Olympic Park Authority had key performance indicators (KPIs) to monitor asset management performance
- only two agencies had measures and KPIs to assess the condition of assets
- four agencies did not have systems to collect and analyse asset management data.

The table below shows our assessment against the four criteria:

Agency	Value of assets \$m	Asset management plan	Asset condition assessment and KPIs	Performance evaluation and KPIs	Systems for collection/analysis of data
Sydney Olympic Park Authority	1,587	✓	✗	✓	✓
Sydney Cricket and Sports Ground Trust	788	✓	✗	✗	✓
Barangaroo Delivery Authority	553	✗	✗	✗	✗
Venues NSW*	273	✓	✗	✗	✗
State Sporting Venues Authority	174	✓	✓	✗	✗
Office of Sport	172	✓	✓	✗	✗

* Venues NSW did not have a consolidated asset management plan for the four venues it managed. Each venue had its own plan which was last updated in either 2011 or 2012.

Source: Cluster agencies (unaudited).

A sound asset management framework is fundamental to ensuring public assets are used in an appropriate, effective and efficient way and meet service delivery requirements within available resource limits. It helps management make decisions on strategic asset planning, such as decisions on the acquisition, maintenance, refurbishment and disposal of assets.

Shared services

Most agreements with shared service providers were completed on time

Twelve of the 20 cluster agencies use a shared service provider. Seven use GovConnect, which replaced ServiceFirst Government Services (ServiceFirst) in December 2015 and one uses the Department of Industry, Skills and Regional Development. The remaining four use shared services support provided by the Office of Sport.

Nine agencies had finalised and signed the Service Partnership Agreement (SPA) covering 2015–16 before it commenced. Three agencies did not achieve this until after 30 June 2016. The Department of Premier and Cabinet signed an agreement with GovConnect on behalf of agencies in the cluster using their services.

The following table gives an overview of shared service arrangements in the cluster.

Cluster agencies	Shared service arrangements	Signed Service partnership agreement in place at 30 September 2016	Key performance measures in place	Shared service arrangements signed prior to 1 July 2015
Principal department				
Department of Premier and Cabinet	Yes	Yes	Yes	Yes
Sport and recreation agencies				
Combat Sports Authority NSW	Yes	Yes	Yes	Yes
New South Wales Institute of Sport	No	N/A	N/A	N/A
Office of Sport	No	N/A	N/A	N/A
State Sporting Venues Authority	Yes	Yes	No	No*
Sydney Cricket and Sports Ground Trust	No	N/A	N/A	N/A
Sydney Olympic Park Authority	No	N/A	N/A	N/A
Venues NSW	Yes	Yes	Yes	No
Other agencies				
Barangaroo Delivery Authority	Yes	Yes	Yes	Yes
Infrastructure NSW	Yes	Yes	Yes	Yes
Destination NSW	Yes	Yes	Yes	Yes
Natural Resources Commission	Yes	Yes	Yes	Yes
Parliamentary Counsel's Office	Yes	Yes	Yes	Yes
Sesquicentenary of Responsible Government Trust Fund	N/A	N/A	N/A	N/A
Trustees of the ANZAC Memorial Building	Yes	Yes	Yes	No*
Independent and regulatory agencies				
Independent Commission Against Corruption	No	N/A	N/A	N/A
Independent Pricing and Regulatory Tribunal	Yes	Yes	Yes	Yes
Ombudsman's Office	No	N/A	N/A	N/A
New South Wales Electoral Commission	No	N/A	N/A	N/A
Public Service Commission	Yes	Yes	Yes	Yes

* These SPAs were signed during 2015–16.

N/A Not applicable.

Service levels fell during the transition from ServiceFirst to GovConnect

Service levels dropped significantly during the transition of shared services from ServiceFirst to GovConnect in December 2015. These included a fall in invoices being paid on time, an increase in the number purchase orders being approved after goods and services ordered and some agencies not receiving accurate supporting information/reports from GovConnect. Outsourced service delivery arrangements should not result in service levels being adversely impacted.

On 2 June 2015, the NSW Government announced it had signed contracts with two third party vendors, Infosys and Unisys, following its decision to outsource the services provided by ServiceFirst. ServiceFirst provided services to the agencies until 13 December 2015 after which it was closed down. New service agreements between agencies and ServiceFirst were not agreed for 2015–16. Instead the terms of the previous agreements continued to operate for the five months to 30 November 2015.

Key performance measures of service providers agreed but not reported against

Recommendation (repeat)

Cluster agencies using shared service providers should ensure key performance targets and measures are monitored and reported on.

Eleven of the 12 agencies using shared service arrangements had signed SPAs that included key performance measures to monitor the performance of the service provider against stipulated service level objectives. However, they did not have reporting over the shared service provider's level of performance against the key performance measures.

Shared service arrangements aim to create efficiencies and reduce costs by centralising the delivery of services, such as human resources, and financial and information technology, from a single provider.

A SPA is a mutual undertaking between an agency and a service provider, which enables transparent delivery of efficient and cost-effective shared services. It outlines the responsibilities of the service provider and the agency. It should define key performance measures and targets against which the service provider reports on a monthly basis. The agreements are less effective if key terms and conditions are not agreed before the services commence.

Internal controls at shared service providers

Agencies need independent assurance over shared service providers' internal controls

Decommissioning ServiceFirst and the transition to GovConnect weakened controls over financial transactions and security over client agencies' data and exposed them to increased risk of fraud and error. An independent auditor was engaged to provide assurance to GovConnect client agencies on the design and operating effectiveness of its controls. The auditor issued adverse or qualified assurance opinions over the design and operating effectiveness of the controls, meaning they could not be relied on for the period 14 December 2015 to 30 June 2016 for the following services:

- Payroll services provided by Infosys
- Information Technology provided by Unisys and Infosys
- General Ledger provided by Infosys
- Accounts Receivables provided by Infosys
- Fixed Assets provided by Infosys
- Accounts Payable provided by Infosys.

For payroll services provided by Infosys, GovConnect received an adverse assurance report on the description of controls, their design and operating effectiveness for the same period.

ServiceFirst provided its client agencies with independent assurance on its internal controls for over ten years. For the period 1 July 2015 to 13 December 2015, however, the auditor found the controls could not be relied on and issued a disclaimer of opinion.

