

# Report on Industry 2017

12 DECEMBER 2017



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*.

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

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

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

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

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  
**Industry 2017**

A handwritten signature in black ink, appearing to read 'I. Goodwin'.

**Ian Goodwin**

Acting Auditor-General  
12 December 2017

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# **Section One**

## **Industry 2017**

This report analyses the results of the financial statement audits of agencies within the NSW Industry cluster for the financial year ended 30 June 2017. The Department of Industry (the Department) is the lead agency for the cluster.





# Executive summary



## 1. Financial reporting and controls

### Financial reporting

Unqualified audit opinions were issued for 44 out of 48 financial statement audits with four audits incomplete. Early close procedures continue to promote earlier and better quality financial reporting.

### Financial performance

The cluster recorded a net deficit of \$107 million in 2016–17 (\$78.0 million in 2015–16). Contributing to the overall cluster net deficit was the Department's \$226 million net deficit offset by net surpluses at Water NSW and the Forestry Corporation of New South Wales.

### TAFE NSW continues to experience system issues

TAFE NSW incurs extra costs each year to produce reliable financial information due to deficiencies in its student administration system. TAFE NSW plans to replace its Student Administration and Learning Management system in 2018–19 at an estimated cost of \$89 million.

### Internal controls

We identified 180 internal control issues, including 61 repeat issues across the cluster. We rated four of these issues as 'high' risk, 98 as 'moderate' risk and 78 as 'low' risk.

Of the 180 issues raised, 37 related to financial reporting and 52 related to controls over processes such as procurement and fixed assets.

Some internal control issues and recommendations identified in previous years, have been repeated and should be addressed promptly to reduce risks and improve processes.

### Deficient user administration access

Agencies need to strengthen user access administration to critical financial systems.



## 2. Service delivery

### Premier and State Priorities

Australian Bureau of Statistics data shows the Premier's priority for job creation has been achieved.

While performance has declined for the State priority to increase the proportion of people completing apprenticeships and traineeships, the Department advises it has initiatives in place to achieve this State priority, and the State priority for New South Wales to lead Australia in business confidence.

### Crown land

The Department is working to respond to the recommendations from a Parliamentary Inquiry into Crown Land and to implement the revised framework contained in the *Crown Land Management Act 2016*.

### Aboriginal land claims

Despite a continued focus, the Department has been unsuccessful in reducing the number of unprocessed Aboriginal land claims.

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



## 1. Financial reporting and controls

### **Unqualified audit opinions were issued for all completed financial statement audits**

Unqualified audit opinions were issued for 44 out of 48 financial statement audits in the Industry cluster. Four audits are continuing. Audits of successive years' financial statements for the Water Administration Ministerial Corporation remain outstanding because of deficiencies in supporting records. Resolution of these outstanding audits will be a priority for 2017–18.

### **Accountability for the State's Crown land reserve trusts can be improved**

Approximately 700 reserve trusts managed by Trust Boards do not prepare the financial statements required under the *Public Finance and Audit Act 1983*.

Five cemetery reserve trusts and a holiday park reserve trust represented approximately two thirds of the estimated aggregated value of these reserve trusts. In 2016–17 the Treasury advised these six reserve trusts that they are controlled by the Minister for Primary Industries and are therefore part of the NSW Government.

Two of the reserve trusts accepted the Treasury's view and prepared financial statements, which were audited by the Auditor-General.

Financial reporting arrangements by reserve trusts with Trust Boards will be impacted by the revised governance and control framework in the *Crown Land Management Act 2016*. Reporting arrangements could also be impacted by the proposed legislation under the Treasury's Financial Management Transformation Project.

Progress on resolving this issue will be a focus of our audits in 2017–18.

### **Misstatements reported fell by 33 per cent in 2016–17**

Misstatements we identified during the course of the audit of cluster agency financial statements decreased from 104 in 2015–16 to 70 in 2016–17. Cluster agencies corrected material misstatements. The number of reported misstatements has fallen each year since the Treasury introduced 'early close procedures' in 2011–12. These procedures brought forward traditional year-end activities, helped agencies identify and resolve accounting issues earlier, and meet earlier reporting deadlines with improved quality and accuracy.

11 misstatements, individually greater than \$5.0 million, were identified and corrected in the 2016–17 financial statements. These misstatements ranged in value from \$6.1 million to \$50.5 million.

