

Central Agencies 2018

29 NOVEMBER 2018



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

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* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' 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 entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on entity 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 entity 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 entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

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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In accordance with section 52A of the *Public Finance and Audit Act 1983*, I present a report titled '**Central Agencies 2018**'.

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

Margaret Crawford
Auditor-General
29 November 2018

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Central Agencies 2018

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Section one

Central Agencies 2018

This report analyses the results of our audits of the Treasury, Premier and Cabinet and Finance, Services and Innovation cluster agencies for the year ended 30 June 2018.



Executive summary

This report analyses the results of our audits of the Treasury, Premier and Cabinet and Finance, Services and Innovation cluster agencies for the year ended 30 June 2018. The table below summarises our key observations.



1. Financial reporting

Audit opinions

Unqualified audit opinions were issued for all agencies' 30 June 2018 financial statements submitted to the Audit Office.

Quality of financial reporting

Complex accounting requirements caused significant errors in some agency financial statements, which were corrected before the financial statements were approved. These matters should be resolved earlier in the reporting cycle to reduce the likelihood of the errors occurring. Some of the key areas that need attention include:

- the quality and timeliness of asset valuations
- preparation and review of key account reconciliations
- reconciliation of inter-agency balances and transactions
- the assessment and documentation of accounting implications arising from significant transactions.

Recommendation: Agencies should respond to key accounting issues when they are identified by preparing accounting papers and engaging with Treasury, the Audit Office and their Audit and Risk Committee when these matters are identified.

Timeliness of financial reporting

Most agencies complied with the statutory timeframe for completion of early close procedures, 48 agencies in the Treasury cluster did not comply with the statutory requirement to prepare financial statements, and the audits of nine agencies in the Treasury cluster were not completed within the statutory timeframe.

All financial statement information of the 48 agencies that did not prepare financial statements has been captured in the consolidated financial statements of their parent entity, which was subject to audit.

The audits of six agencies were not completed within the statutory timeframe due to delays in receiving the signed certification from the agency head, which is required before an audit opinion can be issued. In addition, the audits of three agencies were not completed by the statutory deadline due to other delays to the audit.



2. Audit observations

Internal controls

The 2017–18 audits found one high risk issue and 83 moderate risk issues across the agencies. Nineteen per cent of all issues were repeat issues.

The high risk issue at Service NSW related to several deficiencies in procurement and contract management processes, heightening the risk that it is not achieving value-for-money from these activities.

Service NSW needs to rectify the issue as a matter of priority. This includes updating and implementing its procurement, vendor and contract management frameworks and delivering training to key staff involved in procurement and contract management activities.

Internal controls at outsourced service providers

In the 2017 Report on Central Agencies we identified a high risk issue related to Property NSW's transitioning of property and facility management services to a new service provider. Property NSW have implemented several controls during the year to rectify some of the issues identified. However, further work is required to improve oversight arrangements and help lift the service providers performance, which remains below expectations.

Property NSW can better define roles and accountabilities with the service provider and formalise policies and processes associated with its monitoring and oversight of the service provider.

Implementing relevant KPIs, receiving timely reports and providing timely review and feedback to the service provider may help to lift performance.

Remediation of the Barangaroo site

Remediation of the Barangaroo site is now estimated to cost the Barangaroo Delivery Authority in excess of net \$400 million. The increase in the estimate over the last five years is mainly due to the extent of remediation required, as more evidence of contamination has become known. Evidence provided by management supported their estimate of remediation costs.

Green Slip refund program

The State Insurance Regulatory Authority have administered the refund of \$138 million in Green Slip refunds to policy holders through Service NSW during 2017–18. At 30 June 2018, \$112 million in refunds are yet to be claimed.

We reviewed the systems and processes supporting the refund process. While we found that this supports the disbursement of refunds to policyholders there were some deficiencies in Service NSW's project controls when the program was being developed. We found no evidence that:

- a formal project management plan or project risk register was developed for the CTP refund program
- a user acceptance testing plan was developed or testing was performed before go-live
- the completeness and accuracy of information transferred between systems was checked.

Service NSW is responsible for the delivery of several other programs for NSW Government agencies. It should apply the lessons learnt from this program to other programs it is delivering or will be delivering.

Managing maintenance

Place Management NSW has consistently underspent its asset maintenance budget. In 2017–18, asset maintenance expenses were only 34 per cent of budgeted maintenance expense.

Currently, Place Management NSW does not use any ratios or benchmarks to determine the adequacy of its maintenance spend or to monitor whether it is achieving its budgeted maintenance program.

This may be contributing to a high proportion of unplanned maintenance, which Place Management NSW reports was 38 per cent of total maintenance expense in 2017–18.



3. Liquidity risk management

Liquidity risk management maturity

We found that Treasury have an effective framework in place for managing the State's liquidity. We rated Treasury 'advanced' against five of the liquidity principles and 'standard' against three of the liquidity principles. The principles and rating criteria are described in section 4 of this report.

Opportunities to be more effective were identified, particularly around improving the accuracy of cash forecasting processes to support better liquidity modelling and stress testing.

Treasury reported that the whole-of-government liquidity ratio has been around or above 300 per cent for the last 12 months, which is above the minimum threshold of 80 per cent. Treasury advised that the state is exceeding the threshold because of the growth in its financial assets, including the New South Wales Infrastructure Future Fund (NIFF), which is being held to invest into infrastructure.



4. Government financial services

Prudential oversight of NSW Government superannuation funds

The SAS Trustee Corporation (STC) Pooled Fund and the Parliamentary Contributory Superannuation (PCS) Fund are not required to comply with the prudential and reporting standards issued by the Australian Prudential Regulation Authority (APRA).

The Australian Government's Heads of Government Agreement (HOGA) set out the basis on which the Australian Government granted concessional taxation treatment to the states relating to its public-sector funds without Commonwealth regulation or supervision. In order that members of public sector funds be treated fairly and equally relative to their private sector counterparts (whose funds are prudentially regulated by APRA), the states would conform to the Commonwealth's retirement incomes policy objectives set out in HOGA on a best endeavours basis. However, the HOGA arrangement did not provide a structured and effective mechanism for an appropriate level of oversight.

Prudential oversight of these Funds is important as they operate in a volatile financial sector, have 103,000 members and manage investments of \$43.2 billion.

Amendments to the *Superannuation Administration Act 1996* in November 2015 allow the responsible Minister to prescribe applicable prudential standards, reporting and audit requirements.

Recommendation: Treasury should consult with the Trustees of the STC Pooled Fund and PCS Fund to prescribe appropriate prudential standards and requirements, including oversight arrangements.



1. Introduction

This report provides parliament and other users of the NSW Government's central agencies and their cluster agencies financial statements with the results of our audits, our observations, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations
- liquidity risk management
- government financial services.

The central agencies and their key responsibilities are set out below.

| Central agencies | Key central agency responsibilities | Cluster responsibilities |
|---|---|---|
| The Treasury | <ul style="list-style-type: none"> • Financial and economic advisor to NSW Government. • Manages the NSW Government's financial resources. | <p>The cluster:</p> <ul style="list-style-type: none"> • provides investment and debt management services through TCorp • manages residual business arising from privatisation of government businesses • provides insurance and compensation cover, including workers compensation insurance • includes NSW Government superannuation funds. |
| Department of Premier and Cabinet | <ul style="list-style-type: none"> • Drives NSW Government's objectives and sets targets. • Works with clusters to coordinate policy and achieve NSW Government priorities. | <p>The cluster:</p> <ul style="list-style-type: none"> • includes integrity agencies, such as the Independent Commission Against Corruption, Audit Office of NSW and Ombudsman's Office • other agencies, such as Barangaroo Delivery Authority and Infrastructure NSW. |
| Department of Finance, Services and Innovation | <ul style="list-style-type: none"> • Supports agency service delivery in relation to the key enabling functions of NSW Government, including procurement, property and asset management, ICT and digital innovation. | <p>The cluster:</p> <ul style="list-style-type: none"> • is responsible for state revenue and rental bond administration • regulates statutory insurance schemes, workplace safety and consumer protection • provides access to a range of NSW Government services via Service NSW • manages the NSW Government communications network. |
| Public Service Commission | <ul style="list-style-type: none"> • Works to promote and maintain a strong ethical culture across the government sector and improve the capabilities, performance and configuration of the sector's workforce to deliver better services to the public. | <ul style="list-style-type: none"> • The Public Service Commission is an independent agency within the Premier and Cabinet cluster. |

Note: The Audit Office of NSW is an independent agency included in the Premier and Cabinet cluster for administrative purposes, but not commented on in this report.

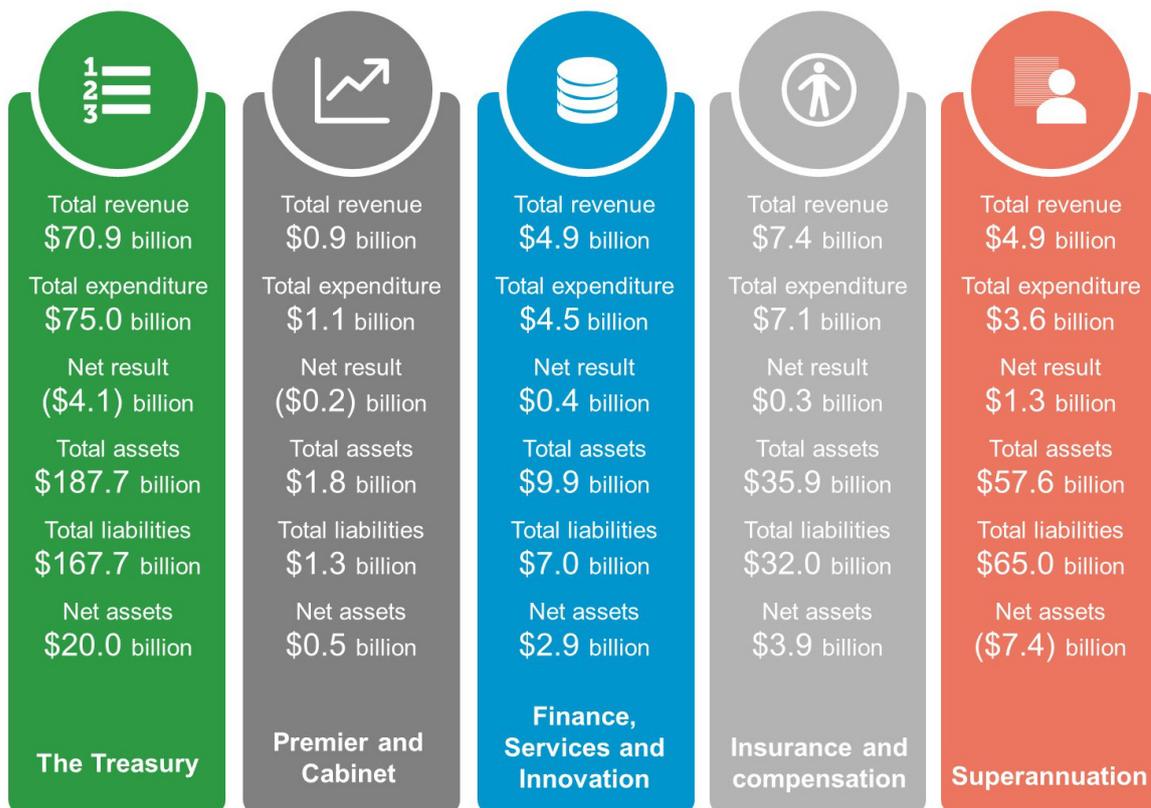
A full list of agencies that this report covers by relevant cluster is included in Appendix three.

1.1 Snapshot of the clusters

A snapshot of the financial results of the Treasury, Premier and Cabinet and Finance, Services and Innovation clusters for the year ended 30 June 2018 is shown below. While superannuation and insurance are part of the Treasury cluster the financial results of these sectors have been separately shown below.

Superannuation fund agencies are not controlled by the NSW Government as they manage member funds as fund trustees. The financial results and balances of superannuation funds shown below are not consolidated into the Total State sector financial statements.

Cluster snapshot



Notes:

- 1 The financial results of the Public Service Commission are reflected in the Premier and Cabinet cluster financial results.
- 2 Included in total expenses and/or revenue for superannuation agencies are tax expenses/benefits on investment income and the net change in member benefits.

1.2 Changes to the clusters

The clusters were impacted by the following agency and staff changes effective 1 January 2018 arising from the Administrative Arrangements (Administrative Changes— Miscellaneous) Order 2017:

- the Long Service Corporation was moved from the Treasury cluster to the Finance, Services and Innovation cluster
- the Data Analytics Centre transferred from the Finance, Services and Innovation cluster to the Treasury cluster
- employees principally involved in the administration of the *Lotteries and Arts Union Act 1901* were moved from the Industry cluster to the Finance, Services and Innovation cluster
- certain responsibilities for the *Swimming Pools Act 1992* and Swimming Pools Regulation were transferred from the Office of Local Government to the Finance, Services and Innovation cluster.

1.3 Service delivery in 2017–18

Central agencies play a key role in ensuring policy coordination, good administrative and people management practices and prudent fiscal management. They are responsible for ensuring consistent and cohesive government policy and service delivery and can set and mandate policies for agencies.

Some of their key functions and objectives are set out below.

Coordination of the Premier's and State Priorities

The Department of Premier and Cabinet is responsible for supporting the implementation of the 12 Premier's Priorities. The Premier's Implementation Unit (PIU) works with agencies to ensure they have implementation plans for the Premier's Priorities, monitors, assesses and reports on progress, and supports agencies to address problems affecting delivery of the Premier's Priorities.

The 18 State Priorities are managed by the responsible ministers and agencies, with the Department of Premier and Cabinet helping to coordinate progress reporting.

The Premier's and State Priorities are published at the website <https://www.nsw.gov.au/premiers-priorities>.

A comprehensive report of performance against the State Priorities has not been published

Despite annual public reporting of the 12 Premier's Priorities no action has been taken to publish a comprehensive report of performance against the 18 State Priorities.

A comprehensive report of performance against the 18 State Priorities would ensure all State Priorities are publicly reported, provide a single and easily accessible source of reference and improve transparency. We acknowledge that some measures are publicly reported through agency annual reports or other sources.

Our performance audit on [Progress and measurement of the Premier's Priorities](#) tabled in September 2018 also highlighted concerns around transparency of public reporting on the Premier's Priorities. While the performance audit found that the PIU is effective in assisting agencies make progress against the Premier's Priorities targets, public reporting is weakened by the lack of information about specific measurement limitations and lack of clarity about the relationship of the targets to broader government objectives.

The PIU has made a number of changes to their website in response to our report.

There is no independent assurance about the accuracy and relevance of reported performance measures

Where possible, the Department of Premier and Cabinet uses independent sources to measure performance. However, without independent assurance there is an increased risk performance data is inaccurate or performance measures not relevant.

Managing the State's Finances

Treasury is the NSW Government's principal financial and economic adviser, leading the State Priorities to:

- maintain the triple-A credit rating
- deliver budgets that constrain expenditure growth within revenue growth.

Treasury is also responsible for managing risks and optimising the State's balance sheet. A key risk that Treasury manages is liquidity risk. In this report, we have assessed Treasury's liquidity risk management maturity. Our observations and findings are detailed in Section 4 of this report.

Further analysis of the State's finances can also be found in our [Report on State Finances 2018](#).

State revenue and taxation

Revenue NSW, a division of the Department of Finance, Services and Innovation has a key role in managing the State's finances. It administers state taxation, manages fines, recovers state debt and administers grants and subsidies. Revenue from these activities represented 35 per cent of Total State sector revenue in 2017–18.

Our observations on achieving state revenue targets are detailed in Section 3 of this report. Revenue NSW also report on efficiency and effectiveness measures annually, following recommendations from a June 2015 performance audit on [Efficiency and effectiveness in tax collection](#).

Promoting public sector diversity

The Public Service Commission (PSC) leads the Premier's Priority to increase the number of women and Aboriginal and Torres Strait Islander people in senior leadership roles. This includes:

- increasing the proportion of women in senior leadership roles in the NSW Government sector from 33 to 50 per cent by 2025
- doubling the number of Aboriginal and Torres Strait Islander people in senior leadership roles in the NSW Government sector, from 57 to 114 by 2025.

Various initiatives exist to help achieve these targets. Agencies are also required to report on workforce diversity in their annual reports in line with a PSC circular and the annual reports regulation.

Supporting digital government

The Department of Finance, Services and Innovation leads whole-of-government ICT strategy and reform. According to the ICT Metrics Report 2016–17 the NSW Government spent \$3.08 billion through its agencies on ICT to facilitate public sector service delivery and service reform.

Digital Government Strategy

The Digital Government Strategy was released in May 2017 to build on reforms set out in previous ICT strategies. It sets out a roadmap of key priorities and enablers that aim to support digital innovation across NSW Government.

A digital projects dashboard has been established and is published on the [digital.nsw](#) website. Clusters report six monthly to the Department of Finance, Services and Innovation so that information can be updated.

The Digital Strategy states that progress towards digital government in NSW will be measured by a range of quantitative and qualitative measures. However, to date no public reporting against measures has been made available.

Digital Information Security

The Department of Finance, Services and Innovation established the Digital Information Security Policy (the Policy), which was last updated in 2015. A key objective of the Policy is to 'provide assurance to NSW Parliament and the people of New South Wales that information held by the government is appropriately protected and handled'. Most agencies (except State Owned Corporations and universities) are required to attest to compliance with its core requirements in their annual reports. This includes establishing and maintaining an Information Security Management System and controls to mitigate information security risks.

Notwithstanding the above, previous Auditor-General's reports to parliament have highlighted concerns around agency digital information security. For example:

- our [Report on Internal Controls and Governance 2018](#) found that IT deficiencies had increased by 63 per cent between 2016–17 and 2017–18, with common deficiencies related to user access management, monitoring of privileged users and password controls
- our 2018 performance audit on [Detecting and responding to cyber security incidents](#) found there is no whole-of-government capability to detect and respond effectively to cyber security incidents and some of the agencies reviewed had poor detection and response practices and procedures.