The significant breakdowns in controls increased audit risks, resource requirements and the costs of auditing the client agencies financial statements. Agencies have been forced to implement mitigating controls at the agency level to compensate for the control deficiencies at the service provider.

Recommendation (repeat)

The Office of Sport, in its capacity as a shared service provider, should provide agencies with independent assurance over the design and operating effectiveness of its internal controls.

The Office of Sport provides shared services support such as financial reporting, accounts payable and human resource functions to four cluster agencies. The Office of Sport currently provides client agencies' CFOs with internal certification in effectiveness of internal controls over financial information. However, no independent assurance is provided over the design and operating effectiveness of its internal controls.

In November 2014, Treasury issued Treasury Policy, TPP14–05 'Certifying the Effectiveness of Internal Controls over Financial Information'. This policy includes the requirement for agency CFOs to obtain comprehensive letters from service providers to certify the robustness of their control environments for financial reporting. The policy also suggests agencies seek an independent assurance opinion from service providers on the design and operating effectiveness of the internal controls.

Governance

Governance refers to the high-level framework of processes and behaviours designed to ensure an entity performs by meeting its intended purpose, conforms with legislative and other requirements, and meets expectations of probity, accountability and transparency.

Key observations and conclusions or recommendations from our 2015–16 financial statement audits of Premier and Cabinet cluster agencies are summarised in the following table.

Governance	
Observation	Conclusion or recommendation
There is a lack of clarity over governance arrangements at all cluster levels across the NSW public sector. The Department has not updated the NSW Public Sector Governance Framework for legislative and policy changes since February 2013.	<p>The Department is updating the NSW Public Sector Governance Framework to incorporate legislative and policy changes since February 2013.</p> <p>Recommendation (repeat issue): The Department should release a revised NSW Public Sector Governance Framework. This should incorporate legislative and policy changes since February 2013 and define roles and responsibilities within the cluster.</p>
<p>The Audit Office's 'Governance Lighthouse - Strategic Early Warning System' can help agencies improve governance. Many Premier and Cabinet cluster agencies self-assessed their governance framework using the Guide.</p> <p>Agencies have policies to manage conflicts of interest, but they are at different levels of effectiveness.</p>	<p>Recommendation: Premier and Cabinet cluster agencies, that have not done so, should use the Audit Office's 'Governance Lighthouse - Strategic Early Warning System' to assess their governance frameworks.</p> <p>Recording and managing conflicts of interest within the Department and cluster agencies can be improved.</p>
<p>The Department did not fully comply with the <i>Government Information (Public Access) Act 2009</i> (GIPA Act).</p> <p>Some cluster agencies do not have a compliance management framework.</p>	<p>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>.</p> <p>Recommendation (repeat issue): All agencies should maintain a compliance management framework, monitor compliance and report breaches to the audit and risk committee.</p>
All but two Premier and Cabinet cluster agencies have a fraud and corruption policy. Nine agencies voluntarily performed a self-assessment against the 2015 Audit Office Fraud Control Improvement Kit.	Cluster agencies are making good progress in enhancing their Fraud and Corruption policies and practices and the two agencies that do not have a policy in place have committed to self-assess against the Audit Office Fraud Control Improvement Kit in 2016–17.
<p>We assessed the risk management maturity of three Premier and Cabinet cluster agencies using the Audit Office's 'Risk Management Maturity Toolkit'.</p> <p>Risk management maturity appears to be improving, but risk management is not monitored at the Premier and Cabinet cluster level.</p>	<p>Recommendation: Cluster agencies should perform a self-assessment against the Audit Office's Risk Management Maturity Toolkit.</p> <p>Recommendation: The Department should determine how risk management at an agency level is reported and monitored at the Premier and Cabinet cluster level.</p>

Governance structure

Premier and Cabinet cluster agencies have shared audit and risk committees

The Department shares an Audit and Risk Committee (ARC) with the Parliamentary Counsel's Office and the Natural Resources Commission. Given the different risk profiles of sporting agencies, the Office of Sport shares an ARC with Venues NSW, the State Sporting Venues Authority and Combat Sports Authority. Other cluster agencies have their own ARC as they are independent and do not report to the Secretary of the Department.

Strong governance requires well-defined key committees responsible for high-level direction and control. Treasury Policy Paper TPP 16–2 'Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees' encourages shared arrangements, where appropriate, to increase efficiency and reduce compliance costs.

The Department is developing its GOView database

The Department is responsible for arranging all NSW public sector agencies into clusters and maintaining the government organisational database called GOView. The database contains information on all cluster-specific reporting relationships between agencies, with links to enabling legislation. It is amended for administrative restructures and legislative changes. The GOView database is not public facing. Only high level details of NSW Government departments and all public sector agencies grouped by cluster are published.

The Department will further develop GOView to enable a high level view of the NSW Government structure through the redeveloped nsw.gov.au website. The website is expected to be launched for the public by the end of 2016.

In April 2011, individual government agencies were organised into ten clusters, each headed by a Principal Department. The head of the Principal Department is the Secretary of the Principal Department. This administrative arrangement is intended to provide a mechanism for the coordination and strategic alignment of agencies.

Cluster arrangements

Governance arrangements are not clear at all cluster levels across NSW public sector

Recommendation (repeat issue)

The Department should release a revised NSW Public Sector Governance Framework. This should incorporate legislative and policy changes since February 2013 and define roles and responsibilities within the cluster.

The NSW Public Sector Governance Framework (the Framework), released by the Department in February 2013, does not clearly articulate cluster governance arrangements or the role of the cluster Secretary, Chief Finance Officer (CFO) Chief Information Officer (CIO) and the Chief Risk Officer (CRO). These roles need to be clarified within the definition of a cluster, especially focussing on the authority, autonomy and accountability of the Secretary, CFO, CIO and CRO. The Framework recognises that governance arrangements within clusters and accountabilities can be blurred and needs to more clearly articulate these relationships.

The 2014 and 2015 Auditor-General's reports to Parliament on the Premier and Cabinet cluster:

- noted the Framework still refers to the *Public Sector Employment and Management Act 2002*, which has been replaced by the *Government Sector Employment Act 2013*
- acknowledged that differences in the nature of the agencies within a cluster can make the sharing of a common governance structure difficult
- noted that greater alignment of independent agencies within the Premier and Cabinet cluster may not be appropriate.