### **Financial statements were submitted and most audits were completed on time**

Thirty-one agencies submitted their financial statements on time and the audit opinions for 25 agencies' financial statements were issued within statutory deadlines. However, further improvement in timeliness is required.

Audit opinions were issued after statutory deadlines for five agency audits and three audits with statutory deadlines are ongoing. The delays were predominately due to:

- the transition to public sector reporting requirements by two reserve trusts, which delayed the preparation and audit of the financial statements for NSW Crown Holiday Parks Trust and the Rookwood Necropolis Trust which reported for the first time as NSW Government agencies
- outstanding audits for the Lands Administration Ministerial Corporation (LAMC) and the Water Administration Ministerial Corporation (WAMC). Management is seeking further information to conclude the audit of the LAMC financial statements for the year ended 30 June 2017. Unsigned financial statements of the WAMC have been presented to audit for each year since 2011. However, an audit of these financial statements is not possible as adequate supporting records were not kept
- deficiencies and delays in preparing documents to support the financial statements.



Audit opinions have also been issued for 14 financial statements that are not subject to statutory deadlines and one audit is continuing.

### **Early close procedures were completed by all entities**

Most agencies in the cluster voluntarily completed early close procedures beyond those mandated by the Treasury. This was a good initiative and demonstrates commitment to good financial management.

### **Water management and compliance concerns**

In 2016–17 media reported alleged widespread non-compliance with NSW water legislation, particularly in the Barwon-Darling river system. Multiple agencies are following up concerns raised over water management, including the Independent Commission against Corruption and the NSW Ombudsman.

We will monitor the findings and government responses to any recommendations made and consider them for inclusion in our forward audit program.

### **Accounting for Crown land needs to be improved**

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

Some of these limitations required significant effort by the Department to produce accurate information for the purpose of preparing its financial statements.

### **Crown land was revalued in 2016–17**

The Department completed a revaluation of Crown land during the year, resulting in a decrease of \$210 million to the carrying value. The balance of \$5.3 billion recorded in the consolidated financial statements at 30 June 2017 reflects this decrease.

### **Control and recognition of Crown land**

Parcels of Crown land are managed and controlled by numerous public and private sector organisations, including corporations, statutory bodies and local governments. The Department maintains a database on Crown land. \$5.3 billion of this land is recognised in the financial statements of the Department, as it manages and controls these parcels of land. There is no process in place for the Department and other managers to confirm all Crown land that should be recognised has been, or that two organisations are not recognising the same parcel of land.

### **Recommendation**

The Department should confirm the completeness and accuracy of the Crown land database with other organisations that manage and control Crown land to improve the reliability of its records.

### **Crown Land Management Act 2016**

The Department advised that the *Crown Land Management Act 2016* is anticipated to commence in early 2018. The Department stated the Act is designed to reduce complexity and duplication, deliver better social, environmental and economic outcomes, and facilitate community involvement with Crown land. The Act revises the governance and control framework for Crown land.

### **Recommendation**

The Department should evaluate the impact the revised governance and control framework for Crown land under the *Crown Land Management Act 2016* will have on the recognition and the financial reporting of Crown land by the Department and other managers of Crown land.

### **TAFE continues to experience system issues**

TAFE NSW will continue to incur extra costs each year to produce reliable financial information. This year, TAFE NSW incurred approximately \$6 million of direct costs to deal with issues in its student administration system and establish the integrity of its financial data. TAFE NSW advises it intends to replace the Student Administration and Learning Management system it jointly implemented with the Department of Education three years ago at a cost \$40.2 million. TAFE NSW plans to implement the new system in 2018–19 at an estimated cost of \$89 million.

### **Sixty-one repeat management letter issues identified**

We identified 180 internal control issues, including 61 repeat issues across the cluster. We rated four of these issues as 'high' risk, 98 issues as 'moderate' risk and 78 issues as 'low' risk.

Three of the four high risk issues related to TAFE NSW, two issues regarding processes and procedures for revenue and the third concerned the use of purchase orders to control expenditure. The final issue related to Wentworth Park Sporting Complex Trust's recognition of a loan and its capacity to repay that loan.

### **User access administration over financial systems needs to be improved**

We identified 17 moderate risk issues related to user access administration across nine agencies. These moderate risk control weaknesses increase the risk of users having excessive or unauthorised access to critical systems and information.