The performance audit made several recommendations to improve whole-of-government cyber security detection and response capability, including recommending revisions to the Policy. The 2018–19 Budget allocated \$20.0 million over four years to manage the NSW Government's preparedness for and response to cyber security issues across all agencies.

Data Centre Reform

GovDC expanded their facilities to meet future demand with additional data halls built at the two sites during 2017–18.

The NSW Data Centre reform strategy required all agencies (except State Owned Corporations) to relocate their data rooms and infrastructure from current facilities into GovDC or other suitable cloud services by 30 August 2017.

Supporting procurement and contract management

The objectives of the NSW Procurement Board, a business unit within the Department of Finance, Services and Innovation is to develop and implement a whole-of-government strategic approach to procurement, ensure best value-for-money in the procurement of goods and services, improve competition, reduce administrative costs for government agencies and simplify procurement processes while ensuring probity and fairness.

The Department of Finance, Services and Innovation is responsible for achieving whole-of-government procurement savings, however targeted savings are yet to be determined.

Our 2018 report on [Procurement and reporting of consultancy services](#) looked at the NSW Procurement Board and found that it was not fully effective in its role overseeing and supporting agencies in the procurement of consultancy services. We also plan to perform a performance audit on 'Ensuring contract management capability in government' in 2018–19.

Thirty million was allocated in the 2018–19 Budget to continue to implement procurement reforms, which are aimed at achieving savings and efficiencies across whole-of-government procurement.

Utilising property assets

Property NSW has been assigned the NSW Government mandate to improve the management of the NSW Government's owned and leased real property portfolio. Its services include leading property reform, property portfolio and asset management, delivering transactions and major projects, heritage conservation and valuation services. It held property plant and equipment assets of \$1.1 billion (\$959 million at 30 June 2017) and recognised property rental income from owned and leased properties of \$547 million during 2017–18 (\$512 million during 2016–17).

Property NSW is supported in this role by Premiers Memorandum 'M2012-20 Government Property NSW and Government Property Principles' (the Premiers Memorandum), which sets out 16 government property operating principles and six guiding principles. PM2012-20 was established following recommendations made in the Property Asset Utilisation Taskforce Report published in September 2012.

The Premiers Memorandum stated that Property NSW would be accountable for and set appropriate key performance indicators to achieve:

- strong customer satisfaction
- benchmarked financial returns on its property portfolio and investments
- effective real property asset utilisation and service quality
- competitive cost of service
- added value in client real property asset repositioning developments.

We will deliver a performance audit on 'Property asset utilisation' later this year, which will explore some of the above matters in greater detail.



2. Financial reporting

Financial reporting is an important element of good governance. Confidence and transparency in public sector decision making are enhanced when financial reporting is accurate and timely.

This chapter outlines our audit observations related to the financial reporting of agencies in the Treasury, Premier and Cabinet and Finance, Services and Innovation clusters for 2018.

| Observation | Conclusions and recommendations |
|--|--|
| 2.1 Quality of financial reporting | |
| Unqualified opinions were issued for all agencies' financial statements submitted to the Audit Office. | Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement. |
| Complex accounting requirements caused significant errors in some agency financial statements, which were corrected before the financial statements were approved. | Recommendation: Agencies should respond to key accounting issues when they are identified by preparing accounting papers and engaging with Treasury, the Audit Office and their Audit and Risk Committee when these matters are identified. |
| 2.2 Timeliness of financial reporting | |
| Most agencies complied with the statutory timeframe for completion of early close procedures, 48 agencies in the Treasury cluster did not comply with the statutory requirement to prepare financial statements, and the audits of nine agencies in the Treasury cluster were not completed within the statutory timeframe. | Early close procedures allow financial reporting issues and risks to be addressed early in the audit process. The timeliness of financial reporting can be improved by performing more robust early close procedures. |
| All financial statement information of the 48 agencies that did not prepare financial statements has been captured in the consolidated financial statements of their parent entity, which was subject to audit. | |

2.1 Quality of financial reporting

Audit opinions

Unqualified opinions were issues for all agencies' financial statements

Unqualified audit opinions were issued for all agencies' 30 June 2018 financial statements submitted to the Audit Office. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement.

Key accounting matters

Restatement of some agencies long-term liabilities

The following agencies recognised prior period corrections in their financial statements:

- **Lifetime Care and Support Authority** - An increase of \$778 million in the previously reported value of the outstanding claims liability and a decrease in retained earnings at 1 July 2016.
- **NSW Self Insurance Corporation** - An increase of \$699 million in the previously reported value of the outstanding claims liability and a decrease in retained earnings at 1 July 2016.
- **Crown Entity** - An increase of \$248 million in the previously reported value of its share of the unfunded defined benefit superannuation liabilities of NSW Universities and a decrease in retained earnings at 1 July 2016.
- **Long Service Corporation** - An increase of \$168 million in the previously reported value of scheme liabilities and a decrease in retained earnings at 1 July 2016.

Accounting standards require agencies to measure these long-term liabilities at the best estimate of the expenditures required to settle the obligations. The expenses are adjusted by what is referred to as the 'discount rate' to reflect the decreasing value of money over time. In the past, agencies used different rates to discount these liabilities. Some liabilities were discounted using the estimated long-term fair value of 10-year TCorp bond yields while others were discounted using an assumed long-term investment return.

In 2017–18, agencies re-assessed the discount rates previously used in the Sector and determined the market yield on Commonwealth Bonds best met the Accounting Standard requirements and agencies used this rate to discount similar liabilities. The Audit Office agreed that this approach met the requirements of accounting standards.

Sale of Snowy Hydro and Sydney Motorway Corporation

Snowy Hydro

At 30 June 2017, the Crown Entity's investment in Snowy Hydro Limited was reclassified as an asset held-for-sale following the Commonwealth's announcement to purchase the NSW Government's share and the Premier's announcement of the State's interest to pursue the sale.

The sale finalised on 29 June 2018 and the Crown Entity received net proceeds of \$4.1 billion, \$122 million less than the carrying value of the investment. Consequently, the \$122 million was recognised as a loss in the 2017–18 operating result.

The Audit Office was satisfied that the accounting treatment met the requirements of accounting standards.

Sydney Motorway Corporation

The Crown Entity recognised an equity interest in Sydney Motorway Corporation of \$3.4 billion at 30 June 2018. On 31 August 2018, the government announced the sale of 51 per cent of Sydney Motorway Corporation (SMC) to Sydney Transport Partners for \$9.3 billion. The state will retain a 49 per cent equity interest.

Because the sale impacts the 2018–19 financial statements of the Crown Entity the accounting implications have not yet been audited.

Other complex requirements caused significant errors in agency financial statements

We identified significant errors in agency financial statements that were submitted for audit. These were corrected before the financial statements were approved. For example, at Property NSW we identified that it had incorrectly recognised a gain on sale as a deferred liability when it sold a property under a sale and leaseback arrangement. Accounting standards required the gain of \$126 million to be recognised in profit and loss immediately, as the lease was classified as an operating lease and the sale had been made on market terms.

We also identified significant misstatements at agencies related to:

- inappropriate valuation of an agency's residual interest in finance lease arrangements
- other incorrect application of Australian Accounting Standards.

Agencies can better respond to key accounting issues when they are identified by preparing accounting papers and engaging with Treasury, the Audit Office and their Audit and Risk Committee when these matters are identified.

2.2 Timeliness of financial reporting

Most agencies complied with their statutory financial reporting timeframes

Most agencies complied with the statutory timeframe for completion of early close procedures, 48 agencies in the Treasury cluster did not comply with the statutory requirement to prepare financial statements, and the audits of nine agencies in the Treasury cluster were not completed within the statutory timeframe.

All financial statement information of the 48 agencies that did not prepare financial statements has been captured in the consolidated financial statements of their parent entity, which was subject to audit.

The audits of six agencies were not completed within the statutory timeframe due to delays in receiving the signed certification from the agency head, which is required before an audit opinion can be issued. In addition, the audits of three agencies were not completed by the statutory deadline due to other delays to the audit.

Appendix four of this report provides detailed information on the timeliness of agency financial reporting and audit reporting.

Agencies completed early close procedures, but improvement is required

Agencies completed the mandatory early close procedures set by Treasury. However, we noted opportunities to improve other aspects of early close procedures. Early close procedures allow financial reporting issues and risks to be addressed early in the audit process. This in turn can help to improve both the quality and timeliness of financial reporting.

Areas for improvement reported to management in our early close letters include:

- asset valuations were only partially completed or not subject to appropriate quality review procedures
- the impact of significant transactions was not always assessed or only partially assessed
- inter-agency balances and transactions were not always reconciled
- key account balances were not always reconciled or reviewed in a timely manner
- the impact of new and revised accounting standards was not fully assessed.

Agencies should address the above issues to improve the effectiveness of early close procedures.



3. Audit observations

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

This chapter outlines our observations and insights from:

- our financial statement audits of agencies in the Treasury, Premier and Cabinet and Finance, Services and Innovation cluster for 2018
- the areas of focus identified in the Audit Office [Annual Work Program](#).

The Audit Office [Annual Work Program](#) provides a summary of all audits to be conducted within the proposed time period as well as detailed information on the areas of focus for each of the NSW Government clusters.

| Observation | Conclusions and recommendations |
|--|---|
| 3.1 Internal controls | |
| <p>The 2017–18 audits found one high risk issue and 83 moderate risk issues across the agencies. Nineteen per cent of all issues were repeat issues.</p> | <p>Agencies should focus on rectifying repeat issues.</p> |
| <p>The high risk issue at Service NSW related to several deficiencies in procurement and contract management processes.</p> | <p>Service NSW may not be achieving value-for-money from their procurement and contract management activities. The high risk issue should be rectified as a matter of priority. This includes updating and implementing its procurement, vendor and contract management frameworks and delivering training to key staff involved in procurement and contract management activities.</p> |
| <p>Property NSW has implemented several controls during the year to rectify the high risk issue identified last year related to its transition to a new property and facility management service provider. However, the service providers performance remains below expectations and there are further opportunities to improve oversight and lift performance.</p> | <p>Property NSW can better define roles and accountabilities with the service provider and formalise policies and processes associated with its monitoring and oversight of the service provider. Implementing relevant KPIs, receiving timely reports and providing timely review and feedback to the service provider may help to lift performance.</p> |
| <p>GovConnect received unqualified opinions from their service auditor on all business process controls, except for information technology controls provided by Unisys, where a qualified opinion was received from the service auditor. A qualified opinion was received because of several deficiencies in user access controls.</p> | <p>These internal control deficiencies increase the risk of unauthorised access to key business systems, and increase audit effort and costs associated with addressing the risks arising from the deficiencies.</p> |
| 3.2 Audit Office Annual work program | |
| <p>Remediation of the Barangaroo site is now estimated to cost the Barangaroo Delivery Authority in excess of net \$400 million.</p> <p>The increase in the estimate over the last five years is mainly due to the extent of remediation required, as more evidence of contamination has become known.</p> | <p>Measuring the remaining costs to remediate requires the use of estimation techniques and judgements, making the actual outcome inherently uncertain. We reviewed evidence to support the provision for remediation, including future costs estimates and this evidence supported management’s estimate.</p> |

Observation

Conclusions and recommendations

The State Insurance Regulatory Authority have administered the refund of \$138 million in Green slip refunds to policy holders through Service NSW during 2017–18. At 30 June 2018, \$112 million in refunds are yet to be claimed.

We reviewed the systems and processes supporting the refund process. While we found that this supports the disbursement of refunds to policyholders there were some deficiencies in Service NSW's project controls when the program was being developed.

Revenue NSW recorded \$30.4 billion from taxes, fines and fees in 2017–18 (\$30.0 billion in 2016–17) to support the State's finances.

Service NSW should apply the lessons learnt from this program to other programs it is delivering or will be delivering for agencies.

Crown revenue has steadily increased over the last five years predominately driven by rises in payroll tax and land tax and responsibility for collection of the Emergency Services Levy transferring to Revenue NSW under the *Emergency Services Levy Act 2017* effective from July 2017.

3.3 Managing maintenance

Place Management NSW manages significant commercial and retail leases and maintains public domain spaces and other assets around the harbour foreshore. It has consistently underspent its asset maintenance budget. In 2017–18, asset maintenance expenses were only 34 per cent of budgeted maintenance expense.

Currently, Place Management NSW does not use any ratios or benchmarks to determine the adequacy of its maintenance spend or to monitor whether it is achieving its budgeted maintenance program.

This may be contributing to a high proportion of unplanned maintenance, which Place Management NSW reports was 38 per cent of total maintenance expense in 2017–18.

Place Management NSW is outsourcing its property and facilities management function from 1 December 2018 to an external service provider.

3.1 Internal controls

Internal controls at agencies

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. We report deficiencies in internal controls, matters of governance interest and unresolved issues identified to management and those charged with governance. We do this through our management letters, which include our observations, related implications, recommendations and risk ratings. The table below describes the common issues identified across the clusters by category and risk rating.

| Category | Risk rating | Issue |
|------------------------|--|--|
| Information technology |  Moderate: 20 new, 7 repeat | The financial audits identified opportunities for agencies to improve information technology (IT) processes and controls that support the integrity of financial data used to prepare agencies' financial statements. The audits noted issues with: <ul style="list-style-type: none">• user access administration• privileged user activities• program change management. |
| |  Low: 18 new, 6 repeat | |

| Category | Risk rating | Issue |
|--|---|---|
| Internal control deficiencies or improvements |  Moderate: 15 new, 1 repeat | <p>The financial audits identified internal control weaknesses across key business processes, including:</p> <ul style="list-style-type: none"> inadequate review of master data changes such as employee details and incomplete or out of date information in master data tables balance sheet reconciliations not prepared or not reviewed. |
| |  Low: 8 new, 4 repeat | |
| Financial reporting |  Moderate: 9 new, 3 repeat | <p>The financial audits identified opportunities for agencies to strengthen financial reporting, including:</p> <ul style="list-style-type: none"> re-assessing assumptions supporting estimates and strengthening documentation to support key accounting estimates and judgements reviewing and clearing reconciling differences and long outstanding reconciling items in balance sheet accounts. |
| |  Low: 8 new, 5 repeat | |
| Governance and oversight |  High: 1 new | <p>The financial audits identified opportunities for agencies to improve governance and oversight processes, including issues associated with:</p> <ul style="list-style-type: none"> outdated policies and procedures deficiencies in contract and project management processes service level agreements being outdated, signed late or not in place. <p>We identified a high risk issue at Service NSW related to several deficiencies in procurement and contract management processes.</p> <p>Deficiencies in the procurement process include:</p> <ul style="list-style-type: none"> entering into a direct negotiation arrangement without obtaining appropriate approvals contract variations not re-authorised in accordance with financial delegations other exceptions associated with procurement strategy, risk management and evaluation of proposals. <p>Deficiencies in contract management processes related to not adopting contract management plans; failing to perform contract risk assessments, monitor service provider performance against KPIs and develop transition plans. Recommendations have been made in Service NSW's management letter to help rectify these deficiencies.</p> |
| |  Moderate: 20 new | |
| |  Low: 10 new | |
| Non-compliance with key legislation and/or central agency policies |  Moderate: 7 new, 1 repeat | <p>The financial audits identified breaches of Treasury Circular TC16/03 'Managing Accrued Recreation Leave Balances', the Annual Reports Regulation and Procurement Board Directions.</p> |
| |  Low: 4 new, 1 repeat | |

-  High risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
-  Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
-  Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.

Internal controls at outsourced service providers

Property NSW needs to improve oversight of its property and facility management service provider

In the 2017 Report on Central Agencies we identified a high risk issue related to Property NSW's transitioning of property and facility management services to a new service provider. Property NSW have implemented several controls during the year to rectify some of the issues identified. However, further work is required to improve oversight arrangements and help lift the service providers performance.

Ineffective monitoring of the service providers performance increases the risk that the benefits expected from the outsourcing arrangement will not be realised, poor performance will not be identified and rectified, and errors in data processed by the service provider will not be detected.

Key observations from our audit include:

- the service provider not meeting most of the KPIs defined in the agreement and KPI reporting has not been timely
- a lack of clearly defined accountabilities for roles and responsibilities between the service provider and Property NSW
- no formal documentation of policies and procedures for monitoring and oversight of the service provider
- no evidence that Property NSW is documenting the review of the monthly reports received from the service provider.

Property NSW advises it is continuing to implement monitoring arrangements and work with the service provider to improve its performance.

Qualified opinion received on information technology services provided to the clusters

GovConnect provides transactional and information technology services to Treasury, the Department of Premier and Cabinet and the Department of Finance, Services and Innovation and several of their cluster agencies. GovConnect received unqualified opinions from their service auditor on all business process controls, except for information technology controls provided by Unisys, where a qualified opinion was received from the service auditor.

A qualified opinion was issued because:

- terminated staff access was not removed on a timely basis from the network. Further investigation confirmed the users had not inappropriately used this access
- GovConnect staff had inappropriate administration access to remotely login to the network
- controls were not designed to monitor access and changes to the SAP database.

These control deficiencies increase the risk of unauthorised access to key business systems. While audit teams performed additional audit procedures to obtain reasonable assurance that these control deficiencies were not exploited throughout the financial year, these matters also increase audit effort and costs and can impact on the timeliness of financial reporting.

The Department of Finance, Services and Innovation leads the arrangement with GovConnect. It advises that it is continuing to work with GovConnect to rectify the control deficiencies and lift the service providers performance.

3.2 Audit Office Annual work program

Each year our financial audits examine a small number of specific topics across agencies. We determine which topics to consider by looking for opportunities to improve public-sector accountability, governance and administration. We also consider the risks and challenges to reporting the true financial position and performance of the state and how these may be addressed during our audits.

Risks and challenges that may impact on financial reporting of the Treasury, Premier and Cabinet and Finance, Services and Innovation clusters this year and the audit outcomes are highlighted below.

Some matters identified in the [Annual Work Program](#) have been reported elsewhere in this report or in other reports, including:

- liquidity risk management (refer to section 4)
- sale of Snowy Hydro and Sydney Motorway Corporation (refer to Section 2)
- implementing PRIME IT system (refer to our [Report on State Finances 2018](#)).