These observations are still relevant and should be considered by the Department when revising the Framework.

The Department has indicated the Framework will be updated shortly to reflect recent legislative changes, primarily the *Government Sector Employment Act 2013*, and to address the following:

- principles to guide decision-making on the establishment and ongoing review of NSW Government entities
- an entities framework to guide governance and accountability settings for any new or reviewed NSW Government entity
- guidance on governance at a cluster level, including how cluster-level accountability and performance information may be monitored and reported. For example, evaluation activity, risk management, financial management and performance.

Treasury's Financial Management and Transformation (FMT) project aims to revise financial governance, budgeting and reporting arrangements of the NSW public sector. The FMT proposals aim to clarify administrative and accountability arrangements to enhance cluster operations. Clarity is needed over the respective role of the Department and NSW Treasury in updating the Framework. We understand the Department will work alongside NSW Treasury to revise the Framework with an expected finalisation date of mid-2017.

Governance Lighthouse – Strategic Early Warning System

Many cluster agencies self-assessed their governance frameworks

Recommendation

Premier and Cabinet cluster agencies, that have not done so, should use the Audit Office's 'Governance Lighthouse - Strategic Early Warning System' to assess their governance frameworks against.

Last year's Auditor-General's report recommended agencies use the principles outlined in the Audit Office Best Practice Guide 'Governance Lighthouse – Strategic Early Warning System' (Guide) to identify areas of governance that need attention. Premier and Cabinet cluster agencies responded positively to this and many, including the Department of Premier and Cabinet, self-assessed their governance framework using the Guide.

We noted the following positive observations against key areas of the Guide:

- 16 agencies have a compliance management framework and a statement of business ethics
- all agencies have gifts and benefits and conflicts of interest policies
- all agencies where a data return is required by NSW Treasury obtained CFO certification on internal controls
- except for two agencies, all have a fraud and corruption policy.

The Audit Office published its updated '[Governance Lighthouse - Strategic Early Warning System](#)' in 2015. The Guide includes a checklist which enables agencies to self-assess and identify governance areas which need attention.

Ethics

Conflicts of interests

Effectively managing conflicts of interest is important to ensure public interests are placed over personal interests to maintain integrity, trust, service and accountability by government.

Cluster agencies improved how conflicts of interest are recorded and managed

Selected agencies had to implement and require their employees to comply with 'Managing Gifts and Benefits: Minimum Standards' by 1 September 2015. Agencies in the Premier and Cabinet cluster advise they met the deadline.

The management of conflicts of interest is more effective if agencies:

- have a statement of business ethics
- update governance charters to include disclosure of conflicts of interest at all meetings
- require all senior executives to make an annual declaration of private interests
- require contractors and employees to sign annual conflicts of interest declarations.

The NSW Public Service Commission has published the Code of Ethics and Conduct for NSW Government Sector Employees (the Code). The Code applies at all times when employees are acting in the course of, or in connection with, NSW Government sector employment. This includes relations with other government sector employees, clients and customers, stakeholders and the government of the day.

The purpose of the Code is to identify mandatory requirements and best practice conduct for all government sector employees. This is consistent with Part 2 of the *Government Sector Employment Act 2013* (the Ethical framework for the government sector).

Compliance management

Non-compliance with GIPA Act

The Department did not fully comply with *Government Information (Public Access) Act 2009* (GIPA Act) 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*.

The contracts register should:

- include all relevant contracts valued at \$150,000 or more and material variations thereto on a timely basis
- be published on the government tenders website
- contain accurate information.

The Audit Office reviewed the compliance of 13 agencies with Part 3 Division 5 of the *Government Information (Public Access) Act 2009*. The Department was selected for the review. The review concluded that the Department had materially complied with the requirements of the GIPA Act, but identified the following areas of non-compliance:

- the Department's government contracts register and the version published on the government tenders website on 12 May 2016 did not record all contracts valued at \$150,000 or more
- the Department's government contracts register published on the government tenders website:
 - did not include all contracts within 45 working days of the contract becoming effective
 - contained instances of inaccurate information when compared to the contract.

As a result of the areas of non-compliance, the Auditor-General issued a qualified compliance review report on 9 September 2016. The Department has started to plan how to address the non-compliance and improve overall contract management.

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

Some cluster agencies do not have a compliance management framework

Recommendation (repeat issue)

All agencies should have a compliance management framework, monitor compliance and report breaches to the audit and risk committee.

The 2015–16 audits found 16 of the 20 Premier and Cabinet cluster agencies maintain a compliance management framework or have adequate processes to ensure they comply with relevant legislative requirements. Four agencies do not have a documented compliance framework.

Effective compliance management helps prevent agencies from breaching laws and regulations. All agencies should maintain a compliance register, monitor compliance and report breaches to the audit and risk committee (ARC). ARCs should review compliance management frameworks annually. Opportunities exist for agencies to leverage compliance management processes established in other cluster agencies.

Effective compliance management requires agencies to:

- identify all applicable laws, regulations and government directions
- maintain a centralised up-to-date compliance register
- assign responsibility for each requirement
- monitor and report on compliance.

Fraud control

Instances of reported fraud remain low across the Premier and Cabinet cluster

Cluster agencies advise that three (three in 2014–15) instances of possible corrupt conduct were identified and reported to the Independent Commission Against Corruption in 2015–16.

Apart from two agencies, all cluster agencies have a fraud and corruption policy. Nine agencies voluntarily performed a self-assessment against the 2015 Audit Office Fraud Control Improvement Kit (released in February 2015). The two agencies that do not have a policy in place have committed to self-assess against the Audit Office Fraud Control Improvement Kit in 2016–17.

Fraud and corruption frameworks, policies and processes need to be regularly reviewed, updated and communicated to be effective.

Risk management

Agnecy risk management is not monitored at the Premier and Cabinet cluster level

Recommendation

The Department should determine how risk management at an agency level is reported and monitored at the Premier and Cabinet cluster level.

Each agency in the cluster has its own risk profile and risk management framework, which is monitored by its ARC. There is no cluster-wide risk register or risk assessment.