#### **Recommendation**

Agencies should ensure administration of user access to critical systems:

- retains documentation of approvals to create, modify and deactivate user access
- allocates appropriate access rights
- performs and documents regular user access reviews
- logs and monitors privileged/super user account activity
- deactivates terminated user access on a timely basis
- does not allow shared generic user accounts, instead of unique user accounts for staff performing administration tasks.



## **2. Service delivery**

### **The Department is responsible for delivering certain State and Premier's priorities**

The Department is responsible for implementing State priorities for apprenticeships and business confidence, and the Premier's priority for creating jobs. Australian Bureau of Statistics data shows the target for the Premier's priority on job creation has been achieved. The Department's data indicates apprenticeships and traineeships completed within the expected timeframe has declined to 59 per cent from 62 per cent in 2016. However, the Department also advises it has initiatives designed to meet the target of 65 per cent by 2019. The State continues to be ranked highly for business confidence in 2016–17. It ranked first or second on a range of major business indicators throughout the year published by various private sector entities.

### **Improvements required to the administration of Crown land**

The administration of Crown land is complex with many competing economic, social, cultural, heritage, and community objectives and interests. The Department has had difficulty balancing these objectives for a number of years. These issues include community consultation and involvement in Crown land, commercial interests in developing Crown land and objectives for the preservation and enhancement of Crown land.

The NSW Parliamentary Research Service reported that Crown land comprises around 34 million hectares with approximately 59,500 tenures and around 35,000 Crown reserves.

### **Unprocessed Aboriginal land claims continue to increase**

Despite a continued focus from the Department, it has been unsuccessful in reducing the number of unprocessed claims. Each claim requires detailed investigation and time to resolve, and the number of new claims lodged continues to significantly exceed the number of claims finalised in the year.

The Department advised that the number of unprocessed Aboriginal land claims was 32,361 at 30 June 2017 compared to 29,284 at 30 June 2016.

### **Recommendation (repeat issue)**

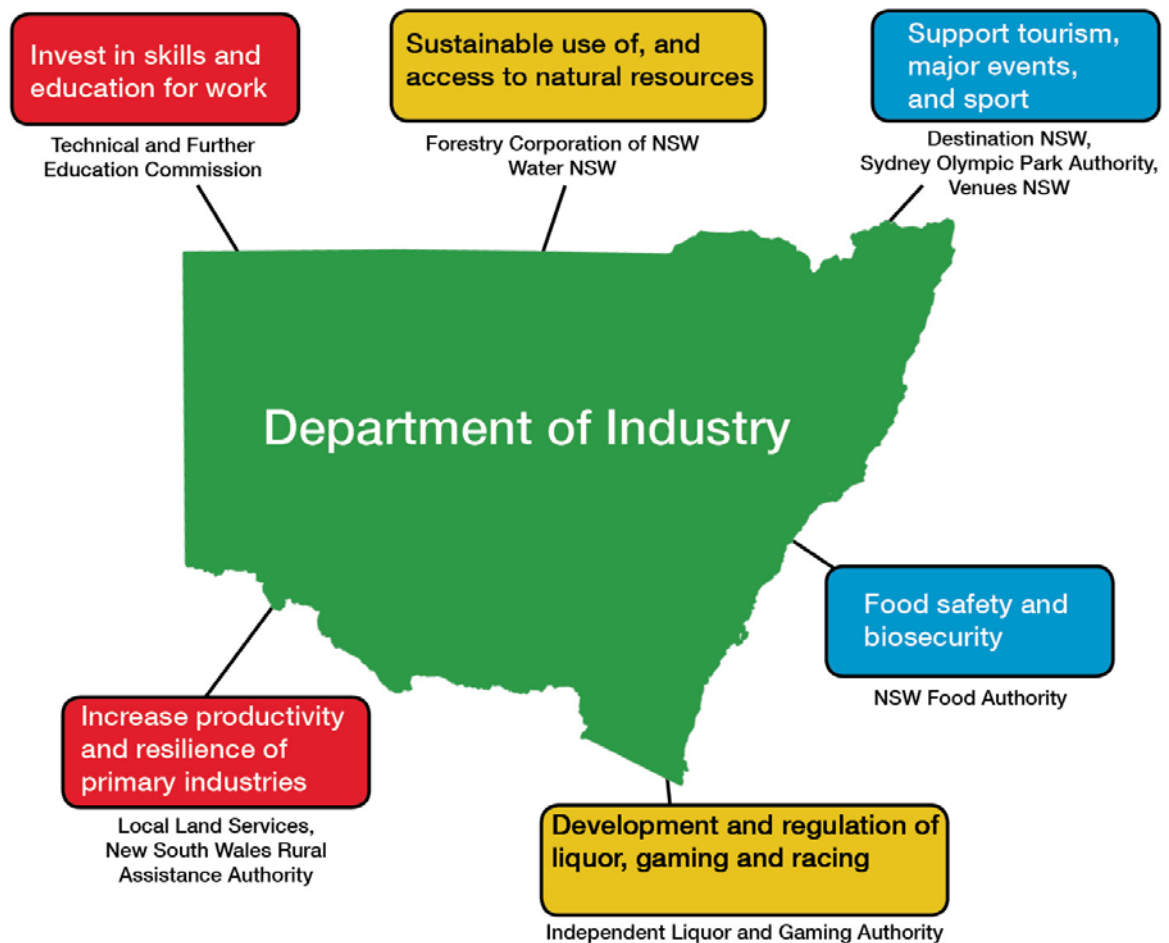
The Department should continue to implement measures to reduce the backlog of unprocessed Aboriginal land claims.