Administering regional grants

The Department of Premier and Cabinet have controls in place to administer regional grants

Regional NSW grants totalled \$5.4 million during 2017–18. We evaluated the Department of Premier and Cabinet's (DPC) controls related to the administration and monitoring of these grant funds and tested a sample of grant payments for compliance with contract conditions and milestones. These procedures did not highlight any exceptions.

Monitoring compliance with grant conditions is an important aspect of grants administration and assists in ensuring that use of the grant funding achieves planned objectives.

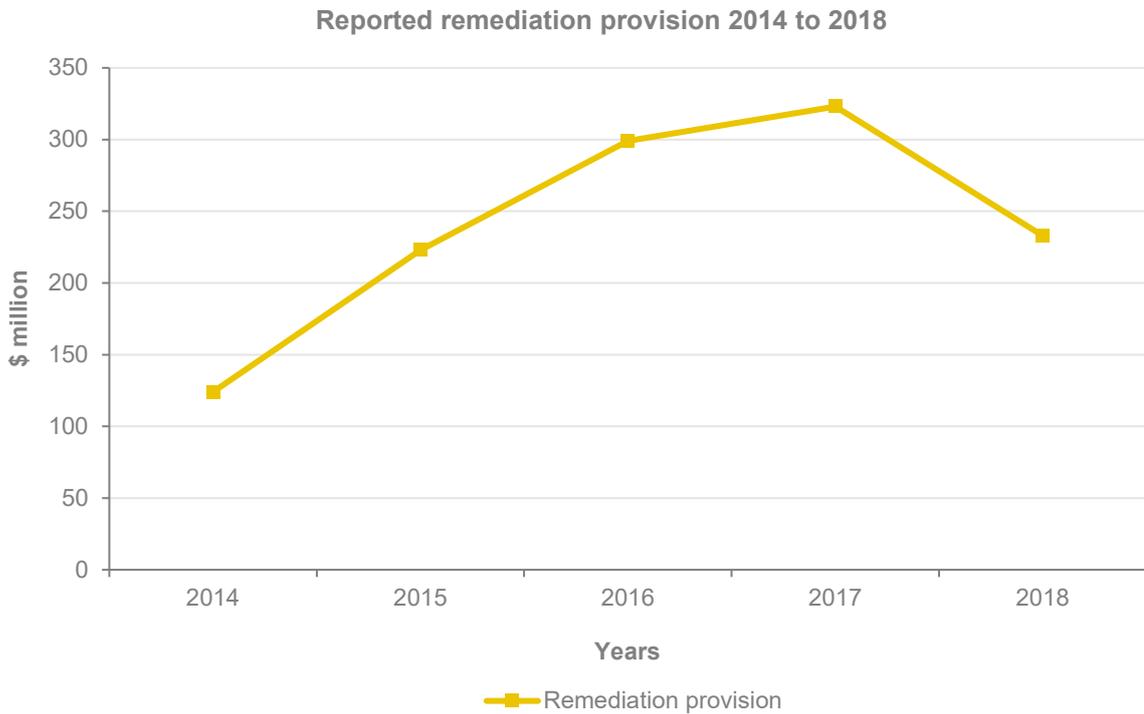
On 1 April 2017, Regional NSW was transferred to DPC from the Department of Industry. In addition to grants to Regional NSW, DPC assists in receiving and assessing applications for funding for the \$1.3 billion in Restart grants. Our 2018 report on [Regional assistance programs](#) reviewed two programs, Resources for Regions and Fixing Country Roads. The performance audit identified that DPC and other relevant agencies had developed good strategies over time to support councils through the application process and had implemented effective tools to assist applicants in demonstrating the economic impact of their projects.

Remediation of the Barangaroo site

Estimated remediation costs have increased over the last five years

Remediation of the Barangaroo site is now estimated to cost the Barangaroo Delivery Authority in excess of net \$400 million. Measuring the remaining costs to remediate requires the use of estimation techniques and judgements, making the actual outcome inherently uncertain. Within this context, we assessed the sufficiency and appropriateness of evidence to support the provision for remediation, including future costs estimates. The evidence supported managements estimate.

The graph below depicts the changes in the remediation provision in the Barangaroo Delivery Authority's financial statements over the last five years.



Source: Financial Statements (audited).

The reduction in the current year is a result of remediation works being undertaken during the year, while the increases over the prior years is mainly due to:

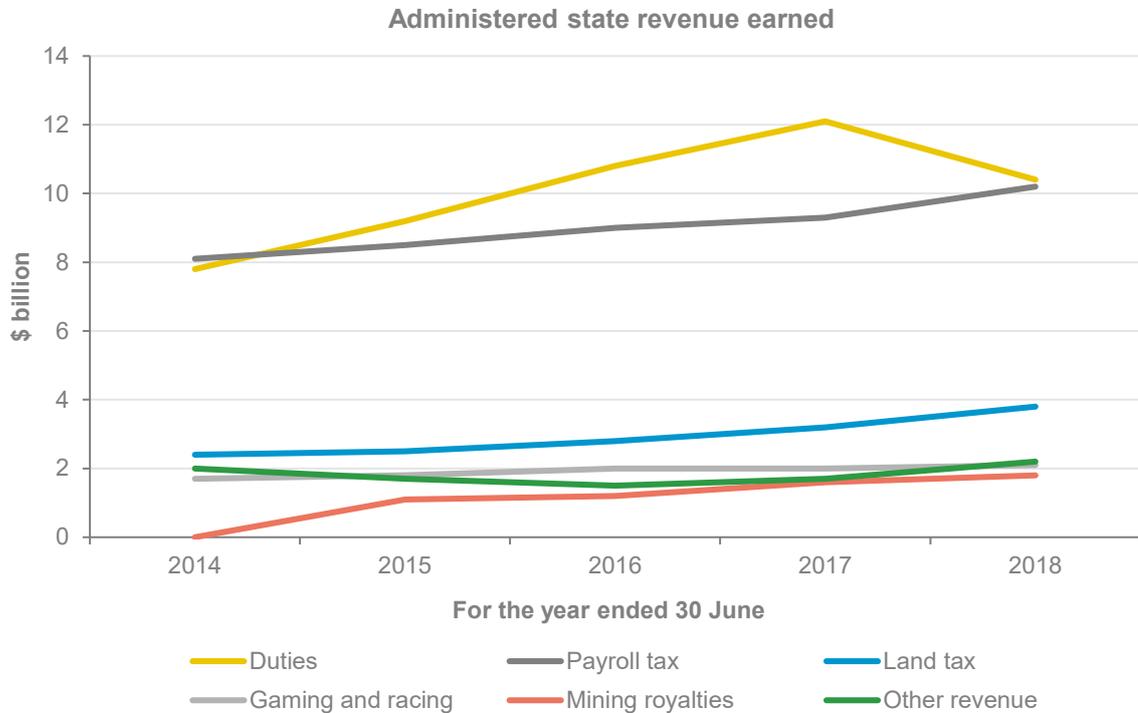
- changes in the remediation approach for Hickson Road from an in-situ to ex-situ approach
- increases in the scope of remediation work
- increased certainty in future cost estimates as forecast costs are predominately supported by relevant contracts and agreements.

An internal audit completed in September 2018 found that management of project compliance, budgeting and monitoring remediation costs and coordination with other stakeholders and impact assessment was satisfactory, although some opportunities for improvement were identified. The project to remediate the Barangaroo site and a portion of Hickson Road, was initiated in 2010, and is expected to be completed in 2020.

State revenue and taxation

Crown revenue continues to increase

Revenue NSW recorded \$30.5 billion from taxes, fines and fees in 2017–18 (\$30.0 billion in 2016–17) on behalf of the state.



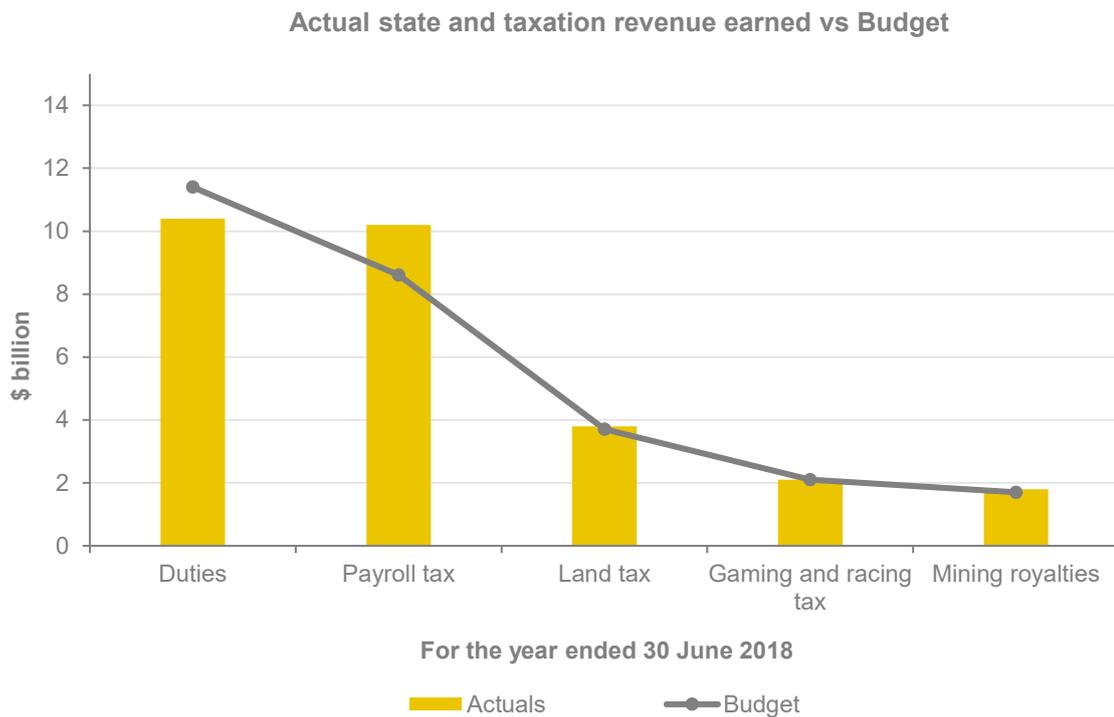
Source: Financial Statements (audited).

Despite the reduction in duties revenue in 2017–18 Crown revenue has steadily increased over the last five years. This growth is driven by:

- rise in NSW employment and growth rate (payroll tax)
- strong growth in land values (land tax)
- increase in coal export prices (mining royalties)
- responsibility for collection of the Emergency Services Levy from insurers transferring to Revenue NSW under the *Emergency Services Levy Act 2017* effective from July 2017 (part of other revenue).

The growth in Crown revenue is offset by the decrease in transfer duty from the one-off receipt of \$718 million from the lease of Ausgrid and Endeavour Energy assets in 2016–17.

The graph below compares Crown revenue against budget.



Source: Financial statements (audited) and NSW Budget Paper 2017–18 (unaudited).

Most revenue streams are consistent with budget expectations, except for:

- Payroll tax (exceeded budget by \$1.6 billion) - this was a result of the continued increase in employment and wage growth despite the budget expectation of slowed wage growth and employment growth during the year.
- Duties was below budget by \$1.0 billion - the decrease in property market transactions, property development approvals and prices during the year resulted in a decrease in transfer duty.

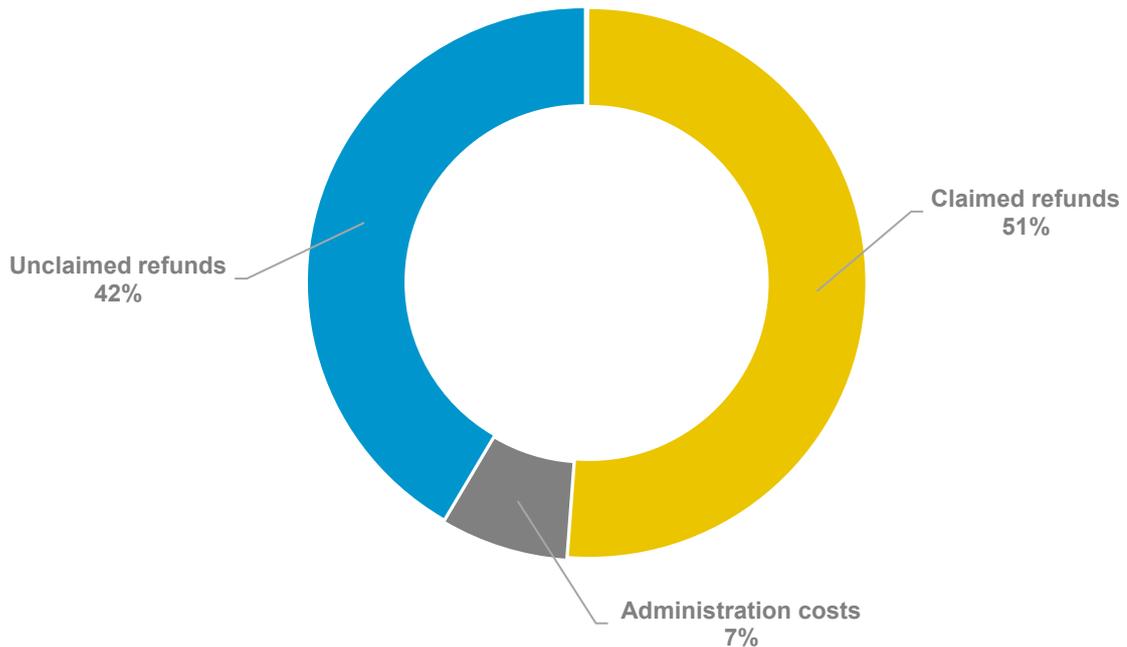
Green Slip refund program

Approximately \$138 million has been refunded to vehicle owners

The State Insurance Regulatory Authority recouped \$269 million in over-collected Green Slip premiums from CTP insurers and have administered the refund of \$138 million to policy holders through Service NSW during 2017–18. The refund of Green Slip premiums was due to the new CTP scheme, commencing from 1 December 2017.

At 30 June 2018, \$112 million in cash being held by the State Insurance Regulatory Authority and Service NSW is yet to be claimed. The deadline to claim the premium refunds by policyholders was extended from 30 September 2018 to 30 June 2019.

Green Slip premium refund



Source: Financial Statements (audited).

The reformed CTP scheme reduced Green Slip premium prices for most classes of vehicles, allowing a refund to be made available to most vehicle owners who purchased or renewed their Green Slip with a start date before 1 December.

Opportunities to improve controls implemented by Service NSW over the program

Service NSW was engaged by the State Insurance Regulatory Authority to provide an accessible solution to support the administration of the Green Slip premium refunds to policyholders.

We reviewed the systems and processes supporting the refund process. While we found that these support the disbursement of refunds to policy holders there were some deficiencies in Service NSW's project controls when the program was being developed. There was no evidence that:

- a formal project management plan or project risk register was developed for the CTP refund program
- a user acceptance testing plan was developed or testing was performed before go-live
- the completeness and accuracy of information transferred between systems was checked.

Service NSW should apply these findings to future programs it is delivering, such as Creative Kids and Cost of Living.

Migration of finance data to a new IT system

Controls over the SAPConnect data migration were mostly effective

During the 2017–18 financial year, as part of a staged migration program, business units within the Department of Finance, Services and Innovation and cluster agencies migrated their finance data to a new IT system - SAPConnect. Cluster agencies using SAPConnect include Property NSW, Place Management NSW and Teacher Housing Authority.

While we found that controls were in place over the completeness and accuracy of migrated data, the following matters were noted:

- formal risk assessment activities were not performed to identify and manage risks associated with data migration
- security management plans did not deal with:
 - management and monitoring of user access related to project staff and contractors who had been granted system access to complete project activities
 - removal of user access from the migration environments after the data had been migrated
 - preventing copying of potentially sensitive data
 - data governance, including secure disposal of data and data masking requirements during migration and user acceptance testing phases.

Sufficient controls over the data migration are critical to maintain the integrity of data and keep it secure. Deficiencies in this process increase the risk of:

- incomplete and inaccurate data being transferred to the new IT system
- the new system failing to meet the needs of the business or users
- information security and data privacy breaches.

Additional business units and cluster agencies will transfer to SAPConnect during 2018–19, including Revenue NSW and the State Insurance Regulatory Authority.

3.3 Managing maintenance

We reviewed maintenance expenses at Place Management NSW within the Finance, Services and Innovation cluster. Place Management NSW manages significant commercial and retail leases and maintains public domain spaces, parks, wharves, boardwalks and heritage assets around the harbour foreshore.

Place Management NSW spent \$17.0 million on maintaining its assets in 2017–18. The findings from our review are detailed below.

Asset maintenance policies

Place Management NSW does not have a comprehensive strategic asset maintenance plan in place

Maintenance planning plays a key role in optimising the economic life and operating performance of existing assets. While Place Management NSW have developed a total asset management plan in line with Treasury policy it does not maintain a strategic asset maintenance plan or policy setting out:

- life cycle maintenance and costing - including future requirements
- systems and procedures for measurement of asset performance
- a risk management plan
- appropriate reporting to board and senior management.