In reviewing the NSW Public Sector Governance Framework, the Department should determine how risks identified at an agency level are escalated for monitoring at the cluster level. An understanding of risks at the agency level would allow more informed decisions to be made at the cluster level. Some agencies in the Premier and Cabinet cluster are, and must be, independent such as the NSW Public Service Commission and the Independent Commission Against Corruption. It may not be appropriate or necessary for the Department to have oversight of the key risks in these independent agencies.

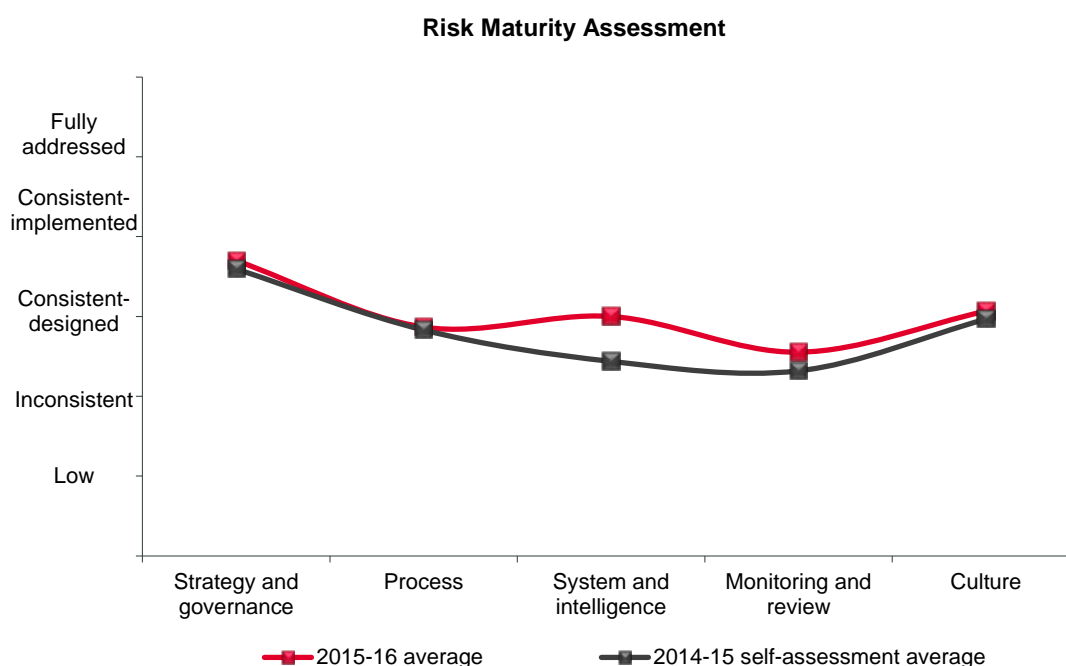
Risk maturity is improving

In 2014–15, some key Premier and Cabinet cluster agencies completed a risk management maturity self-assessment using the Audit Office's [Risk Management Maturity Toolkit](#). The assessments covered the following key areas of risk management:

- strategy and governance
- monitoring and review
- process
- systems and intelligence
- culture.

We assessed the risk maturity of three Premier and Cabinet cluster agencies in 2015–16 using the same toolkit. The assessment showed a slight improvement in risk maturity for the selected agencies in 2015–16 and found there was a strong focus on risk at the Executive and ARC levels.

The average results are set out in the following graph:



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

Recommendation

Cluster agencies should perform a risk self-assessment against the Audit Office's Risk Management Maturity Toolkit.

Opportunities we identified for agencies to improve risk maturity include:

- Strategy and governance - consider developing a risk appetite statement that sets tolerance levels linked to strategic objectives.
- Monitoring and review - consider developing a formal and comprehensive risk acceptance policy and procedures at corporate, divisional and business unit levels. Agencies should continue to focus on embedding risk management across the organisation, ensuring risk appetite and tolerance levels are communicated.
- Process - key risk indicators (KRI) and should be developed with responsibility assigned to key personnel. They should include risks that are outsourced and be linked to strategic and corporate goals.
- System and intelligence - There are opportunities for agencies to use external data and apply analytics in risk management . For example, reviewing risk incidents within a similar industry. More sophisticated risk analysis techniques, such as 'bow-tie' analysis across the agency could be used.
- Culture - strategies to raise risk awareness across the organisation through workshops, training and promoting a culture of information sharing to streamline risk awareness are being implemented. Key performance indicators are recommended for inclusion in staff performance assessments.

A mature risk management process should:

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

Service Delivery

This chapter outlines key findings on Service Delivery in the Premier and Cabinet cluster in 2015–16. Key observations, conclusions or recommendations are summarised in the table below.

Service delivery	
Observation	Conclusion or recommendation
Public sector management reforms encompass a wide range of activities. They include personnel management, public sector workplace relations, ethics and values, workforce planning, performance management and operational practices.	<p>The Auditor-General released a performance audit report on 'Public Sector Management Reforms' in January 2016.</p> <p>The Public Service Commission has identified potential benefits for some reform areas. However, it has not established a method or timeframe to evaluate whether the reforms have improved the effectiveness of the public sector. The Public Service Commission accepted the recommendations of the report and has since developed and commenced implementation of an action plan.</p>
<p>The Department is responsible for driving the implementation of initiatives to deliver the 12 Premier's Priorities and supporting delivery of 18 State Priorities by agencies across the NSW public sector.</p> <p>In October 2016, the New South Wales Government website was updated to publically report on progress against the 12 Premier's Priorities. This was the first public reporting since the Priorities were released in September 2015.</p>	<p>There has been no public reporting on progress on the 18 State Priorities. The reporting format is under development.</p>
<p>The Sydney Olympic Park Authority achieved the highest average customer satisfaction ratio of 93 per cent for their surveyed areas.</p> <p>Venues NSW did not conduct regular surveys to measure customer satisfaction. Sydney Cricket and Sports Ground Trust and Sydney Olympic Park Authority were the only cluster agencies that had all three customer satisfaction measures in place.</p>	<p>Most customers are satisfied with the facilities and services provided by the Sydney Olympic Park Authority.</p> <p>Recommendation: Venues NSW should regularly measure customer satisfaction and set up a centralised complaints handling policy and complaints register covering all venues</p>
<p>The Office of Sport manages 11 sport and recreation centres across the State.</p>	<p>The net cost of operating the 11 sport and recreation centres was \$2.8 million in 2015–16 compared to \$2.6 million in the prior year.</p>

Public sector management reforms

A method to evaluate public sector management reforms is needed

The Auditor-General released a performance audit on '[Public Sector Management Reforms](#)' in January 2016. The report noted the Public Service Commission:

- is making good progress leading the implementation of the reforms
- has not established a method or timeframe to evaluate whether the reforms have improved the effectiveness of the public sector

- has identified potential benefits for some reform areas but reports limited information on progress towards realising them.