# 1. Introduction

This report focuses on agencies in the Industry cluster. The report focuses on audit results, observations, conclusions and recommendations for financial reporting and controls, and service delivery.

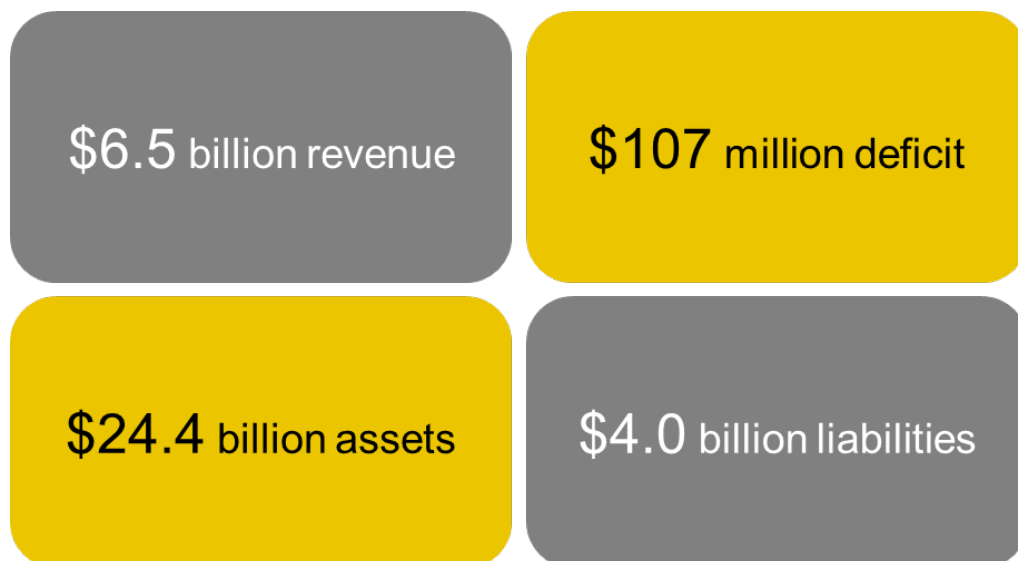
This cluster leads the State's promotion of New South Wales as the place to invest and produce goods and services. Significant cluster agencies deliver services in the following areas:



The Department of Industry is the lead agency in the cluster which includes 52 agencies. Appendix three lists the cluster agencies.

## 1.1 Snapshot of the cluster

A snapshot of the cluster's financial results for the year ended 30 June 2017 is shown below.



## 1.2 Changes to the cluster

### **Machinery of government changes restructured the cluster**

The 'Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017' (the Order) made changes to the cluster effective from 1 April 2017. The Department of Industry, Skills and Regional Development was abolished and the Department of Industry (the Department) was established and the Order transferred:

- Combat Sports Authority of NSW, New South Wales Institute of Sport, Office of Sport, State Sporting Venues Authority, Sydney Cricket and Sports Ground Trust, Sydney Olympic Park Authority and Venues NSW from the Department of Premier and Cabinet
- staff and agencies relating to resources, energy and utilities to the Department of Planning and Environment
- staff and agencies relating to regional New South Wales to the Department of Premier and Cabinet
- staff and agencies relating to trade, industry and tourism from the Department of Premier and Cabinet
- staff and agencies relating to liquor, gaming and racing from the Justice cluster.