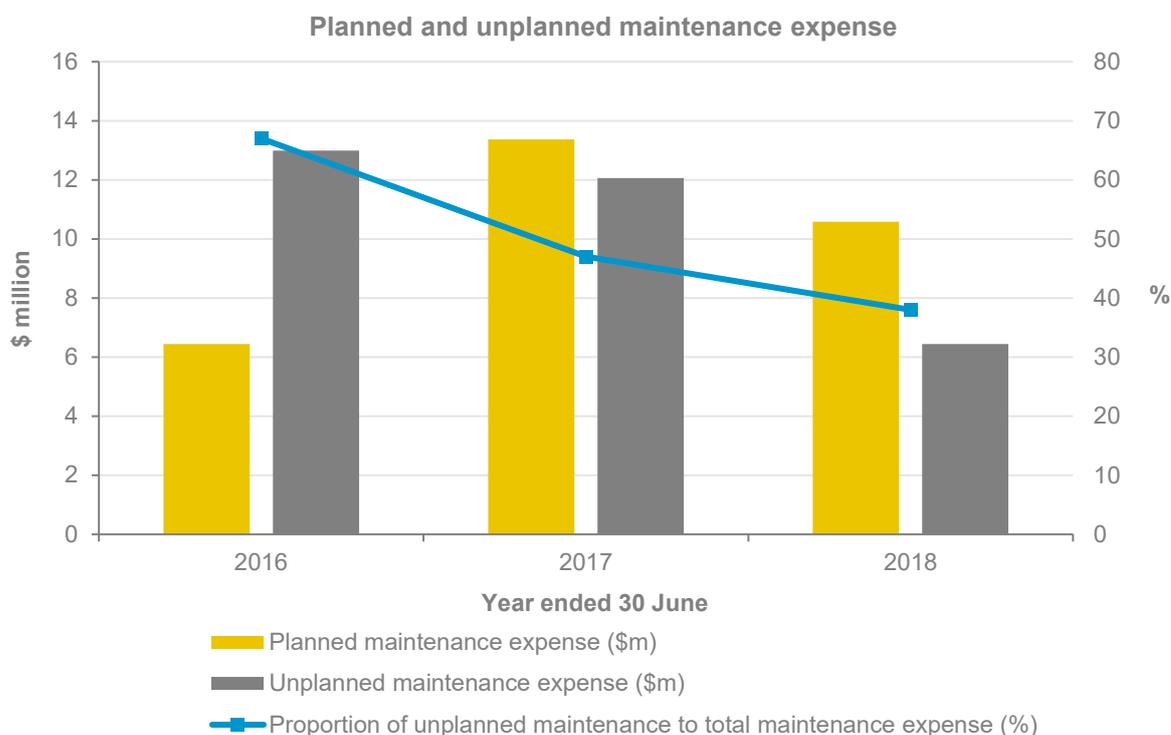
Effective maintenance planning helps agencies to:

- quantify and budget asset maintenance costs
- support service delivery at the lowest possible long-term cost
- reduce service disruptions and losses due to asset failure
- identify and respond to risks posed by its assets.

Asset maintenance spend

Unplanned maintenance has reduced over the last three years, but remains at 38 per cent of total maintenance expense

Unplanned or reactive maintenance is unscheduled repairs and maintenance work that is performed due to an asset breaking down. Unplanned maintenance can cost more than scheduled maintenance and an assets operational downtime can be longer. The decreasing trend in unplanned maintenance expenses is detailed in the graph below.



Source: Provided by Place Management NSW (unaudited).

Place Management NSW should focus on developing strategic asset maintenance plans based on comprehensive condition and asset lifecycle data to reduce its unplanned maintenance.

Place Management has consistently underspent against budget

Maintenance expenses represented only 34 per cent of budgeted maintenance expenses in 2017–18, which may contribute to the proportion of unplanned maintenance noted above.

Actual maintenance spend against budget is shown in the table below.

| Actual maintenance spend compared to budget | | | |
|--|-------------|-------------|-------------|
| Year ended 30 June | 2018 | 2017 | 2016 |
| Actual maintenance expense (\$'000) | 17,017 | 25,432 | 19,434 |
| Budgeted maintenance expense (\$'000) | 50,183 | 40,263 | 23,152 |
| Under spend on maintenance budget (\$'000) | 33,166 | 14,831 | 3,178 |
| Percentage of actual spend to budget (%) | 34 | 63 | 84 |

Source: Provided by Place Management NSW (unaudited).

Currently, Place Management NSW do not use any ratios or benchmarks to determine the adequacy of its maintenance spend or to monitor whether it is achieving its budgeted maintenance program.

Place Management NSW advises that it reviews maintenance expenditure through project reporting and profit and loss analysis. From 1 December 2018, Place Management NSW will also outsource their property and facilities management function to an external service provider. As a result of this activity, they advise the following actions will be performed:

- condition assessments of all buildings and public spaces
- scoping of all reactive and planned maintenance
- prioritisation of maintenance and capex spend over a ten-year period
- benchmarking and reporting on its maintenance program to market comparatives, as well as reviewing individual asset-level expense items against specific market benchmarks.



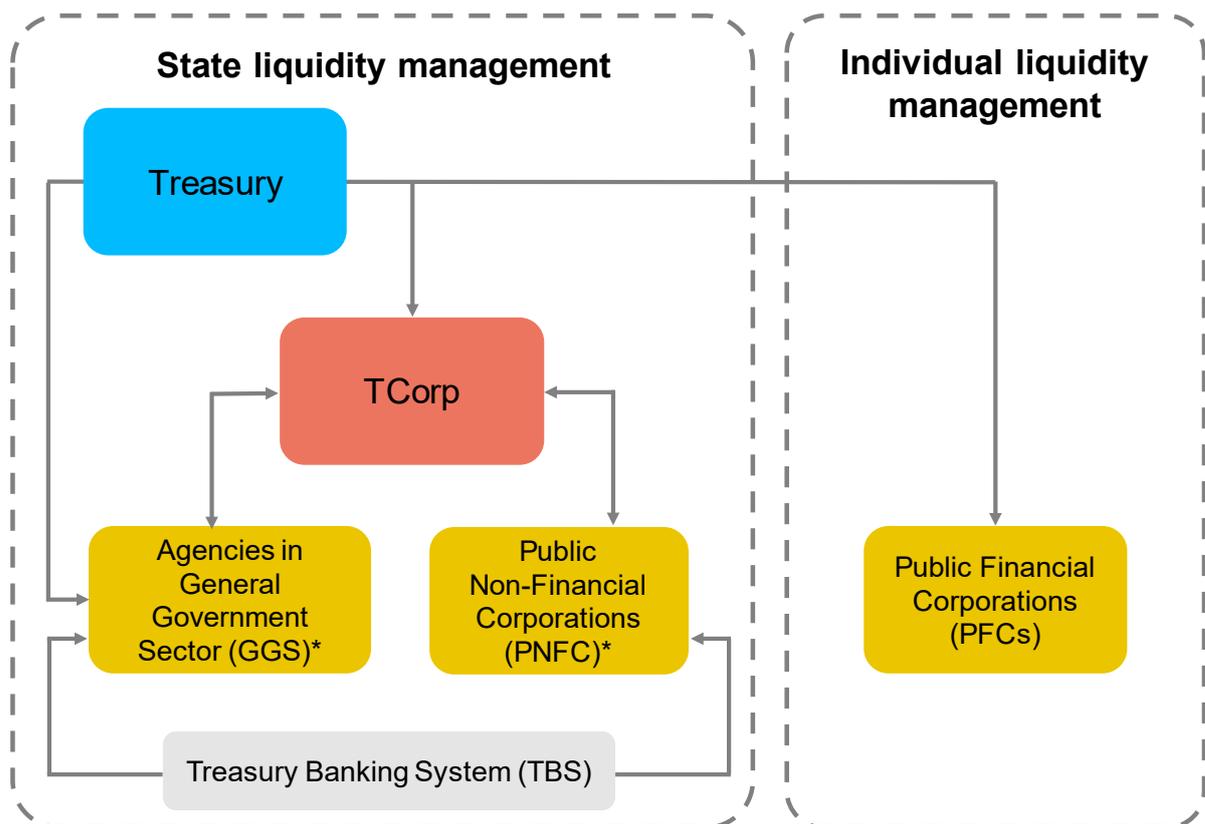
4. Liquidity risk management

4.1 Managing the States liquidity

Liquidity risk is the risk that an organisation does not have sufficient funds available to meet cash outflow commitments or faces a liquidity crisis brought on by unforeseen events. Treasury is responsible for setting the State's financial and Treasury objectives, including liquidity management. Treasury also manages the State's net cash balance in line with the budget, including overseeing current and projected agency cash flows against forecasts. Cash flow information is reported to TCorp to inform and support overall liquidity management.

Under the NSW Government's centralised Treasury model, NSW Treasury Corporation (TCorp) is responsible for managing liquidity on behalf of the State. This includes managing asset and cash inflows to meet debt repayment schedules, liquid cash and assets to cover any modelled future stressed outflows, and facilities to support sudden drawdowns on Treasury cash balances.

TCorp manages liquidity risk on behalf of all General Government Sector (GGS), Public Non-Financial Corporations (PNFC), and Public Financial Corporations (PFC) agencies. All agencies must have their own Treasury policy approved by their board which reflects the central Treasury policy, but PFC policy is independent and not authorised by Treasury. The below diagram details which agencies are under the State's liquidity management.

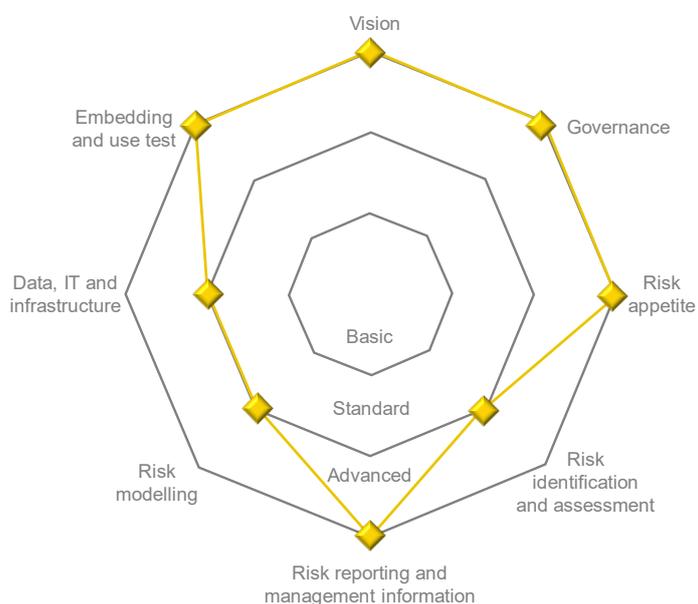


Liquidity management is an important element of financial management and helps to support the State's ability to meet its payment obligations as and when they fall due as well as achieve the State Priority to maintain a AAA credit rating.

We assessed Treasury's approach to managing the States liquidity against a better practice framework.

Treasury have effective liquidity management processes

We found that Treasury have an effective framework in place for managing the State's liquidity. We rated Treasury 'advanced' in five of the design principles and 'standard' against three of the design principles.



| Ratings | |
|--|--|
| Within each of the eight design principles there are three categories of maturity for processes and controls – basic, standard and advanced. | |
| Basic | Significant gaps exist compared to the better practice framework and opportunities exist for significant improvement |
| Standard | Some gaps compared to the better practice framework and opportunities exist for improvement |
| Advanced | No, or minor gaps compared to the better practice framework |

A description of the eight key design principles is below.

| Principle | Description |
|--|--|
| Vision | The definition of strategies implemented across government along with the communication of these strategies. |
| Governance | The framework implementation, levels of oversight and management. |
| Risk appetite | Clarity and communication of the set risk appetite levels. |
| Risk identification and assessment | Policies and processes used to identify and assess liquidity risk. |
| Risk reporting and management information | Reporting and information management frameworks. |
| Risk modelling | Liquidity and funding risk models. |
| Date, IT and infrastructure | Systems used for capturing liquidity data and the IT control environment. |
| Embedding and use testing | Agencies operate within Treasury's liquidity management framework. |

Assessment against design principles

A high level summary of our key findings and recommendations are detailed below, including some opportunities to improve the framework used to manage the State's liquidity.

Vision

We found liquidity strategies are clearly defined and there is a strategic focus on working with agencies to achieve more efficient cash management. TCorp provides strategic liquidity support to Treasury, which is defined and communicated through its Balance Sheet Liquidity Limits policy approved annually by the TCorp Board.

Governance

We found:

- policies and processes have been established to manage liquidity and cash flow related risks, however some are several years old. These policies should be more regularly reviewed and updated and will require re-visiting to align with the *Government Sector Finance Act 2018*
- liquidity risk oversight is maintained through a number of key committees, including the Asset and Liability Committee (ALCO) and Treasury Balance Sheet Committee
- the TCorp Board provides direction to TCorp to manage liquidity risk and resources in line with Treasury's risk appetite and formalised arrangements are in place to support this activity.

The governance framework used to manage the State's liquidity is illustrated in the 'Risk reporting and management information' section below.

Risk appetite

We found risk appetite levels are set by both Treasury and TCorp and there is ongoing monitoring of activity within the set limits.

Liquidity risk is considered within business planning and decision making through the annual budget process and reporting of day-to-day cash forecasting by agencies to Treasury. Key risk indicators (KRIs), used to monitor emerging liquidity risks in a uniform and consistent manner have not yet been developed by Treasury, but Treasury advise these are under development.

Risk identification and assessment and risk modelling

Treasury's primary role in identifying and assessing liquidity risk is through the centralisation of cash flow balances, while TCorp manages broader balance sheet liquidity risk on behalf of Treasury.

Improvements to cash forecasting can be made to support TCorp liquidity scenario stress testing and monitoring

Treasury assesses current and projected cash flows through the 'TBS - Cash forecasting and banking arrangements' policy and guidelines.

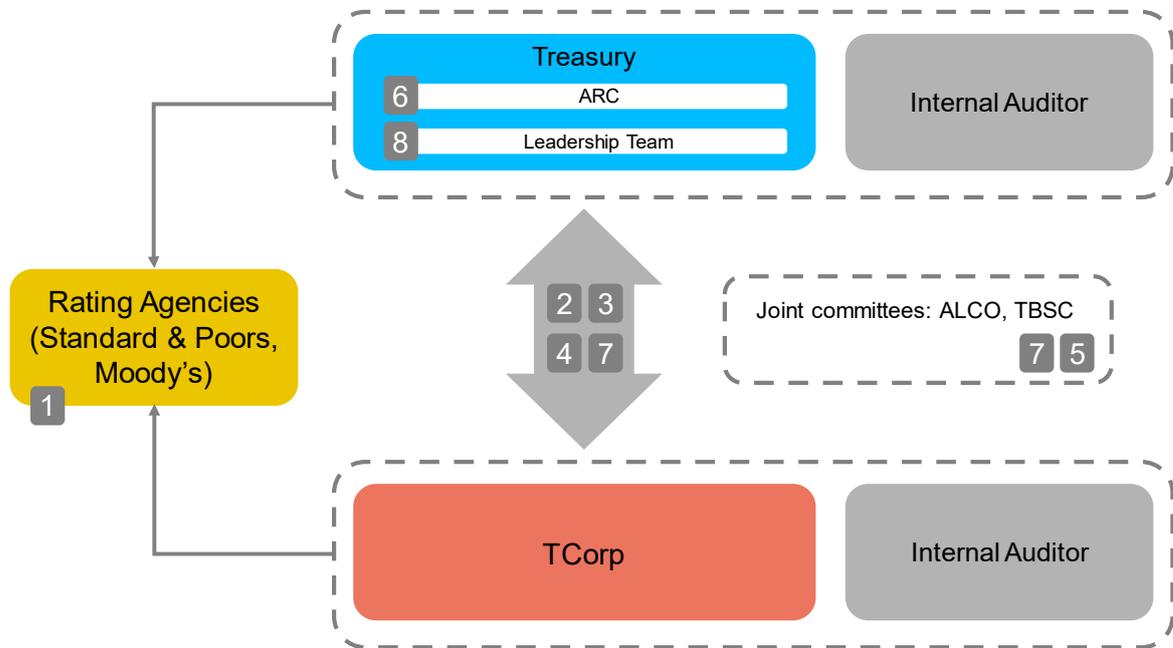
We found:

- agency cash flow projections are updated monthly on a six monthly projected basis, with daily forecasting for the first two months. Treasury use a management overlay to project the remaining six months based on historic forecasting and forward looking appropriations, which may reduce the accuracy of the projections
- not all agencies undertake cash flow forecasting, which may result in the forecasted position not being a true reflection of total cash flow volumes
- not all agency cash balances are managed within the Treasury Banking System, meaning they will not be factored into netting off the balance sheet position
- there is no documentation governing the management of cash flow forecasting, which may impact on the consistency and continuity of this activity.

Rating Agencies credit rating assessments and TCorp liquidity modelling are based on 12-month cash flow projections. Enhancements to the Cash Forecasting System to include cash forecasting to 12 months and transitioning remaining agency cash balances into the Treasury Banking System would improve the accuracy of cash flow forecasting and liquidity modelling. Treasury could also consider formalising policies and processes related to cash flow forecasting, including the use, review and assessment output of models.

Risk reporting and management information

We found that there is timely and adequate information flows between TCorp and Treasury supporting balance sheet and liquidity oversight, including adequate liquidity risk reporting to key stakeholders and governance committees. The diagram below illustrates Treasury and TCorp reporting.

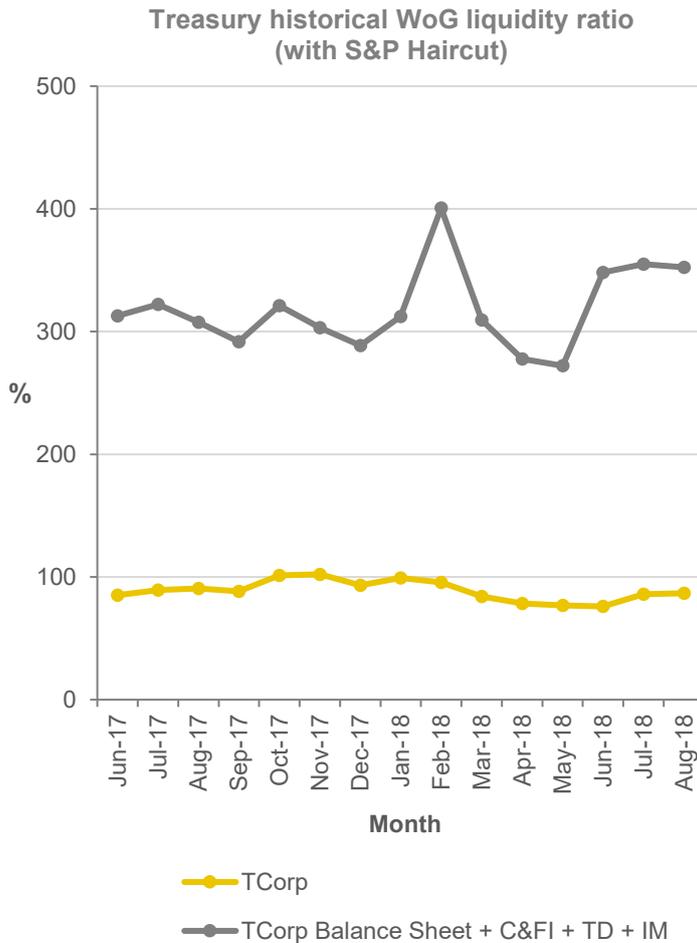


- 1 Periodic information to support the rating assessment, including budget and finance information from Treasury, and debt and balance sheet information from TCorp.
- 2 Monthly reporting pack and balance sheet one pager from TCorp to Treasury, which contains the historical Standard and Pooors (S&P) liquidity ratio. Treasury provides cash flow data to TCorp to support liquidity risk management.
- 3 Relationship manager who manages Treasury as a client of TCorp.
- 4 ALCO dashboard. Data is provided by Treasury and TCorp and contains liquidity ratio, actual and forecast cash flows and the S&P liquidity projection.
- 5 Treasury Balance Sheet Committee meeting minutes are reviewed by ALCO.
- 6 Reporting of State Significant Financial Risks to the Audit and Risk Committee (ARC), occurs if risks are identified to be significant or an area has undergone significant change.
- 7 Information submitted to the Investment Committee and Debt Management Committee are submitted to ALCO.
- 8 Following each ARC meeting a brief goes to the Leadership Team (LT) and highlights the key discussion points. Quarterly KRI reports are also submitted to the LT.