The Public Service Commission accepted the recommendations of the report and has since developed and commenced implementation of an action plan.

The public sector management reforms are intended to address a range of workforce management issues identified by the NSW Commission of Audit in early 2012. They include changes to recruitment practices, job classifications, senior executive service structures and ethical conduct.

Premier's and State Priorities

The NSW Government released State Priorities 'NSW: Making it Happen' in September 2015. It outlines 12 Premier's Priorities and 18 State Priorities. The Department is responsible for driving the implementation of initiatives to deliver the 12 Premier's Priorities and supporting delivery of 18 State Priorities by agencies across the NSW Public Sector.

12 Premier's Priorities

- | | |
|---|--|
| <ul style="list-style-type: none"> • Protecting our kids • Improving service levels in hospitals • Improving education results | <ul style="list-style-type: none"> • Driving public sector diversity • Keeping our environment clear • Faster housing approvals |
| <ul style="list-style-type: none"> • Reducing domestic violence • Tackling childhood obesity • Reducing youth homelessness | <ul style="list-style-type: none"> • Improving government services • Creating jobs • Building infrastructure |

The Premier's Implementation Unit (PIU) co-ordinates and works jointly with key agencies to monitor the achievement of targets and drive the implementation of initiatives to deliver the 12 Premier's Priorities. The PIU does this by supporting the lead agencies that have accountability for these priorities and the associated targets. Each priority has targets and implementation plans with the relevant agency. Progress on all Premier's Priorities are routinely reported to key stakeholders, including detailed six monthly delivery reports to Cabinet.

In October 2016, the New South Wales Government website <https://www.nsw.gov.au/premiers-priorities> publically reported progress against the 12 Premier's Priorities for the first time since the Priorities were released in September 2015.

The website shows progress against relevant benchmark targets. Plans are in place to update this information progressively in real time. The Department is consulting with some cluster agencies to develop targets and baseline measures. The PIU uses a dashboard to review performance against baseline measures and performance progress for each priority.

Independent assurance is not obtained for the accuracy of the reported information

It has not been determined if performance reporting against the Premier's Priorities will be independently audited for accuracy. Other state Auditors-General have a mandate to audit the key performance indicators of government entities to provide enhanced government accountability.

Eighteen State Priorities

The Department is assessing key targets and measures with agencies

The Department has a strategic engagement role with the agencies to ensure the 18 State Priorities achieve targets by March 2019. In April 2016, relevant agencies submitted

implementation plans to the Department. The Department reviewed these to ensure appropriate measures and targets were in place to achieve the outcomes. The implementation plans were approved by the cluster Minister. The Department undertakes quality assurance over the information before it is provided for endorsement by Cabinet.

Progress against the 18 State Priorities is not publicly reported

The Department has defined targets and measures in 'NSW: Making it Happen' so Ministers and individual agencies know which targets they are accountable for and how they will be measured. Public reporting of the 18 State Priorities is under development. Progress against these priorities has not been publicly reported to date. Some measures are already publicly reported by agencies. Agencies are responsible for the priorities and report progress at least bi-annually to the Department for reporting to the Premier. The Department helps co-ordinate new funding initiatives related to the State Priorities and considers linkages with existing policies.

Initiatives to reduce red tape are ineffective

The Department has a supporting role to the Department of Finance, Services and Innovation in delivering on the State Priority to 'Make NSW the easiest state to start a business'. The Auditor-General released a performance audit on 'Red Tape reduction' in August 2016. It found that overall, NSW Government initiatives and processes to prevent and reduce red tape were not effective. It recommended the Department establish a framework for reducing red tape and re-establish a program of targeted reductions of unnecessary regulations.

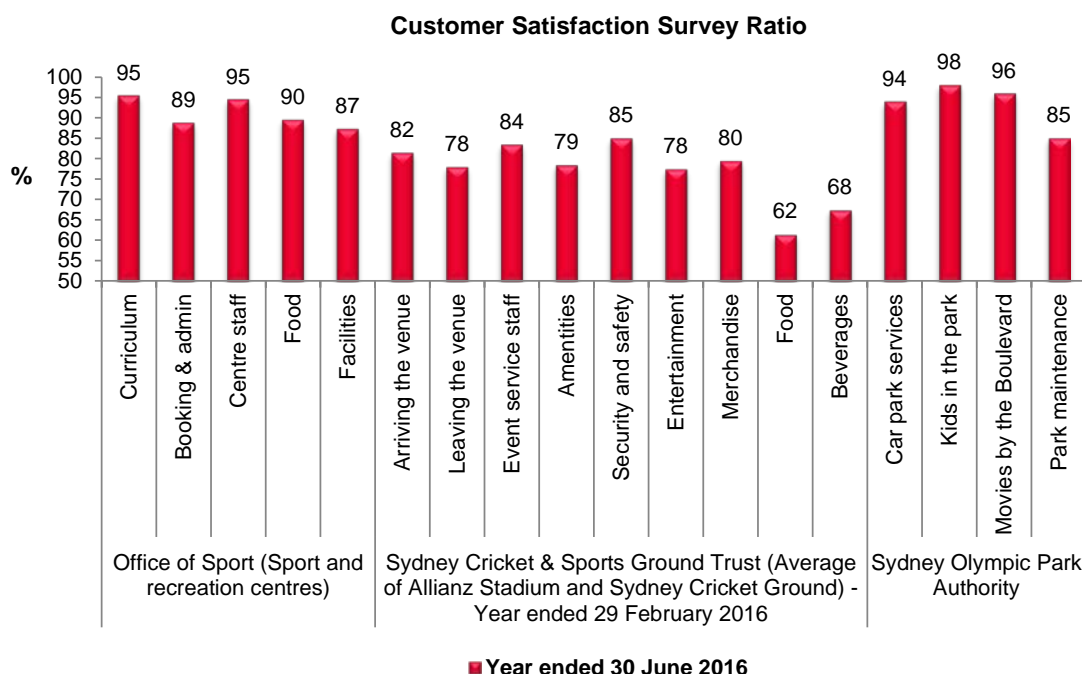
The audit found there is no effective central oversight of whether red tape reduction principles are being applied by departments to prevent and reduce red tape. To deal with this, the report recommends clearer processes and responsibilities be established to improve the quality of regulatory assessments.