### **Staff and functions were transferred to Water NSW**

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



## 2. Financial reporting and controls

Confidence in public sector decision-making and transparency is enhanced when financial reporting is accurate and timely. Appropriate financial controls help ensure the efficient and effective use of resources and administration of agency policies.

This chapter outlines audit observations, conclusions and recommendations for the financial reporting and controls of agencies in the cluster for 2016–17.

Observation	Conclusion or recommendation
<b>2.1 Quality of financial reporting</b>	
Unqualified audit opinions were issued for 44 out of 48 financial statement audits. Four audits are continuing.	Ongoing improvements in the preparation of financial statements helped identify and resolve material issues.
The number of misstatements within the cluster fell from 104 in 2015–16 to 70 in 2016–17.	The 'early close procedures' initiative introduced by the Treasury in 2011–12 has reduced the number of misstatements each year.
<b>2.2 Timeliness of financial reporting</b>	
Most agencies complied with the Treasury's early close procedures and the timetable for the preparation and audit of financial statements.	Greater focus on financial reporting and effective early close procedures has improved the timeliness of financial reporting, but further improvements are required.
<b>2.3 Key financial issues from cluster agencies</b>	
The Department of Industry completed a revaluation of Crown land and continues work on improving the accounting for Crown land.	The value of Crown land recognised in the Department's financial statements at 30 June 2017 was \$5.3 billion. The revaluation was carried out using a revised mass valuation approach which reduced complexity and subjectivity and improved transparency.
There is no process in place to ensure agencies recognise all the Crown land they manage and control.	<b>Recommendation:</b> The Department should confirm the completeness and accuracy of the Crown land database with other organisations that manage and control Crown land to improve the reliability of its records.
TAFE NSW incurred approximately \$6 million of direct costs to deal with issues in its student administration system and establish the integrity of its financial data for 2016–17.	TAFE NSW will continue to incur extra costs each year to produce reliable financial information. TAFE NSW advises it intends to replace the Student Administration and Learning Management system it jointly implemented with the Department of Education three years ago at a cost \$40.2 million. TAFE plans to implement the new system in 2018–19 at an estimated cost of \$89 million.
<b>2.4 Key financial information</b>	
The cluster recorded a net deficit of \$107 million in 2016–17 (\$78.0 million in 2015–16).	The overall cluster net deficit included the Department's \$226 million net deficit which was partly offset by net surpluses in a number of other agencies, including Water NSW and the Forestry Corporation of New South Wales. Most agencies in the cluster, including the Department, but excluding the State owned corporations, are dependent on the NSW Government for the majority of their revenue.

Observation	Conclusion or recommendation
<b>2.5 Financial performance and sustainability</b>	
We assessed the performance of certain agencies against key financial sustainability indicators. This identified four agencies with adjusted net deficits and two agencies with liquidity ratios below one.	Overall, based on our analysis these agencies are not at high risk of sustainability concerns.
<b>2.6 Internal controls</b>	
A significant number of repeat internal control issues were again raised with management for certain agencies in the cluster.	<b>Recommendation (repeat issue):</b> Internal control issues and recommendations from previous years should be addressed promptly to reduce risks and improve processes.
User access administration over financial systems needs to be improved. 17 moderate risk issues related to user access administration across nine agencies were identified.	<b>Recommendation:</b> Agencies should ensure administration of user access to critical systems: <ul style="list-style-type: none"> <li>retains documentation of approvals to create, modify and deactivate user access</li> <li>allocates appropriate access rights</li> <li>performs and documents regular user access reviews</li> <li>logs and monitors privileged/super user account activity</li> <li>deactivates terminated user access on a timely basis</li> <li>does not allow shared generic user accounts, instead of unique user accounts for staff performing administration tasks.</li> </ul>

## 2.1 Quality of financial reporting

### Unqualified audit opinions were issued for all completed financial statement audits

Unqualified audit opinions were issued for 44 out of 48 financial statement audits in the Industry cluster. Four audits are continuing, including the Water Administration Ministerial Corporation, the Lands Administration Ministerial Corporation, and the Public Reserves Management Fund.

Water Administration Ministerial Corporation audits for years ended 30 June 2011 onwards are incomplete as we advised management that insufficient information was available to issue an unqualified independent audit report. Resolution of these outstanding audits will be a priority for 2017–18.