The States liquidity ratio is above the minimum threshold set

The major risk measure used by S&P for liquidity risk, is the whole-of-government (WoG) liquidity ratio. TCorp is responsible for maintaining a minimum ratio of 80 per cent, which is supported by Treasury's management of agency cash flow balances.

The WoG liquidity ratio has remained well above 80 per cent minimum for the last two years. In addition to tracking the historic WoG liquidity ratio, TCorp also manage a 12 month forward looking projection of the ratio.



Source: Treasury (unaudited).

Treasury liquid assets profile

Free cash and fixed income securities are defined as unrestricted funds that are not needed to meet daily operational or capital requirements, and are available to cover debt service obligations. Securities must be liquid in nature. This includes:

- **C:** Government bonds/money market instruments (discounted by 5 per cent)
- **FI:** Other investment grade fixed income securities and equities (discounted by 30 per cent and 50 per cent respectively)
- **TD:** Additional free cash held at TCorp
- **IM:** Other liquid fixed income securities managed within a fund, for example liquid assets held within the NIFF fund.

Debt service obligations

Debt service obligations are calculated as the sum of debt and interest due or repayable within the next 12 months.

WOG liquidity ratio calculation

| |
|--|
| Total free cash and FI securities, TD and IM |
| 12-month debt service obligations |

Data, IT and infrastructure

Cash forecasting system relies on manual processes

The cash forecasting system is manual in nature and does not support automated cash flow analytics and modelling. An automated process would support more efficient and effective cash flow modelling and reduce the risk of human error associated with the current manual tools in use.

Despite this, we found that overall, systems were effective in their capture of cash flow and liquidity data, which has been enhanced by the cash internalisation strategy, whereby agency cash is held within the Treasury Banking System or directly with TCorp.

Embedding and use test

Liquidity is considered as part of the whole-of-government budgeting and forecasting process, including through the establishment of budget spending limits. Treasury are enhancing their capabilities to assess how much liquidity is being held at agencies through variance analysis of Treasury Banking System balances against budget forecasts. It is also working to develop cash forecasting capabilities across material agencies.



5. Government financial services

This chapter outlines our audit observations, conclusions and recommendations specific to NSW Government agencies providing financial services.

| Observation | Conclusion or recommendation |
|---|---|
| 5.1 Superannuation funds | |
| <p>The SAS Trustee Corporation (STC) Pooled Fund and the Parliamentary Contributory Superannuation (PCS) Fund are not required to comply with the prudential and reporting standards issued by the Australian Prudential Regulation Authority (APRA).</p> <p>However, legislation allows the responsible Minister to prescribe prudential standards, reporting and audit requirements.</p> | <p>Structured and comprehensive prudential oversight of these Funds is important as they operate in a volatile financial sector, have 103,000 members and manage investments of \$43.3 billion.</p> <p>Recommendation: Treasury should consult with the Trustees of the STC Pooled Fund and PCS Fund to prescribe appropriate prudential standards and requirements, including oversight arrangements.</p> |
| 5.2 Insurance and compensation | |
| <p>Nominal Insurer and NSW Self Insurance Corporation investment performance marginally exceeded benchmark over the past five years.</p> | <p>Investment returns can impact on the premiums required to maintain an adequate funding ratio in addition to other factors such as claims experience and discount rates.</p> |
| <p>The Workers Compensation Nominal Insurer (Nominal Insurer) and NSW Self Insurance Corporation's net collected premiums and contributions decreased over the past five years.</p> | <p>The insurance schemes' investment performance and stable claim payments have enabled less reliance on net collected premiums and contributions as a source of funding, over the past five years.</p> |
| <p>Reforms were introduced to manage the Home Warranty Scheme's financial sustainability risks.</p> | <p>The Home Warranty Scheme has not collected sufficient premiums to fund expected claims costs, since commencing operations in 2011. In 2017–18, the Crown contributed \$181 million for historical shortfalls. New reforms started on 1 January 2018 enabling the Scheme to price premiums based on risk.</p> |

5.1 Superannuation funds

Key issues

Prudential oversight of NSW Government superannuation funds is not prescribed

As reported in previous years, STC Pooled Fund and the PCS Fund are not required to comply with the prudential and reporting standards issued by the Australian Prudential Regulation Authority (APRA).

Under the Australian Government's Heads of Government Agreement (HOGA), the NSW Government in 2014 set out the basis on which the Australian Government granted concessional taxation treatment to the states relating to its public-sector funds without Commonwealth regulation or supervision. In order that members of public sector funds be treated fairly and equally relative to their private sector counterparts (whose funds are prudentially regulated by APRA), the states would conform to the Commonwealth's retirement incomes policy objectives set out in HOGA on a best endeavours basis. However, the HOGA arrangement did not provide a structured and effective mechanism for an appropriate level of oversight.

Prudential oversight of these Funds is important as they operate in a volatile financial sector, have 103,000 members and manage investments of \$43.2 billion. Lack of prudential oversight over these Funds may result in:

- ineffective or inappropriate risk management practices
- improper governance framework
- operational and financial inefficiencies.

Amendments to the *Superannuation Administration Act 1996* in November 2015 allows the responsible Minister to prescribe applicable prudential standards, reporting and audit requirements. However, no standards have been prescribed to 30 June 2018.

The Trustee of the STC Pooled Fund advises it will commission an external review of the fund's compliance against the principles of HOGA from the perspective of a regulator. The Trustees of the PCS Fund advises they plan to continue monitoring the relevant prudential guidelines for their applicability to the Fund.

Recovery of benefits from PCS Fund members convicted of a serious crime

The amendment to Section 19AA of the *Parliamentary Contributory Superannuation Act 1971* (PCS Act) on 1 June 2017 made convicted members of parliament ineligible to receive pension payments and required them to repay any pension or lump-sum benefit received to the PCS Fund.

In July 2017, the PCS Fund suspended pension payments to three affected members and was reviewing appropriate actions to recover benefits paid. This process is still ongoing at 30 June 2018.

Financial performance and sustainability

Member benefit payments continue to increase

Benefits paid to members during the year by the Funds totalled \$5.3 billion (\$5.1 billion in 2016–17). The increasing member benefit payments are attributable to the ageing profile of contributory members and increasing life expectancy of members, which has risen from 76 years in 1987 to 82 years in 2017.

A breakdown of benefit payments is below.

Benefit payments between Pension and Lump Sum Amounts

| Benefit payments at 30 June 2018 | Pensions | | Lump Sum Amounts | | Total |
|----------------------------------|-----------|-----|------------------|----|-----------|
| | \$'000 | % | \$'000 | % | |
| STC Pooled Fund | 3,074,943 | 64 | 1,719,148 | 36 | 4,794,091 |
| EISS Fund | 109,950 | 26 | 319,531 | 74 | 429,481 |
| PCS Fund | 27,711 | 100 | -- | -- | 27,711 |

Except for the EISS Fund, other public sector funds are closed to new members.

Investment performance

The Funds met their long-term investment targets

A key objective of superannuation funds is to meet long-term investment targets, as investment performance affects the net assets available to pay member benefits.

The investment returns for the Funds and targets is below.

| Investment returns | | | | |
|--------------------|-------------|-------------|--------------------------------|------------------------|
| Fund at 30 June | 2018 Actual | 2018 Target | Rolling 10-year average actual | Rolling 10-year target |
| | (%) | (%) | (%) | (%) |
| STC Pooled Fund | 9.01 | 6.10 | 6.70 | 6.60 |
| EISS Fund | 7.22 | N/A | 5.29 | N/A |
| PCS Fund | 11.30 | 6.08 | 7.60 | 6.13 |

N/A Not applicable, as targets are set for specific investment options and not at a whole-of-fund level.

The return on investments is calculated by dividing the investment revenue for the year by the average investments under management. For both the STC Pooled Fund and PCS Fund, the targets are determined with the aim of eliminating the unfunded liability and meeting member benefit payments in the long-term.

Management expense ratios remained stable

NSW Government superannuation agencies have been able to maintain the management expense ratio (MER) at relatively consistent levels over the past two years.

STC Pooled Fund and EISS met the target for 2018.

The Funds' MERs are listed below.

| MER at 30 June | 2018 Actual | 2018 Target | 2017 Actual | 2017 Target |
|-----------------|-------------|-------------|-------------|-------------|
| | % | % | % | % |
| STC Pooled Fund | 0.42 | 0.48 | 0.45 | 0.42 |
| EISS Fund | 0.64 | 0.72 | 0.64 | 0.72 |

MER is an industry recognised ratio used to measure the performance of funds and investment managers. It is calculated as a percentage of the fund's management expenses over funds under management. Costs included in this ratio are manager fees, performance fees, custody fees, consulting fees and an administration fee component. Trustees are assessed on meeting the target ratio set at the start of the year.

5.2 Insurance and compensation

Insurance and compensation schemes

The table below summarises the financial performance and position of insurance and compensation agencies.

| | Net result | | Net assets | | Net cash flows from operating activities | |
|---|-------------|-------------|-------------|-------------|--|-------------|
| | 2018 \$m | 2017 \$m | 2018 \$m | 2017 \$m | 2018 \$m | 2017 \$m |
| Insurance and Care NSW | -- | -- | 13.1 | 13.1 | 0.9 | 23.7 |
| Workers Compensation Nominal Insurer | 88.9 | (988) | 2,454 | 2,365 | (108) | (351) |
| NSW Self Insurance Corporation | 131 | 5.7 | 243 | 111 | 238 | (6.4) |
| Lifetime Care and Support Authority of NSW | 106 | 333 | 1,156 | 1,050 | 12.9 | (241) |
| Workers' Compensation (Dust Diseases) Authority | (6.7) | 8.3 | 13.6 | 20.3 | 11.2 | (23.7) |
| Building Insurers' Guarantee Corporation | 6.5 | 2.5 | 35.3 | 28.8 | (11.4) | (5.3) |
| Sporting Injuries Compensation Authority | 0.6 | 0.1 | 2.6 | 2.0 | 0.2 | (1.9) |

Source: Financial statements (audited).

The Workers Compensation Nominal Insurer's (Nominal Insurer) positive net result increased \$1.1 billion to \$88.9 million in 2017–18. The \$1.1 billion increase in 2017–18 was mainly due to a \$527 million increase in investment income, and \$563 million less in claims expenses compared to 2016–17. More specifically, the Nominal Insurer's:

- investment returns increased to 6.2 per cent in 2017–18 (2.5 per cent in 2016–17)
- claims expenses in 2017–18 included \$517 million for injured workers whose benefits were not subject to the 260-week limit referred to in section 39¹ of the *Workers Compensation Act 1987*. This was significantly less than the \$1.0 billion claims expense that was initially recognised for these benefits in 2016–17.

The net result was also impacted by icare's ongoing transformation, which cost \$130 million in 2017–18 (\$49.2 million). This was the second year of icare's three-year business transformation, which included transitioning from outsourced claims management to an in-house model for workers' insurance, the development of a medical support panel, and initial costs incurred on a new claims management system.

¹ Section 39 of the *Workers Compensation Act 1987* applies a 260-week limitation on weekly benefits paid to injured workers with a Whole Person Impairment (WPI) score less than or equal to 20 per cent. Section 39 applied retrospectively to all existing claimants. Due to data limitations, there was no earlier reserving for these workers.

The NSW Self Insurance Corporation's (the Corporation) net result increased by \$125 million. The net result was impacted by:

- premiums and contributions income which increased by \$58.0 million to \$1.2 billion (\$1.2 billion in 2016–17)
- net grants received from the NSW Government which increased to \$221 million, compared to a net grant payment of \$85.0 million in 2016–17. NSW Government grants included \$181 million to fund losses of the Corporation's Home Building Compensation Fund
- increased claims expenses of \$230 million which have been impacted by:
 - higher NSW Police medical discharge claims, which have more than doubled since 2013
 - higher mental stress claims for emergency and non-emergency workers, both of which have been trending upward since 2013
 - higher average medical costs per claim, which have been increasing more than the Consumer Price Index inflation since 2013.

The Lifetime Care and Support Authority NSW's net result was \$227 million less than the prior year, mainly due to scheme costs which increased by \$277 million to \$792 million (\$515 million in 2016–17). The Authority mainly attributes the increase to:

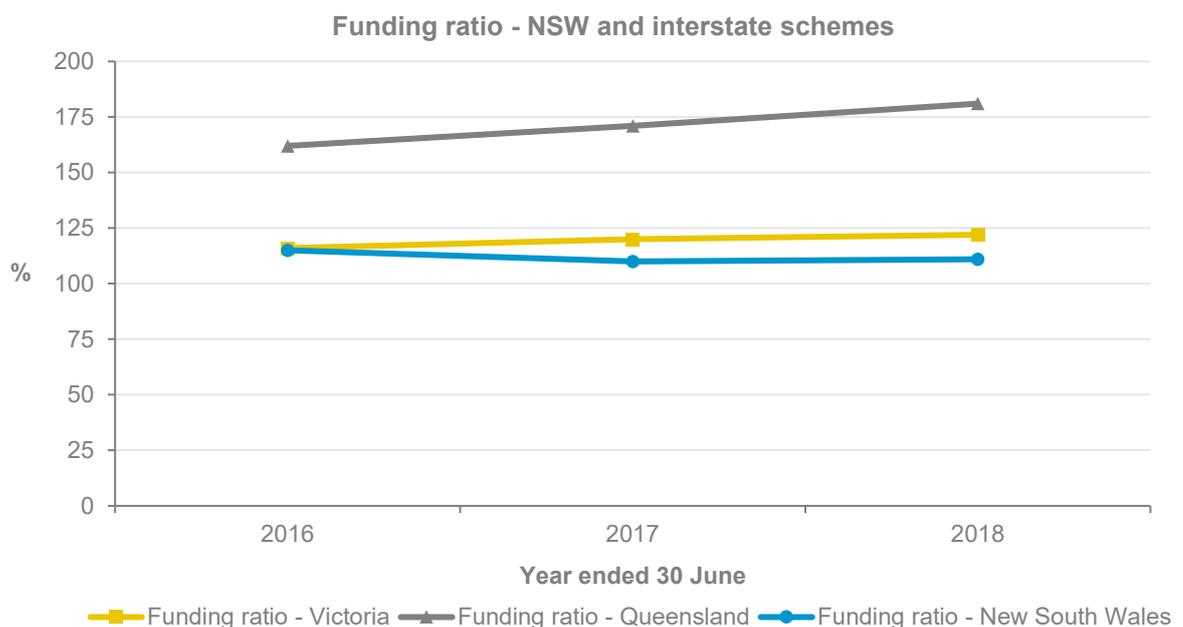
- higher attendant care payment assumptions, such as the assumed attendant hours for long-term spinal cord injury participants
- higher rehabilitation, equipment and home modification costs assumptions.

All other insurance and compensation agencies reported net result and net asset outcomes that were broadly consistent with the previous year. Further analysis on key sustainability indicators for the Nominal Insurer and the Corporation are included below.

The funding ratio for Workers Compensation schemes continues to decrease

The funding ratio compares total assets to total liabilities. It measures the extent to which an insurer's assets can fund its liabilities. Given the long tail nature and inherent risk of Workers Compensation schemes, a buffer is held (assets in excess of liabilities) to protect against volatilities in investments and claims costs.

The graph below, shows funding ratio movements over the last five years for New South Wales against similar schemes in Victoria and Queensland.



Note: The funding ratio is calculated by dividing the schemes assets by its liabilities.
Source: Financial statements (audited).

The combined funding ratio for New South Wales (comprising the Nominal Insurer and the Corporation) has fallen from 115 per cent in 2015–16 to 111 per cent in 2017–18. The funding ratio is comparable to the Victorian WorkCover Authority.

The funding ratio of the Nominal Insurer is 115 per cent, which is marginally below its target funding ratio. The Corporation’s funding ratio is 103 per cent, however it does not set a target funding ratio.