The NSW Government is undertaking a comprehensive review of the NSW regulatory policy framework in response to the audit.

Customer satisfaction

Most customers are satisfied with facilities and services provided by sporting agencies

The 2015–16 customer satisfaction survey results, for facilities and services provided to the general public by the Office of Sport, Sydney Cricket and Sports Ground Trust and Sydney Olympic Park Authority, are shown below.



Source: Customer satisfaction surveys provided by the agencies (unaudited).

Sydney Olympic Park Authority achieved the highest average customer satisfaction of 93 per cent for four areas surveyed, while the Office of Sport (Sport and Recreation Centres) averaged 91 per cent for five areas surveyed. The Allianz Stadium and Sydney Cricket Ground averaged 77 per cent for nine areas surveyed.

Customers are dissatisfied with food from Allianz Stadium and Sydney Cricket Ground

The highest area of dissatisfaction for Allianz Stadium and Sydney Cricket Ground was food, with 48 per cent of general public respondents dissatisfied (rated 40 per cent or below). The value for money and quality of food were the two most dissatisfied areas followed by beverages and the time taken to exit the venue. The provision of food services is outsourced to the private sector.

Customer satisfaction is not regularly measured by Venues NSW

Recommendation

Venues NSW should regularly measure customer satisfaction, develop a centralised complaints handling policy and complaints register across its venues.

Venues NSW did not conduct regular surveys of customer satisfaction. However, there is an operational analysis after each event. This process captures incidents and complaints relating to the event and their respective responses. Two venues did not have a complaints handling policy and/or a centralised complaints register. The Sydney Cricket and Sports Ground Trust and Sydney Olympic Park Authority had all three customer satisfaction measures in place.

The table below shows customer satisfaction measures for the four cluster agencies that provide sporting and venue facilities to the general public.

Agency	Major facilities/venues serving general public	Regular surveys for customer satisfaction	Complaints handling policy	Centralised complaints register
Office of Sport	11 Sport and recreation centres	✓	✗	✓
Sydney Cricket and Sports Ground Trust	Allianz Stadium and Sydney Cricket Ground	✓	✓	✓
Sydney Olympic Park Authority	Sports venues in Sydney Olympic Park including Aquatic Centre, Archery Centre, Athletic Centre, Hocley Centre, Sports Centre and Sports Hall	✓	✓	✓
Venues NSW	McDonald Jones Stadium (Newcastle)	✗	✗	✓
	Newcastle Entertainment Centre and Showground*	✗	✗	✗
	Pirtek Stadium	✗	✓	✗
	WIN Sports & Entertainment Centre (Wollongong)	Last conducted in 2014		✓

* Management advised even though there is no complaint policy and centralised register, complaints are handled and reported to management in the Monthly Detailed Report.

Source: Respective agencies (unaudited).

Well managed complaints can benefit businesses by providing an opportunity to build strong and lasting customer relationships, and improve customer services. Customer complaints give businesses valuable information on how they can improve. A centralised complaints register helps management monitor operational performance and how complaints are handled.

Financial performance of sport and recreation centres

The net cost of operating 11 sport and recreation centres was \$2.8 million in 2015–16

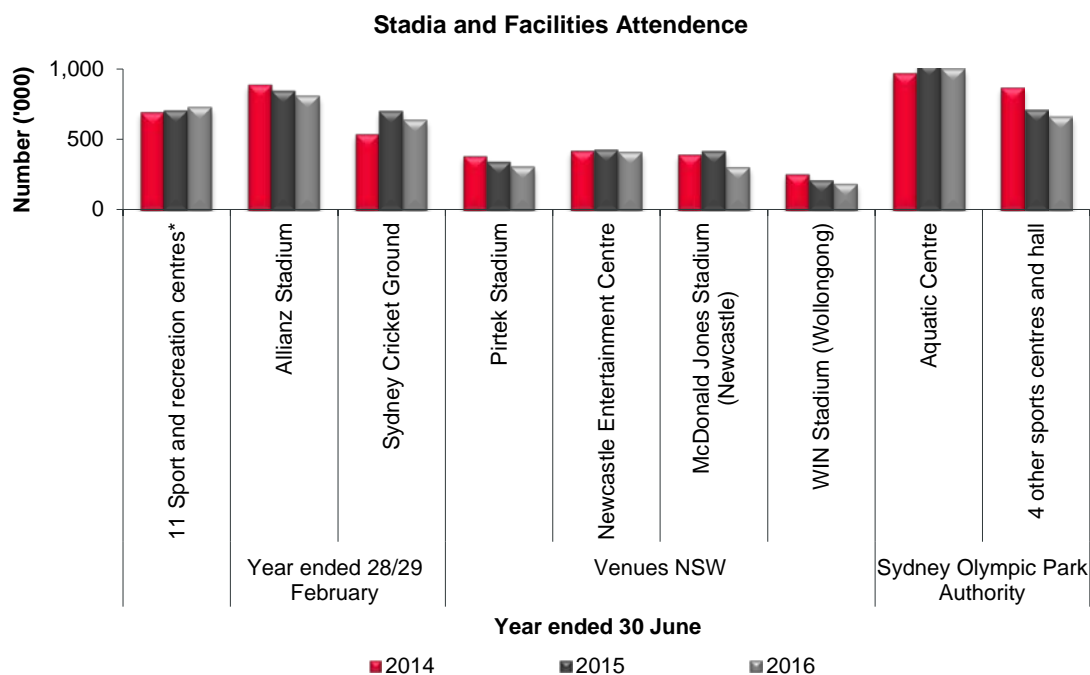
The Office of Sport manages 11 sport and recreation centres across the State. The 11 centres reported a combined net cost of service of \$2.8 million in 2015–16 (\$2.6 million). Many of the 11 individual centres did not generate revenues to cover their costs, however there are other objectives that their performance is measured against.