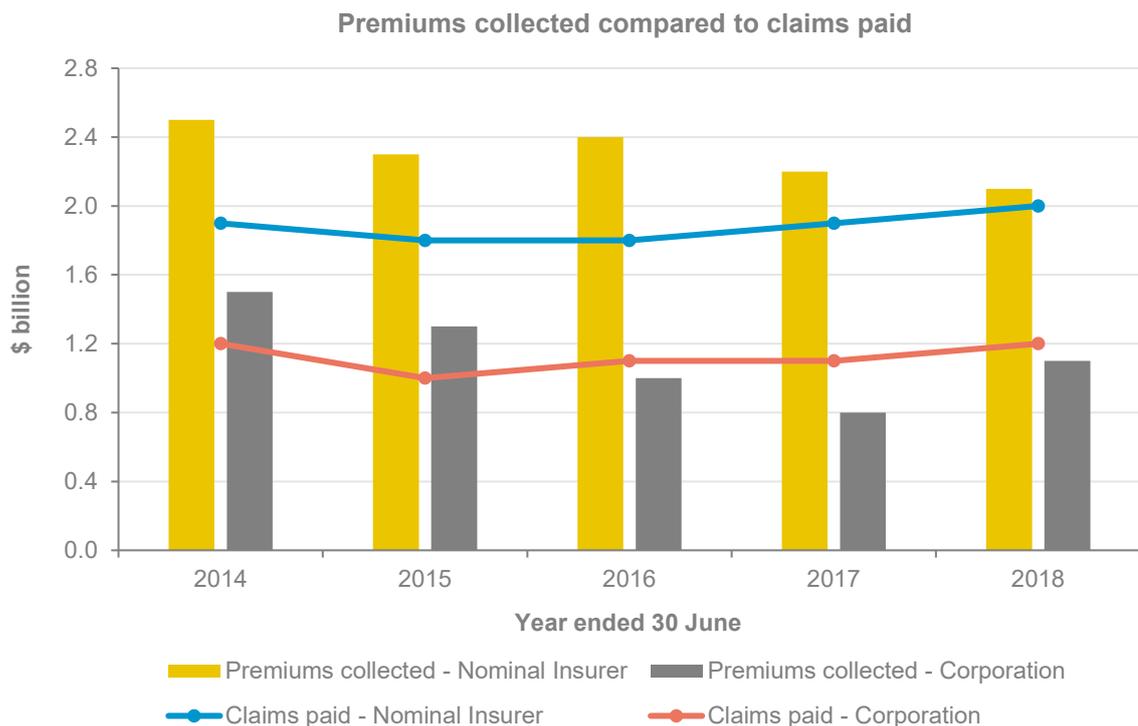
A combined funding ratio capturing Nominal Insurer and the Corporation has been presented in the graph to enable comparison with other jurisdictions, even though they are independent entities with their own assets and liabilities.

Collected insurance premiums decreased while claim payments remained stable over the last five years

The Nominal Insurer’s premiums receipts decreased over the last five years, while claim payments remained stable. Premiums of \$2.1 billion were collected in 2017–18, 13.8 per cent less than the \$2.5 billion collected in 2013–14.

The Corporation’s collected premiums and contributions also decreased over the last five years, while claim payments remained stable. Premiums and contributions of \$1.1 billion were collected in 2017–18, 28.1 per cent less than the \$1.5 billion collected in 2013–14.

The following graph shows the gap between premiums collected net of claims experience adjustments, and claims paid for each agency over the last five years.



Source: Financial statements (audited).

While the Nominal Insurer’s collected premiums decreased, the graph shows that collected premiums exceeded claim payments in each of the last five years. Combined with investment earnings, this has led to investments increasing by \$2.1 billion or 13.9 per cent over this period, to \$17.0 billion at 30 June 2018.

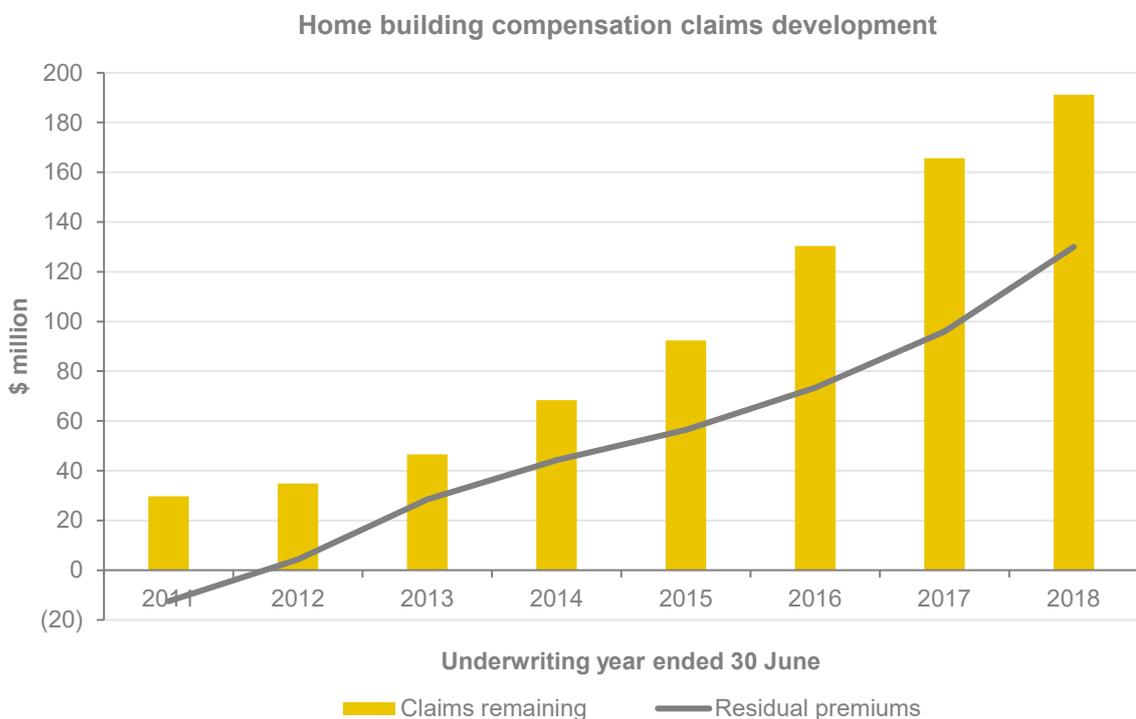
The Corporation’s claim payments exceeded premiums and contributions collected over the last three years, in contrast to the Nominal Insurer. Investment returns have more than met this shortfall, resulting in the Corporation’s investments increasing by \$1.4 billion or 19.5 per cent since 2013–14 to \$8.6 billion at 30 June 2018.

Claims performance premium adjustments alter the timing and amount of collected premium in any given year. The premiums collected also fund other operational costs, in addition to claims.

Funding arrangements to support the Home Building Compensation Fund

Funding arrangements introduced in 2016–17 allowed the Home Building Compensation Fund to apply to the Crown for reimbursement of unfunded realised losses from under-pricing of premiums. For example, 2018 data shows that insurance premiums collected in 2010–11 were \$12.5 million less than claims paid against those policies. In 2017–18, the Home Building Compensation Fund recognised contributions of \$181 million from the Crown for realised losses between 2010–11 and 2017–18, and expected losses from policies written for 2018–19.

The graph below compares residual insurance premiums to claims remaining since the scheme commenced in 2011. Residual premiums are the difference between annual premiums collected and claims paid against those policies. Claims remaining is the difference between total expected claims over the life of the policy and claims paid against those policies.



Source: Financial statements (audited).

In 2016, we recommended a review of the home building compensation scheme (the scheme) to address the sustainability gap between premiums and expected claims.

Reforms to address home building compensation sustainability risks were introduced by State Insurance Regulatory Authority (SIRA) on 1 January 2018. Under the reformed scheme:

- Premiums are based on a number of risk factors including the category of work, builder risk and location.
- SIRA has the authority to assess and approve premiums in accordance with the relevant HBC insurance guidelines.
- Private sector providers can apply to enter the market. To date the only provider is the NSW Self Insurance Corporation administering the Home Building Compensation Fund.
- Establishment of an operational fund for administrative costs and a Home Building Insurers Guarantee Fund as a safety net in case of provider insolvency.

Investment performance

Returns on insurance investments marginally exceeded benchmark

The Nominal Insurer's investment returns declined from 10.3 per cent in 2013–14 to 6.2 per cent in 2017–18. While returns have decreased, the average rate of return of 6.7 per cent per annum over this period is marginally more than the equivalent benchmark return of 6.5 per cent per annum.

The Corporation's investment² returns also declined from 14.9 per cent in 2013–14 to 11.3 per cent in 2017–18. Over the past five years, the average annual return for the Corporation was 10.5 per cent, compared to the benchmark return of 10.4 per cent.

The table below shows the variability in investment returns compared to their benchmark target. The difference in returns largely reflects each entity's mix of growth and defensive type investments. The Nominal Insurer has more defensive assets in its investment portfolio than the Corporation. Defensive assets generally yield lower returns and are less volatile than growth assets.

| Investment returns | | | | |
|--------------------|-------------|-------------|---------------|---------------|
| Fund at 30 June | 2018 Actual | 2018 Target | 5-Year Actual | 5-Year Target |
| | (%) | (%) | (%) | (%) |
| Nominal Insurer | 6.2 | 6.1 | 6.7 | 6.5 |
| Corporation | 11.3 | 10.9 | 10.5 | 10.4 |

Source: 2018 actual investment returns are sourced from audited financial statements. The 2018 target, 5-year actual and 5-year target investment returns were provided by the agency (unaudited).

Declining investment returns can impact on the premiums required to maintain an adequate funding ratio in addition to other factors such as claims experience and discount rates.

5.3 NSW Treasury Corporation

The table below summarises the financial performance and position of NSW Treasury Corporation (TCorp):

| | Net result | | Net assets | | Net cash flows from operating activities | |
|--------------------------------------|------------|------|------------|------|--|--------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| New South Wales Treasury Corporation | 62.2 | 92.7 | 293 | 231 | (2,122) | 13,159 |

Source: Financial statements (audited).

TCorp made positive net results over the last two years. No dividend was declared in 2017–18 as approved by NSW Treasury (\$80.0 million in 2016–17), resulting in the increase in net assets.

An analysis of TCorp's performance against some key ratios follows.

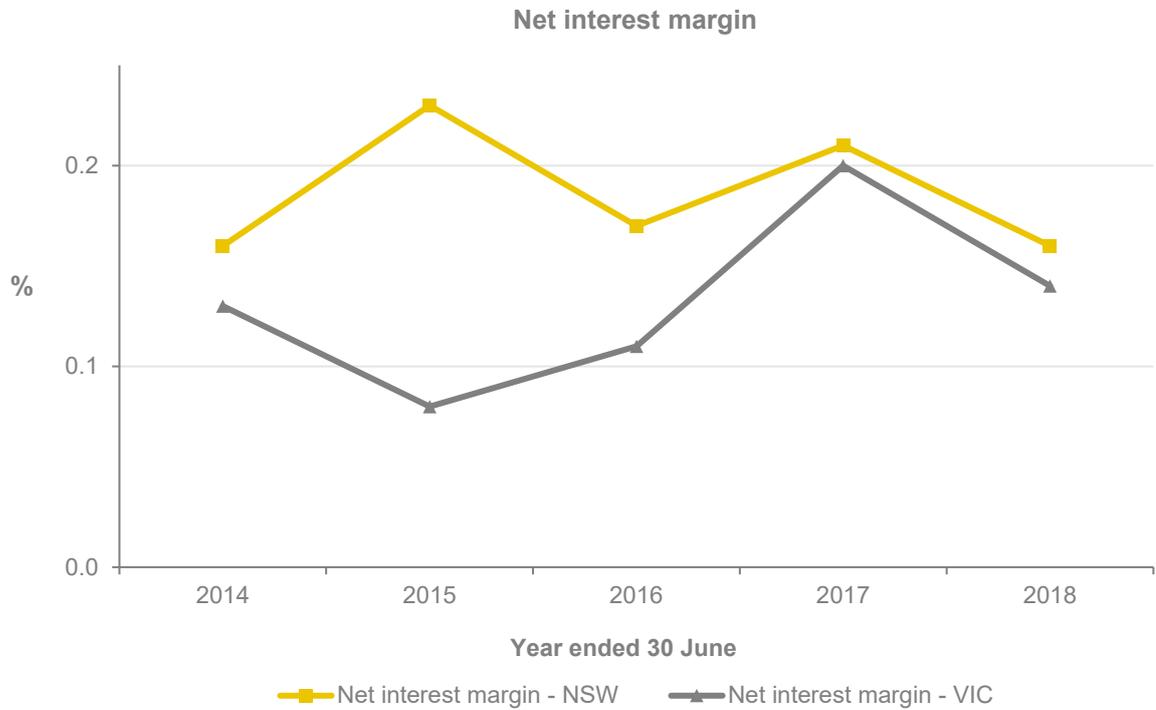
² Investment return is derived from the Corporation's 'Treasury Managed Fund'.

Financial performance and sustainability

Net interest margin

Consistent balance sheet management

The graph below shows TCorp's net interest margin over the last five years compared to the equivalent agency in Victoria.



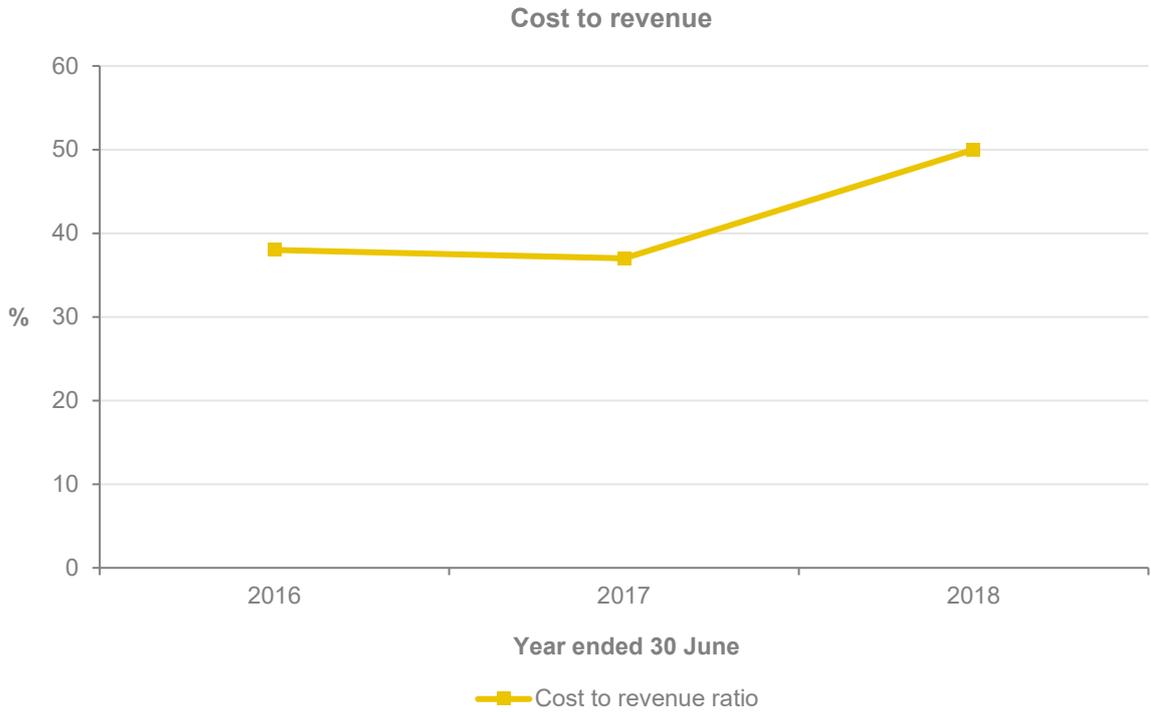
Source: Financial statements (audited).

TCorp's net interest margin was about 0.2 per cent over the last five years and shows consistent balance sheet risk management. TCorp's net interest margin was slightly higher than their equivalent agency in Victoria, but this may be due to differing net interest margin objectives for each state.

The net interest margin is a measure of the difference between the interest income generated and the amount of interest paid, on financial instruments.

Cost to revenue

The graph below shows the ratio of TCorp's costs to revenue over the last three years.



Source: Financial statements (audited).

The cost to revenue ratio was consistent from 2015–16 to 2016–17 but increased by 13 per cent in 2017–18, primarily due to:

- lower income in 2017–18, reflecting changes in interest rates and financial markets
- new staff appointments
- the cost of relocating TCorp's data centre
- increased transaction costs related to the management of client portfolios.

The cost-to-revenue ratio shows the level of resources required to generate every dollar of revenue.

Investment management fees

TCorp receives an investment management fee in return for providing Trustee services to funds under management. The graph below shows that TCorp has earned investment management fees averaging 0.05 per cent of funds under management, over the last three years.



Source: Financial statements (audited).

TCorp also earns fees for directly managing cash and fixed income assets. These fees have increased from 0.05 per cent in 2015–16 to 0.07 per cent in 2017–18 of the value of cash and fixed income assets under management, averaging 0.06 per cent over the period. The increase in this fee in 2017–18 was due to the full year impact of TCorp directly managing the growth in assets within NSW Infrastructure Future Fund.

Section two

Appendices



Appendix one – List of 2018 recommendations

The table below lists the recommendations made in this report.



1. Financial reporting

1.1 Quality of financial reporting

Agencies should respond to key accounting issues when they are identified by preparing accounting papers and engaging with Treasury, the Audit Office and their Audit and Risk Committee when these matters are identified.



2. Government financial services

2.1 Superannuation funds

Treasury should consult with the Trustees of the STC Pooled Fund and PCS Fund to prescribe appropriate prudential standards and requirements, including oversight arrangements.



Key



Low risk



Medium risks



High risks



Appendix two – Status of 2017 recommendations

| Recommendation | Current status | | | | | |
|--|---|------------------------|--|----------------------------|--|----------------------|
| NSW Government agencies should: | | | | | | |
| <p>Review user administration access to critical systems to ensure:</p> <ul style="list-style-type: none"> • policies for user access creation, modification and deactivation are documented • approval is being obtained to establish, modify or delete user accounts • regular user access reviews are performed and highly privileged user account activity is logged and monitored • evidence of review is maintained. | <p>User access administration remains an issue at agencies. Refer to Section 3.1 for further details.</p> | | | | | |
| The Treasury should: | | | | | | |
| <p>Liaise with the respective Trustees to implement appropriate prudential standards and oversight arrangements for the exempt public sector superannuation funds.</p> | <p>This remains an issue. Refer to Section 5.1 for further details.</p> | | | | | |
| The Fund Secretary for Parliamentary Contribution Superannuation (PCS) Fund, in conjunction with the Trustees, should: | | | | | | |
| <p>Consider establishing an appropriate management expense ratio target to measure performance.</p> | <p>The PCS Fund has reviewed the recommendation and determined a target ratio is not required as it is addressed in the terms of the new investment management agreement with NSW Treasury Corporation.</p> | | | | | |
| Key | | Fully addressed | | Partially addressed | | Not addressed |



Appendix three – Cluster agencies

Agencies

Finance, Services and Innovation cluster

[Department of Finance, Services and Innovation](#)
[Board of Surveying and Spatial Information of NSW](#)
[Building Professionals Board](#)
[Financial Counselling Trust Fund](#)
[Long Service Corporation](#)
[Luna Park Reserve Trust](#)
[Mine Subsidence Board](#)
[NSW Architects Registration Board](#)
[NSW Government Telecommunications Authority](#)
[Place Management NSW](#)
[Property NSW](#)
[Rental Bond Board](#)
[Service NSW](#)
[State Archives and Records Authority of New South Wales](#)
[State Insurance Regulatory Authority](#)
[Teacher Housing Authority of NSW](#)
[Waste Assets Management Corporation](#)

Premier and Cabinet cluster

[Department of Premier and Cabinet](#)
[Barangaroo Delivery Authority](#)
[Barangaroo Delivery Authority \(Staff Agency\)](#)
[Independent Commission Against Corruption](#)
[Independent Pricing and Regulatory Tribunal](#)
[Independent Pricing and Regulatory Tribunal \(Staff Agency\)](#)
[Infrastructure NSW](#)
[Infrastructure NSW \(Staff Agency\)](#)
[Natural Resources Commission](#)
[Natural Resources Commission \(Staff Agency\)](#)
[New South Wales Electoral Commission](#)
[New South Wales Electoral Commission \(Staff Agency\)](#)
[Ombudsman's Office](#)
[Parliamentary Counsel's Office](#)
[Public Service Commission](#)
Sesquicentenary of Responsible Government Trust Fund
[UrbanGrowth NSW Development Corporation](#)

Agencies

[UrbanGrowth NSW Development Corporation \(Staff Agency\)](#)

The Treasury cluster

[The Treasury](#)

Alpha Distribution Ministerial Holding Corporation

Building Insurers' Guarantee Corporation

Buroba Pty Ltd

[Crown Employees \(NSW Fire Brigades Firefighting Staff Death and Disability\) Superannuation Fund](#)

Crown Entity

EIF Pty Limited

Electricity Assets Ministerial Holding Corporation

[Electricity Retained Interest Corporation - Ausgrid](#)

ERIC Alpha Holdings Pty Ltd

Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid

[Electricity Retained Interest Corporation - Endeavour](#)

ERIC Epsilon Holdings Pty Ltd

Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour

Electricity Transmission Ministerial Holding Corporation

[Energy Industries Superannuation Scheme Pool A](#)

[Energy Industries Superannuation Scheme Pool B](#)

[Energy Industries Superannuation Scheme Pty Limited](#)

Energy Investment Fund

Epsilon Distribution Ministerial Holding Corporation Pty Ltd

ERIC Alpha Holdings Pty Ltd

ERIC Epsilon Holdings Pty Ltd

[Generator Property Management Pty Ltd](#)

[ICNSW Australian Equities Fund](#)

[ICNSW International Equities Fund](#)

[ICNSW International Equities Fund \(Hedged\)](#)

[Insurance and Care NSW](#)

[Insurer's Guarantee Fund Investment Trust](#)

Liability Management Ministerial Corporation

[Lifetime Care and Support Authority of NSW](#)

[Local Government Superannuation Scheme Pty Ltd](#)

[Long Service Corporation Investment Fund](#)

Macquarie University Professorial Superannuation Scheme

Ministerial Holding Corporation

[New South Wales Treasury Corporation](#)

[NSW Fire Brigades Superannuation Pty Ltd](#)

NSW Generations (Community Services and Facilities) Fund

Agencies

NSW Generations (Debt Retirement) Fund

[NSW Infrastructure Future Fund](#)

[NSW Self Insurance Corporation](#)

[Parliamentary Contributory Superannuation Fund](#)

Parliamentary Contributory Superannuation Fund (Trustees)

Parliamentary Contributory Superannuation Fund Investment Trust

Port Botany Lessor Pty Limited

Port Kembla Lessor Pty Limited

Port of Newcastle Lessor Pty Limited

Ports Assets Ministerial Holding Corporation

Roads Residual Interest Pty Ltd

[SAS Trustee Corporation \(Staff Agency\)](#)

[SAS Trustee Corporation](#)

[SAS Trustee Corporation Pooled Fund](#)

Social and Affordable Housing NSW Fund Investment Trust

Sporting Injuries Compensation Authority

State Rail Authorities Residual Holding Corporation

[TCorpIM Alternative Risk Premia Fund](#)

[TCorpIM Australian Bond Fund](#)

[TCorpIM Australian Inflation Linked Bond Fund](#)

[TCorpIM Australian Share Fund](#)

[TCorpIM Bank Loan Fund](#)

[TCorpIM Cash Fund](#)

[TCorpIM Cyclical Growth Australian Share Fund](#)

[TCorpIM Cyclical Growth International Share Fund](#)

[TCorpIM Direct Infrastructure Fund A](#)

[TCorpIM Direct Investment Fund B](#)

[TCorpIM Direct Investment Fund C](#)

[TCorpIM Direct Investment Fund D](#)

[TCorpIM Direct Investment Fund E](#)

[TCorpIM Downside Protection Australian Share Fund](#)

[TCorpIM Downside Protection International Share Fund](#)

[TCorpIM Emerging Market Debt Fund](#)

[TCorpIM Emerging Market Share Fund](#)

[TCorpIM Global Credit Fund](#)

[TCorpIM High Yield Fund](#)

[TCorpIM Indexed Australian Share Fund](#)

[TCorpIM Indexed International Share \(Unhedged\) Fund](#)

[TCorpIM International Share \(Hedged\) Fund](#)

Agencies

TCorpIM International Share (Unhedged) Fund

TCorpIM Liquidity Cash Fund

TCorpIM Listed Property Fund

TCorpIM Long Term Growth Fund

TCorpIM Medium Term Growth Fund

TCorpIM Multi-Asset Class Fund

TCorpIM Small Cap Australian Share Fund

TCorpIM Specialist Emerging Market Share Fund

TCorpIM Strategic Cash Fund

TCorpIM Unlisted Infrastructure Fund

TCorpIM Unlisted Property Fund

Treasury Managed Fund Investment Portfolio

University of Sydney Professorial Superannuation System

Valley Commerce Pty Limited

Workers' Compensation (Dust Diseases) Authority

Workers Compensation Nominal Insurer



Appendix four – Timeliness of financial reporting and audit reporting

| Agencies | Timeliness of financial reporting | | |
|--|-----------------------------------|----------------------|--------------|
| | Early close procedures | Financial statements | Audit report |
| Principal Department | | | |
| Department of Finance, Services and Innovation | ✓ | ✓ | ✓ |
| Agencies related to the Department | | | |
| Board of Surveying and Spatial Information of NSW | ✓ | ✓ | ✓ |
| Building Professionals Board | ✓ | ✓ | ✓ |
| Financial Counselling Trust Fund | ✓ | ✓ | ✓ |
| Long Service Corporation | ✓ | ✓ | ✓ |
| Luna Park Reserve Trust | ✓ | ✓ | ✓ |
| Mine Subsidence Board | ✓ | ✓ | ✓ |
| NSW Architects Registration Board | ✓ | ✓ | ✓ |
| NSW Government Telecommunications Authority | ✓ | ✓ | ✓ |
| Place Management NSW | ✓ | ✓ | ✓ |
| Property NSW | ✓ | ✓ | ✓ |
| Rental Bond Board | ✓ | ✓ | ✓ |
| Service NSW | ✓ | ✓ | ✓ |
| State Archives and Records Authority of New South Wales | ✓ | ✓ | ✓ |
| State Insurance Regulatory Authority | ✓ | ✓ | ✓ |
| Teacher Housing Authority of NSW | ✓ | ✓ | ✓ |
| Waste Assets Management Corporation | ✓ | ✓ | ✓ |
| Principal Department | | | |
| Department of Premier and Cabinet | ✓ | ✓ | ✓ |
| Agencies related to the Department | | | |
| Barangaroo Delivery Authority | ✓ | ✓ | ✓ |
| Barangaroo Delivery Authority (Staff Agency) | ✓ | ✓ | ✓ |
| Independent Commission Against Corruption | ✓ | ✓ | ✓ |
| Independent Pricing and Regulatory Tribunal | ✓ | ✓ | ✓ |
| Independent Pricing and Regulatory Tribunal (Staff Agency) | ✓ | ✓ | ✓ |
| Infrastructure NSW | ✓ | ✓ | ✓ |

Timeliness of financial reporting

| Agencies | Early close procedures | Financial statements | Audit report |
|---|------------------------|----------------------|----------------|
| Infrastructure NSW (Staff Agency) | ✓ | ✓ | ✓ |
| Natural Resources Commission | ✓ | ✓ | ✓ |
| Natural Resources Commission (Staff Agency) | ✓ | ✓ | ✓ |
| New South Wales Electoral Commission | ✓ | ✓ | ✓ |
| New South Wales Electoral Commission (Staff Agency) | ✓ | ✓ | ✓ |
| Ombudsman's Office | ✓ | ✓ | ✓ |
| Parliamentary Counsel's Office | ✓ | ✓ | ✓ |
| Public Service Commission | ✓ | ✓ | ✓ |
| Sesquicentenary of Responsible Government Trust Fund | ✓ | ✓ | ✓ |
| UrbanGrowth NSW Development Corporation | ✓ | ✓ | ✓ |
| UrbanGrowth NSW Development Corporation (Staff Agency) | ✓ | ✓ | ✓ |
| Principal Department | | | |
| The Treasury | ✓ | ✓ | ! ₂ |
| Agencies related to the Department | | | |
| Alpha Distribution Ministerial Holding Corporation | ✓ | ✓ | ! ₂ |
| Building Insurers' Guarantee Corporation | ✓ | ✓ | ✓ |
| Buroba Pty Ltd | # | # | # |
| Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund | # | # | # |
| Crown Entity | ✓ | ✓ | ! ₂ |
| EIF Pty Limited | # | # | # |
| Electricity Assets Ministerial Holding Corporation | ✓ | ✓ | ! ₃ |
| Electricity Retained Interest Corporation - Ausgrid | ✓ | ✓ | ! ₂ |
| Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid | 1 | ! ₁ | 1 |
| Electricity Retained Interest Corporation - Endeavour | ✓ | ✓ | ✓ |
| Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour | 1 | ! ₁ | 1 |
| Electricity Transmission Ministerial Holding Corporation | ✓ | ✓ | ! ₃ |
| Energy Industries Superannuation Scheme Pool A | # | # | # |
| Energy Industries Superannuation Scheme Pool B | # | # | # |
| Energy Industries Superannuation Scheme Pty Limited | # | # | # |
| Energy Investment Fund | # | # | # |

Timeliness of financial reporting

| Agencies | Early close procedures | Financial statements | Audit report |
|---|------------------------|----------------------|--------------|
| Epsilon Distribution Ministerial Holding Corporation Pty Ltd | ✓ | ✓ | ! 3 |
| ERIC Alpha Holdings Pty Ltd | ✓ | ✓ | ! 2 |
| ERIC Epsilon Holdings Pty Ltd | ✓ | ✓ | ✓ |
| Generator Property Management Pty Ltd | ✓ | ✓ | ✓ |
| ICNSW Australian Equities Fund | # | # | # |
| ICNSW International Equities Fund | # | # | # |
| ICNSW International Equities Fund (Hedged) | # | # | # |
| Insurance and Care NSW | ✓ | ✓ | ✓ |
| Insurer's Guarantee Fund Investment Trust | # | # | # |
| Liability Management Ministerial Corporation | ✓ | ✓ | ✓ |
| Lifetime Care and Support Authority of NSW | ✓ | ✓ | ✓ |
| Local Government Superannuation Scheme Pty Ltd | # | # | # |
| Long Service Corporation Investment Fund | # | # | # |
| Macquarie University Professorial Superannuation Scheme | # | # | # |
| Ministerial Holding Corporation | ✓ | ✓ | ! 2 |
| New South Wales Treasury Corporation | ✓ | ✓ | ✓ |
| NSW Fire Brigades Superannuation Pty Ltd | # | # | # |
| NSW Generations (Community Services and Facilities) Fund | ^ | ^ | ^ |
| NSW Generations (Debt Retirement) Fund | ^ | ^ | ^ |
| NSW Infrastructure Future Fund | # | # | # |
| NSW Self Insurance Corporation | ✓ | ✓ | ✓ |
| Parliamentary Contributory Superannuation Fund | # | # | # |
| Parliamentary Contributory Superannuation Fund (Trustees) | # | # | # |
| Parliamentary Contributory Superannuation Fund Investment Trust | # | # | # |
| Port Botany Lessor Pty Limited | ✓ | ✓ | ✓ |
| Port Kembla Lessor Pty Limited | ✓ | ✓ | ✓ |
| Port of Newcastle Lessor Pty Limited | ✓ | ✓ | ✓ |
| Ports Assets Ministerial Holding Corporation | ✓ | ✓ | ✓ |
| Roads Residual Interest Pty Ltd | ^ | ^ | ^ |
| SAS Trustee Corporation (Staff Agency) | ✓ | ✓ | ✓ |
| SAS Trustee Corporation | ✓ | ✓ | ✓ |
| SAS Trustee Corporation Pooled Fund | # | # | # |

Timeliness of financial reporting

| Agencies | Early close procedures | Financial statements | Audit report |
|--|------------------------|----------------------|--------------|
| Social and Affordable Housing NSW Investment Trust | # | # | # |
| Sporting Injuries Compensation Authority | ✓ | ✓ | ✓ |
| State Rail Authorities Residual Holding Corporation | ✓ | ✓ | ✓ |
| TCorpIM Alternative Risk Premia Fund | # | # | # |
| TCorpIM Australian Bond Fund | # | # | # |
| TCorpIM Australian Inflation Linked Bond Fund | # | # | # |
| TCorpIM Australian Share Fund | # | # | # |
| TCorpIM Bank Loan Fund | # | # | # |
| TCorpIM Cash Fund | # | # | # |
| TCorpIM Cyclical Growth Australian Share Fund | # | # | # |
| TCorpIM Cyclical Growth International Share Fund | # | # | # |
| TCorpIM Direct Infrastructure Fund A | # | # | # |
| TCorpIM Direct Investment Fund B | # | # | # |
| TCorpIM Direct Investment Fund C | # | # | # |
| TCorpIM Direct Investment Fund D | # | # | # |
| TCorpIM Direct Investment Fund E | # | # | # |
| TCorpIM Downside Protection Australian Share Fund | # | # | # |
| TCorpIM Downside Protection International Share Fund | # | # | # |
| TCorpIM Emerging Market Debt Fund | # | # | # |
| TCorpIM Emerging Market Share Fund | # | # | # |
| TCorpIM Global Credit Fund | # | # | # |
| TCorpIM High Yield Fund | # | # | # |
| TCorpIM Indexed Australian Share Fund | # | # | # |
| TCorpIM Indexed International Share (Unhedged) Fund | # | # | # |
| TCorpIM International Share (Hedged) Fund | # | # | # |
| TCorpIM International Share (Unhedged) Fund | # | # | # |
| TCorpIM Liquidity Cash Fund | # | # | # |
| TCorpIM Listed Property Fund | # | # | # |
| TCorpIM Long Term Growth Fund | # | # | # |
| TCorpIM Medium Term Growth Fund | # | # | # |
| TCorpIM Multi-Asset Class Fund | # | # | # |
| TCorpIM Small Cap Australian Share Fund | # | # | # |
| TCorpIM Specialist Emerging Market Share Fund | # | # | # |
| TCorpIM Strategic Cash Fund | # | # | # |
| TCorpIM Unlisted Infrastructure Fund | # | # | # |
| TCorpIM Unlisted Property Fund | # | # | # |
| Treasury Managed Fund Investment Portfolio | # | # | # |

Timeliness of financial reporting

| Agencies | Early close procedures | Financial statements | Audit report |
|---|--|--|--------------|
| University of Sydney Professorial Superannuation System | # | # | # |
| Valley Commerce Pty Limited | # | # | # |
| Workers' Compensation (Dust Diseases) Authority | ✓ | ✓ | ✓ |
| Workers Compensation Nominal Insurer | ✓ | ✓ | ✓ |
| Key | ✓ Statutory reporting deadline was met | ! Statutory reporting deadline was not met | |

Note: Agencies in bold are considered both material for whole-of-government purposes and are controlled by the NSW Government.

N/A Agency not required to complete early close procedures.

Agency is a prescribed or request audit and is not subject to statutory financial reporting deadlines.

^ NSW Generations (Community Services and Facilities) Fund, NSW Generations (Debt Retirement) Fund and Roads Residual Interest Pty Ltd will prepare their first set of financial statements for the period ending 30 June 2019.

1 The financial statements of 24 subsidiaries of both the Electricity Retained Interest Corporation – Ausgrid (ERIC-A) and Electricity Retained Interest Corporation – Endeavour (ERIC-E) were reported on a consolidated basis as part of the ERIC-A and ERIC-E group financial statements. The Directors advise that all financial statement information pertaining to the subsidiaries has been captured as part of the audited consolidated ERIC-A and ERIC-E parent and Holding Co. financial statements.

2 The audit was not completed within the statutory timeframe due to delays in receiving the signed certification from the agency head, which is required before an audit opinion can be issued.