Stadia and venues facilities attendance

Attendances dropped at most stadia and venue facilities in 2015–16

Attendance at the Office of Sport's 11 sport and recreation centres increased by three per cent in 2015–16 (two per cent in 2014–15). In 2015–16, 206,000 (200,000 in 2014–15) people participated in sport and recreational activities at these centres such as school camps and community activities. Attendances at all other stadia and venue facilities fell. McDonald Jones Stadium (Newcastle) recorded the highest fall of 37 per cent compared to a 6 per cent increase in 2014–15. The decrease was largely due to a fall in the number of larger events from 154 to 141.

The table below shows total attendances at various stadia, sporting and other recreational facilities.



* Participant days (calculated by multiplying the number of participants by the duration of the booking/program).
Source: Respective agencies (unaudited).

Section Two

Appendices



Appendix One – 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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Principal department										
Department of Premier and Cabinet	187,729	166,989	69,640	60,069	244,803	204,444	240,294	214,632	4,509	(10,188)
Sport and recreation agencies										
Combat Sports Authority NSW	--	--	--	--	715	650	715	650	--	--
New South Wales Institute of Sport	4,101	5,451	2,419	2,883	16,292	15,590	17,178	15,878	(886)	(288)
Office of Sport	205,116	199,210	19,595	27,432	181,617	143,131	174,163	142,148	7,454	983
State Sporting Venues Authority	173,570	165,135	--	--	11,296	9,348	12,220	11,130	(924)	(1,782)
Sydney Cricket and Sports Ground Trust*	819,269	785,843	125,772	118,770	92,287	95,911	84,087	81,830	8,200	14,081
Sydney Olympic Park Authority	2,211,673	2,098,159	41,934	29,312	121,269	159,486	144,275	134,432	(23,006)	25,054
Venues NSW	300,810	321,219	10,965	10,184	24,973	22,246	44,498	31,365	(19,525)	(9,119)
Other agencies										
Barangaroo Delivery Authority	915,853	824,062	833,380	741,111	78,905	77,749	79,383	129,023	(478)	(51,274)
Infrastructure NSW	11,908	5,153	10,212	3,731	21,425	20,823	21,151	21,678	274	(855)
Destination NSW	37,615	40,763	30,962	24,997	156,655	136,788	165,768	136,377	(9,113)	411
Natural Resources Commission	2,734	1,739	694	739	6,436	5,336	5,396	4,539	1,040	797
Parliamentary Counsel's Office	1,170	1,609	1,311	1,340	9,125	9,721	9,535	9,659	(410)	62
Sesquicentenary of Responsible Government Trust Fund	44	43	5	--	1	2	5	7	(4)	(5)
Trustees of the ANZAC Memorial Building	56,932	41,807	435	789	17,695	9,098	2,216	1,902	15,479	7,196
Independent and regulatory agencies										
Independent Commission Against Corruption	10,542	12,676	7,087	6,414	24,104	29,575	26,911	25,832	(2,807)	3,743
Independent Pricing and Regulatory Tribunal	6,670	14,510	5,028	4,159	24,840	30,934	33,549	27,991	(8,709)	2,943
New South Wales Electoral Commission	23,588	22,321	3,971	5,473	62,271	99,368	59,502	100,566	2,769	(1,198)
Ombudsman's Office	6,479	9,066	6,620	8,277	33,511	31,864	34,441	32,619	(930)	(755)
Public Service Commission	4,762	16,339	5,106	8,374	29,662	35,544	37,971	33,866	(8,309)	1,678

Source: Financial statements (audited).

* Sydney Cricket and Sports Ground Trust has a year end of 28/29 February.

Appendix Two – Performance Against Budget

	Department of Premier and Cabinet		Sydney Olympic Park Authority		Barangaroo Delivery Authority		Infrastructure NSW		Natural Resources Commission	
	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000
Abridged statement of comprehensive income - year ended 30 June 2016										
Total expenses	● 240,294	230,776	● 144,275	131,289	● 79,383	57,446	● 21,151	16,953	● 5,396	5,764
Total revenue	● 244,803	240,554	● 121,269	131,791	● 78,905	35,957	● 21,425	16,652	● 6,436	6,513
Net surplus/(deficit)	● 4,509	9,778	● (23,006)	502	● (478)	(21,489)	● 274	(301)	● 1,040	749
Total other comprehensive income/(expense)*	6,335	--	123,898	--	--	--	--	--	--	--
Total comprehensive income/(expense)	● 10,844	9,778	● 100,892	502	● (478)	(21,489)	● 274	(301)	● 1,040	749
Abridged statement of financial position - at 30 June 2016										
Total assets	● 187,729	172,752	● 2,211,673	2,167,944	● 915,853	823,006	● 11,908	4,015	● 2,734	1,637
Total liabilities	● 69,640	58,661	● 41,934	20,368	● 833,380	781,379	● 10,212	2,425	● 694	583
Net assets	● 118,089	114,091	● 2,169,739	2,147,576	● 82,473	41,627	● 1,696	1,590	● 2,040	1,054
Abridged statement of cash flows - year ended 30 June 2016										
Purchases of property, plant and equipment	● 4,902	9,156	● 13,912	23,889	● 5,746	10,500	● 215	--	● 1,070	1,000

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

Source: Financial statements (audited).

Actual v Budget indicator

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

	Parliamentary Counsel's Office		Public Service Commission		Independent Commission Against Corruption		Independent Pricing and Regulatory Tribunal		New South Wales Electoral Commission	
	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000
Abridged statement of comprehensive income - year ended 30 June 2016										
Total expenses	● 9,535	9,454	● 37,971	33,613	● 26,911	24,238	● 33,549	28,499	● 59,502	69,555
Total revenue	● 9,125	8,890	● 29,662	29,135	● 24,104	22,561	● 24,840	18,894	● 62,271	70,007
Net surplus/(deficit)	● (410)	(564)	● (8,309)	(4,478)	● (2,807)	(1,677)	● (8,709)	(9,605)	● 2,769	452
Total other comprehensive income/(expense)*	--	--	--	--	--	--	--	--	--	--
Total comprehensive income/(expense)	● (410)	(564)	● (8,309)	(4,478)	● (2,807)	(1,677)	● (8,709)	(9,605)	● 2,769	452
Abridged statement of financial position - at 30 June 2016										
Total assets	● 1,170	840	● 4,762	4,352	● 10,542	9,427	● 6,670	5,395	● 23,588	22,376
Total liabilities	● 1,311	1,140	● 5,106	2,753	● 7,087	5,411	● 5,028	4,703	● 3,971	3,884
Net assets	● (141)	(300)	● (344)	1,599	● 3,455	4,016	● 1,642	692	● 19,617	18,492
Abridged statement of cash flows - year ended 30 June 2016										
Purchases of property, plant and equipment	--	--	● 425	100	● 584	552	● 201	580	● 3,845	2,769

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

Source: Financial statements (audited).

Actual v Budget indicator

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

	Ombudsman's Office		Office of Sport		Destination NSW	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Abridged statement of comprehensive income - year ended 30 June 2016						
Total expenses	● 34,441	31,170	● 174,163	175,196	● 165,768	176,070
Total revenue	● 33,511	31,063	● 181,617	176,995	● 156,655	166,220
Net surplus/(deficit)	● (930)	(107)	● 7,454	1,799	● (9,113)	(9,850)
Total other comprehensive income/(expense)*	--	--	6,289	--	--	--
Total comprehensive income/(expense)	● (930)	(107)	● 13,743	1,799	● (9,113)	(9,850)
Abridged statement of financial position - at 30 June 2016						
Total assets	● 6,479	3,622	● 205,116	202,777	● 37,615	22,581
Total liabilities	● 6,620	3,037	● 19,595	12,962	● 30,962	16,669
Net assets	● (141)	585	● 185,521	189,815	● 6,653	5,912
Abridged statement of cash flows - year ended 30 June 2016						
Purchases of property, plant and equipment	● 220	1,210	● 5,976	5,943	● 151	60

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

Source: Financial statements (audited).

Actual v Budget indicator

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

Appendix Three – Financial Analysis

Indicator	Formula	Description
Surplus/ (deficit) (\$)	Net result from statement of comprehensive income	A positive result indicates a surplus, while a negative result indicates deficit. Operating deficits cannot be sustained in the long term.
Liquidity (ratio)	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities exclude long-term employee provisions and revenue in advance.
Government funding (%)	Government grants and contributions/ total revenue	Indicates the proportion of total revenue which is contributed by Local, State and Federal Government. A higher percentage means that the agency relies on the government to fund its expenditure. This percentage is expected to be lower for self-funding agencies.
Expense growth rate (%)	(Total expenditure 2015–16)/ (Total expenditure 2014–15)	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2015–16, compared to 2014–15. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to prior year.
Revenue growth rate (%)	(Total revenue 2015–16)/ (Total revenue 2014–15)	This demonstrates the rate at which total revenue for an agency has increased or decreased in the financial year 2015–16, compared to 2014–15. A positive growth rate indicates that revenues have increased compared to prior year, while a negative growth rate indicates that revenues have decreased compared to prior year.

Appendix Four – Cluster Information

Agency	Website
Principal department	
Department of Premier and Cabinet	http://www.dpc.nsw.gov.au/
Sport and recreation agencies	
Combat Sports Authority NSW	http://www.combatsports.nsw.gov.au/
New South Wales Institute of Sport	http://www.nswis.com.au/
Office of Sport	http://www.sport.nsw.gov.au/
State Sporting Venues Authority	*
Sydney Cricket and Sports Ground Trust	http://www.sydneycricketground.com.au/
Sydney Olympic Park Authority	http://www.sopa.nsw.gov.au/
Venues NSW	http://www.venuesnsw.com/
Other agencies	
Barangaroo Delivery Authority	http://www.barangaroo.nsw.gov.au/
Infrastructure NSW	http://www.infrastructure.nsw.gov.au/
Destination NSW	http://www.destinationnsw.com.au/
Natural Resources Commission	http://www.nrc.nsw.gov.au/
Parliamentary Counsel's Office	http://www.pco.nsw.gov.au/
Sesquicentenary of Responsible Government Trust Fund	*
Trustees of the ANZAC Memorial Building	http://www.anzacmemorial.nsw.gov.au/
Independent and regulatory agencies	
Independent Commission Against Corruption	http://www.icac.nsw.gov.au/
Independent Pricing and Regulatory Tribunal	http://www.ipart.nsw.gov.au/
New South Wales Electoral Commission	http://www.elections.nsw.gov.au/
Ombudsman's Office	https://www.ombo.nsw.gov.au/
Public Service Commission	http://www.psc.nsw.gov.au/

* This entity has no website.

Appendix Five – Cluster Agencies within the meaning of the *Government Sector Employment Act 2013*

Agency

Principal department

Department of Premier and Cabinet

Public Service executive agencies

Parliamentary Counsel's Office

Infrastructure NSW

New South Wales Institute of Sport

Office of Sport

Public Service separate agencies

New South Wales Electoral Commission

Public Service Commission

Ombudsman's Office

Other agencies that operate outside the *Government Sector Employment Act 2013*

Independent Commission Against Corruption

Destination NSW

Barangaroo Delivery Authority

Combat Sports Authority NSW

State Sporting Venues Authority

Sydney Cricket and Sports Ground Trust

Natural Resources Commission

Sydney Olympic Park Authority

Venues NSW

Independent Pricing and Regulatory Tribunal

Sesquicentenary of Responsible Government Trust Fund

Trustees of the ANZAC Memorial Building

Appendix Six – Agencies not previously commented on, by Minister

Agency name	Website	Period/year ended
Barangaroo Delivery Authority Staff Agency	*	30 June 2016
Natural Resources Commission Staff Agency	*	30 June 2016
Independent Pricing and Regulatory Staff Agency	*	30 June 2016
Destination NSW Staff Agency	*	30 June 2016
Sydney Cricket and Sports Ground Trust Staff Agency	*	29 February 2016

* This entity has no website.

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