3 The audit was not completed within the statutory timeframe due to other delays to the audit.



Appendix five – Management letter findings by risk rating

The table below provides information on 2017–18 management letter findings for Treasury, Premier and Cabinet and Finance, Services and Innovation cluster agencies by risk rating. Where an agency is not included, no management letter was issued.

| | Management letter findings | | | | |
|---|----------------------------|------|----------|-----|--------|
| | Extreme | High | Moderate | Low | Repeat |
| Principal Department | | | | | |
| Department of Finance, Services and Innovation | -- | -- | 23 | 10 | 3 |
| Agencies related to the Department | | | | | |
| Long Service Corporation | -- | -- | 1 | 1 | -- |
| NSW Government Telecommunications Authority | -- | -- | 1 | 2 | 1 |
| Place Management NSW | -- | -- | 2 | -- | -- |
| Property NSW | -- | -- | 5 | 2 | 2 |
| Rental Bond Board | -- | -- | 2 | 4 | 1 |
| Service NSW | -- | 1 | 10 | 1 | -- |
| State Archives and Records Authority of New South Wales | -- | -- | 6 | -- | 1 |
| State Insurance Regulatory Authority | -- | -- | 4 | 3 | 1 |
| Principal Department | | | | | |
| Department of Premier and Cabinet | -- | -- | 3 | 1 | 1 |
| Agencies related to the Department | | | | | |
| Independent Commission Against Corruption | -- | -- | 2 | 4 | 1 |
| Independent Pricing and Regulatory Tribunal | -- | -- | 1 | 1 | -- |
| Infrastructure NSW | -- | -- | 1 | 4 | 2 |
| New South Wales Electoral Commission | -- | -- | 4 | 2 | 5 |
| Ombudsman's Office | -- | -- | 1 | 1 | 1 |
| Public Service Commission | -- | -- | 1 | -- | -- |
| UrbanGrowth NSW Development Corporation | -- | -- | 5 | 1 | -- |
| Principal Department | | | | | |
| The Treasury | -- | -- | 4 | -- | -- |
| Agencies related to the Department | | | | | |
| Crown Entity | -- | -- | -- | 6 | 2 |
| Insurance and Care NSW | -- | -- | 6 | 9 | 5 |
| New South Wales Treasury Corporation | -- | -- | 1 | 7 | -- |
| SAS Trustee Corporation Pooled Fund | -- | -- | -- | 4 | 2 |
| University of Sydney Professorial Superannuation System | -- | -- | -- | 1 | -- |



Appendix six – Financial data

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|---|--------------|--------------|-------------------|--------------|---------------|--------------|---------------|--------------|
| | 2018 \$m | 2017 \$m | 2018 \$m | 2017 \$m | 2018 \$m | 2017 \$m | 2018 \$m | 2017 \$m |
| Finance, Services and Innovation cluster | | | | | | | | |
| Department of Finance, Services and Innovation | 1,285 | 1,473 | 3,308 | 3,640 | 2,045 | 2,292 | 1,911 | 2,213 |
| Board of Surveying and Spatial Information of NSW | 1 | 1 | -- | -- | 1 | 1 | 1 | 1 |
| Building Professionals Board | 1 | 2 | 1 | 2 | 3 | 5 | 3 | 4 |
| Financial Counselling Trust Fund | 2 | 4 | -- | -- | -- | -- | 2 | 3 |
| Long Service Corporation | 1,609 | 1,378 | 1,237 | 1,159 | 324 | 279 | 171 | 133 |
| Luna Park Reserve Trust | 44 | 44 | -- | 1 | 2 | 5 | 3 | 4 |
| Mine Subsidence Board | 125 | 138 | 25 | 41 | 18 | 25 | 15 | 31 |
| NSW Architects Registration Board | 3 | 3 | -- | -- | 2 | 1 | 1 | 1 |
| NSW Government Telecommunications Authority | 191 | 125 | 51 | 28 | 111 | 88 | 68 | 64 |
| Place Management NSW | 2,899 | 2,857 | 1,511 | 1,491 | 408 | 321 | 418 | 283 |
| Property NSW | 1,702 | 1,495 | 396 | 354 | 840 | 746 | 836 | 562 |
| Rental Bond Board | 66 | 62 | 1 | 1 | 57 | 55 | 53 | 56 |
| Service NSW | 278 | 308 | 79 | 67 | 397 | 383 | 438 | 333 |
| State Archives and Records Authority of New South Wales | 1,035 | 1,046 | 10 | 6 | 111 | 75 | 35 | 29 |
| State Insurance Regulatory Authority | 419 | 400 | 292 | 285 | 551 | 529 | 540 | 486 |
| Teacher Housing Authority of NSW | 175 | 170 | 3 | 2 | 17 | 17 | 21 | 20 |
| Waste Assets Management Corporation | 86 | 100 | 55 | 69 | 22 | 113 | 23 | 108 |
| Finance, Services and Innovation cluster total | 9,921 | 9,606 | 6,969 | 7,146 | 4,909 | 4,935 | 4,539 | 4,331 |

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|--|--------------|--------------|-------------------|--------------|---------------|------------|---------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Premier and Cabinet cluster | | | | | | | | |
| Department of Premier and Cabinet | 205 | 217 | 73 | 88 | 259 | 237 | 261 | 248 |
| Barangaroo Delivery Authority | 1,260 | 1,077 | 1,105 | 884 | 33 | 144 | 68 | 66 |
| Barangaroo Delivery Authority (Staff Agency) | 1 | 1 | 1 | 1 | 10 | 9 | 10 | 9 |
| Independent Commission Against Corruption | 6 | 8 | 5 | 5 | 24 | 21 | 26 | 21 |
| Independent Pricing and Regulatory Tribunal | 8 | 4 | 6 | 5 | 33 | 29 | 30 | 31 |
| Independent Pricing and Regulatory Tribunal (Staff Agency) | 3 | 3 | 3 | 3 | 22 | 22 | 22 | 22 |
| Infrastructure NSW | 54 | 35 | 43 | 30 | 237 | 93 | 231 | 89 |
| Infrastructure NSW (Staff Agency) | 1 | 1 | 1 | 1 | 8 | 8 | 8 | 8 |
| Natural Resources Commission | 2 | 2 | 1 | 1 | 5 | 4 | 5 | 5 |
| Natural Resources Commission (Staff Agency) | -- | -- | -- | -- | 3 | 3 | 3 | 3 |
| New South Wales Electoral Commission | 18 | 22 | 5 | 5 | 71 | 71 | 75 | 74 |
| New South Wales Electoral Commission (Staff Agency) | 2 | 2 | 2 | 2 | 27 | 22 | 27 | 22 |
| Ombudsman's Office | 8 | 6 | 6 | 6 | 37 | 34 | 35 | 35 |
| Parliamentary Counsel's Office | 3 | 2 | 1 | 2 | 11 | 10 | 10 | 10 |
| Public Service Commission | 11 | 4 | 9 | 5 | 41 | 38 | 37 | 39 |
| Sesquicentenary of Responsible Government Trust Fund | -- | -- | -- | -- | -- | -- | -- | -- |
| UrbanGrowth NSW Development Corporation | 208 | 340 | 7 | 2 | 69 | 18 | 214 | 9 |
| UrbanGrowth NSW Development Corporation (Staff Agency) | 2 | -- | 2 | -- | 9 | -- | 9 | -- |
| Premier and Cabinet cluster total | 1,792 | 1,724 | 1,270 | 1,040 | 899 | 763 | 1,071 | 691 |

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|--|--------------|--------|-------------------|---------|---------------|--------|---------------|--------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| The Treasury cluster | | | | | | | | |
| The Treasury | 86 | 88 | 44 | 47 | 135 | 147 | 134 | 130 |
| Alpha Distribution Ministerial Holding Corporation | 166 | 159 | 18 | 24 | 18 | 5,062 | 10 | 5 |
| Crown Entity | 30,831 | 38,690 | 101,656 | 122,976 | 63,159 | 60,635 | 67,691 | 61,684 |
| Electricity Assets Ministerial Holding Corporation | 168 | 176 | 56 | 52 | 6 | 2 | 19 | 9 |
| Electricity Retained Interest Corporation – Ausgrid | 3,954 | 3,924 | -- | -- | 257 | 133 | 197 | 99 |
| Electricity Retained Interest Corporation – Endeavour | 2,033 | 1,947 | -- | -- | 179 | -- | 79 | -- |
| Electricity Transmission Ministerial Holding Corporation | 185 | 185 | 150 | 174 | 6 | 5 | 8 | 7 |
| Epsilon Distribution Ministerial Holding Corporation | 35 | 80 | 11 | 62 | 10 | 4,289 | 3 | 1,435 |
| ERIC Alpha Holdings Pty Ltd | 3,954 | 3,924 | -- | -- | 256 | 133 | 196 | 98 |
| ERIC Epsilon Holdings Pty LTd | 2,033 | -- | -- | -- | 178 | -- | 78 | -- |
| Generator Property Management Pty Ltd | 11 | 14 | 2 | 13 | 11 | 2 | 3 | 9 |
| ICNSW Australian Equities Fund | 1,830 | 1,458 | 8 | 8 | 266 | 3 | 266 | 3 |
| ICNSW International Equities Fund | 3,168 | 2,780 | 26 | 18 | 322 | 3 | 322 | 3 |
| ICNSW International Equities Fund (Hedged) | 240 | 134 | 5 | -- | 15 | -- | 15 | -- |
| Insurer's Guarantee Fund Investment Trust | 196 | 188 | -- | -- | 14 | 7 | 14 | 7 |
| Liability Management Ministerial Corporation | 170 | 135 | -- | -- | 34 | 32 | -- | -- |
| Long Service Corporation Investment Fund | 1,329 | 1,082 | -- | -- | 125 | 114 | 125 | 114 |
| Ministerial Holding Corporation | 7 | 6 | -- | -- | 1 | 1 | -- | -- |
| New South Wales Treasury Corporation | 65,822 | 65,098 | 65,529 | 64,867 | 178 | 209 | 116 | 117 |
| NSW Infrastructure Future Fund | 19,473 | 14,772 | 16 | 90 | 1,037 | 186 | 1,037 | 186 |

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|---|--------------|-------|-------------------|------|---------------|------|---------------|------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Parliamentary Contributory Superannuation Fund Investment Trust | 316 | 292 | -- | -- | 35 | 26 | 35 | 26 |
| Port Botany Lessor Pty Limited | 173 | 161 | -- | -- | 26 | 25 | 37 | 36 |
| Port Kembla Lessor Pty Limited | 19 | 18 | -- | -- | 6 | 7 | 5 | 6 |
| Port of Newcastle Lessor Pty Limited | 27 | 25 | -- | -- | 6 | 6 | 4 | 4 |
| Port Assets Ministerial Holding Corporation | 219 | 205 | -- | -- | 50 | 48 | 35 | 35 |
| Social and Affordable Housing NSW Fund Investment Trust | 1,087 | -- | -- | -- | 87 | -- | 87 | -- |
| State Rail Authorities Residual Holding Corporation | -- | -- | -- | -- | -- | -- | -- | -- |
| TCorpIM Alternative Risk Premia Fund | 1,320 | -- | -- | -- | -- | -- | -- | -- |
| TCorpIM Australian Bond Fund | 547 | 497 | 1 | 4 | 19 | 15 | 19 | 15 |
| TCorpIM Australian Inflation Linked Bond Fund | 418 | -- | -- | -- | 11 | -- | 11 | -- |
| TCorpIM Australian Share Fund | 5,406 | 4,394 | 7 | 30 | 674 | 548 | 674 | 548 |
| TCorpIM Bank Loan Fund | 1,898 | -- | -- | -- | 31 | -- | 31 | -- |
| TCorpIM Cash Fund | 3,289 | 1,986 | -- | -- | 45 | 37 | 45 | 37 |
| TCorpIM Cyclical Growth Australian Share Fund | 1,641 | 603 | 1 | 3 | 197 | 1 | 197 | 1 |
| TCorpIM Cyclical Growth International Share Fund | 1,365 | 375 | 4 | -- | 120 | -- | 120 | -- |
| TCorpIM Direct Infrastructure Fund A | 176 | 162 | -- | 7 | 7 | 26 | 7 | 26 |
| TCorpIM Direct Investment Fund B | 125 | 121 | -- | 1 | 10 | 9 | 10 | 9 |
| TCorpIM Direct Investment Fund C | 81 | -- | -- | -- | 1 | -- | 1 | -- |
| TCorpIM Direct Investment Fund D | 85 | -- | 5 | -- | 9 | -- | 9 | -- |
| TCorpIM Direct Investment Fund E | 506 | -- | 1 | -- | 57 | -- | 57 | -- |
| TCorpIM Downside Protection Australian Share Fund | 1,721 | 667 | 9 | 3 | 215 | 38 | 215 | 38 |

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|--|----------------|----------------|-------------------|----------------|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| TCorpIM Downside Protection International Share Fund | 1,664 | 1,497 | 2 | 9 | 184 | 144 | 184 | 144 |
| TCorpIM Emerging Market Debt Fund | 551 | -- | 12 | -- | 23 | -- | 23 | -- |
| TCorpIM Emerging Market Share Fund | 1,068 | 1,207 | 6 | 7 | 247 | 170 | 247 | 170 |
| TCorpIM Global Credit Fund | 579 | 709 | 31 | 10 | 14 | 2 | 14 | 2 |
| TCorpIM High Yield Fund | 196 | -- | 7 | -- | 4 | -- | 4 | -- |
| TCorpIM Indexed Australian Share Fund | 205 | 181 | -- | -- | 24 | 51 | 24 | 51 |
| TCorpIM Indexed International Share (Unhedged) Fund | 557 | 480 | -- | -- | 79 | 75 | 79 | 75 |
| TCorpIM International Share (Hedged) Fund | 922 | 994 | 19 | 2 | 99 | 138 | 99 | 138 |
| TCorpIM International Share (Unhedged) Fund | 6,353 | 5,044 | 10 | 41 | 825 | 641 | 825 | 641 |
| TCorpIM Liquidity Cash Fund | 3,931 | 1,592 | 1 | -- | 51 | 31 | 51 | 31 |
| TCorpIM Listed Property Fund | 250 | 204 | 5 | 4 | 16 | 16 | 16 | 16 |
| TCorpIM Long Term Growth Fund | 1,209 | 959 | 1 | -- | 102 | 98 | 102 | 98 |
| TCorpIM Medium Term Growth Fund | 372 | 240 | -- | -- | 13 | 10 | 13 | 10 |
| TCorpIM Multi-Asset Class Fund | 626 | 1,084 | -- | -- | 54 | 59 | 54 | 59 |
| TCorpIM Small Cap Australian Share Fund | 458 | -- | 4 | -- | 14 | -- | 14 | -- |
| TCorpIM Specialist Emerging Market Share Fund | 1,083 | 1,365 | 4 | 5 | 144 | 117 | 144 | 117 |
| TCorpIM Strategic Cash Fund | 990 | 1,685 | -- | -- | 33 | 42 | 33 | 42 |
| TCorpIM Unlisted Infrastructure Fund | 1,054 | 825 | -- | -- | 85 | 74 | 85 | 74 |
| TCorpIM Unlisted Property Fund | 1,585 | 1,446 | -- | -- | 178 | 166 | 178 | 166 |
| Treasury Managed Fund Investment Portfolio | 7,938 | 7,470 | 3 | 1 | 853 | 883 | 853 | 883 |
| The Treasury cluster total | 187,701 | 171,328 | 167,654 | 188,458 | 70,855 | 74,466 | 74,954 | 67,404 |

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|---|---------------|---------------|-------------------|---------------|---------------|--------------|---------------|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Insurance and compensation | | | | | | | | |
| Building Insurers' Guarantee Corporation | 49 | 61 | 14 | 32 | 1 | 1 | (6) | (1) |
| Insurance and Care NSW | 178 | 248 | 165 | 235 | 655 | 647 | 655 | 647 |
| Lifetime Care and Support Authority of NSW | 5,922 | 5,171 | 4,765 | 4,121 | 947 | 880 | 842 | 546 |
| NSW Self Insurance Corporation | 9,391 | 8,641 | 9,148 | 8,530 | 2,300 | 2,058 | 2,169 | 2,052 |
| Sporting Injuries Compensation Authority | 5 | 5 | 2 | 3 | 1 | 1 | -- | 1 |
| Workers' Compensation (Dust Diseases) Authority | 1,849 | 1,741 | 1,836 | 1,720 | 170 | 204 | 177 | 195 |
| Workers' Compensation Nominal Insurer | 18,480 | 17,695 | 16,027 | 15,330 | 3,316 | 2,655 | 3,227 | 3,643 |
| Insurance and compensation total | 35,874 | 33,562 | 31,957 | 29,971 | 7,390 | 6,446 | 7,064 | 7,083 |
| Superannuation* | | | | | | | | |
| Buroba Pty Ltd | -- | -- | -- | -- | -- | -- | -- | -- |
| Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund | 4 | 3 | 3 | 2 | 1 | 1 | 1 | 1 |
| EIF Pty Limited | -- | -- | -- | -- | -- | -- | -- | -- |
| Energy Industries Superannuation Scheme Pool A | 3,613 | 3,353 | 3,603 | 3,343 | 231 | 229 | 231 | 229 |
| Energy Industries Superannuation Scheme Pool B | 2,017 | 2,012 | 1,961 | 1,943 | 160 | 159 | 173 | 132 |
| Energy Industries Superannuation Scheme Pty Limited | 22 | 21 | 22 | 21 | 34 | 31 | 34 | 31 |
| Energy Investment Fund | 5,574 | 5,295 | 21 | 15 | 390 | 387 | -- | -- |
| Local Government Superannuation Scheme Pty Ltd | 9 | 8 | 9 | 8 | 37 | 37 | 37 | 37 |
| Macquarie University Professorial Superannuation Scheme | 12 | 14 | 11 | 13 | 1 | 1 | 1 | 1 |
| NSW Fire Brigades Superannuation Pty Ltd | -- | -- | -- | -- | -- | -- | -- | -- |
| Parliamentary Contributory Superannuation Fund | 319 | 296 | 2 | 2 | 41 | 37 | 1 | 60 |

| | Total assets | | Total liabilities | | Total revenue | | Total expense | |
|---|---------------|---------------|-------------------|---------------|---------------|--------------|---------------|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Parliamentary Contributory Superannuation Fund (Trustees) | -- | -- | -- | -- | -- | -- | -- | -- |
| SAS Trustee Corporation (Staff Agency) | 4 | 4 | 4 | 4 | 7 | 9 | 7 | 9 |
| SAS Trustee Corporation | 14 | 14 | 14 | 14 | 37 | 39 | 37 | 39 |
| SAS Trustee Corporation Pooled Fund | 45,927 | 45,294 | 59,348 | 59,562 | 3,957 | 4,226 | 3,110 | 3,339 |
| University of Sydney Professorial Superannuation System | 35 | 35 | 35 | 35 | 5 | 4 | 2 | -- |
| Valley Commerce Pty Limited | -- | -- | -- | -- | -- | -- | -- | -- |
| Superannuation total | 57,550 | 56,349 | 65,033 | 64,962 | 4,901 | 5,160 | 3,634 | 3,878 |

* Included in total expenses and/or revenue are tax expenses/benefits on investment income and the net change in member benefits.

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