### Misstatements reported fell by 33 per cent in 2016–17

Total misstatements identified during the course of the audit in cluster agencies' financial statements decreased from 104 in 2015–16 to 70 in 2016–17. All material misstatements were corrected in the final financial statements. However, the figures for 2016–17 does not include misstatements for audits not yet complete. The number of reported misstatements has fallen each year since the Treasury introduced 'early close procedures' in 2011–12. These procedures brought forward traditional year-end activities, helped agencies identify and resolve accounting issues earlier, and meet earlier reporting deadlines with improved quality and accuracy.

11 misstatements, individually greater than \$5.0 million, were identified and corrected in the 2016–17 financial statements. These misstatements ranged in value from \$6.1 million to \$50.5 million. The same number of misstatements were identified in 2015–16. A misstatement relates to an incorrect amount, classification, presentation or disclosure in the financial statements.



## 2.2 Timeliness of financial reporting

Thirty-three audits are subject to statutory deadlines for the submission of their financial statements for audit and the issue of the Independent Auditor's Report.

Thirty-one agencies submitted their financial statements on time and the audit opinions for 25 agencies were issued within statutory deadlines. Further improvement in timeliness is required.

Audit opinions were issued after statutory deadlines for five agency audits and three audits are ongoing. The details are:

- two reserve trusts reported for the first time as NSW Government agencies and the transition to NSW Government reporting requirements delayed the preparation and audit of the financial statements. The audit of the NSW Crown Holiday Parks Trust was completed one day late while the audit of the Rookwood Necropolis Trust is continuing
- sufficient information was not available to conclude the audits of the Lands Administration Ministerial Corporation and the Water Administration Ministerial Corporation
- deficiencies and delays in preparing documents to support the financial statements and resolution of complex accounting and auditing issues delayed the completion of the audit of the State Sporting Venues Authority, and the Independent Liquor and Gaming Authority
- the timing of the Board meeting to certify the financial statements of the NSW Skills Board
- The Department provided signed financial statements to the Audit Office on 28 September 2017, and the audit opinion was issued on 4 October 2017. The statutory deadline for the Department's audit opinion was 3 October 2017.

Audit opinions have also been issued for 14 financial statements that are not subject to statutory deadlines and one audit is continuing.

Refer to Appendix four for further details.

### **Early close procedures were completed by all entities**

Cluster agencies substantially complied with the Treasury's early close procedures, which are designed to bring forward year-end activities, such as valuing assets and resolving financial reporting issues. Early close procedures reduce reporting timeframes and improve the quality of the financial statements. This year, the Treasury reduced the mandatory procedures, but still required asset revaluations to be completed by 31 March 2017.

The Department of Industry and the NSW Food Authority completed their asset revaluations on time. Local Land Services did not complete its revaluation of Crown land, which was conducted by the Department, by the early close deadline. They did meet the statutory reporting deadlines for completion of their audit.

Most agencies in the cluster voluntarily completed early close procedures beyond those mandated by the Treasury. This was a good initiative and demonstrates their commitment to good financial management.

## 2.3 Key financial issues from cluster agencies

### **Department of Industry**

#### **Water Management and Compliance Concerns**

In 2016–17 media reported alleged widespread non-compliance with NSW water legislation, particularly in the Barwon-Darling river system. Multiple agencies are following up concerns raised over water management, including the Independent Commission against Corruption and the NSW Ombudsman.

The Department noted in its financial statements the potential for a liability to emerge if the State's obligations under the Murray Darling Basin Agreement with the Commonwealth are proved to have not been met. However, at this stage the allegations are still under investigation and any possible liability cannot be estimated.



As part of its response to the issues raised, the NSW Government announced it will create an independent natural resources access regulator.

We will monitor the findings and government responses to any recommendations made and consider them for inclusion in our forward audit program.

### Accounting for Crown land needs to be improved

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

The CLID was not designed to facilitate efficient financial reporting. This caused the Department to expend significant effort to produce accurate information for the purpose of preparing its financial statements.

Other deficiencies previously reported included the timeliness, accuracy, and completeness of changes to the CLID database, and the reconciliation between the database and the general ledger.

### Crown land was revalued in 2016–17

The Department completed a revaluation of Crown land during the year, resulting in a decrease of \$210 million to the carrying value of \$5.3 billion in its consolidated financial statements at 30 June 2017.

For the 2016–17 revaluation, the Department changed the valuation methodology from a mixture of individual and mass valuation, to a mass valuation methodology designed to meet the needs of the Department. The revised methodology reduced complexity and subjectivity and improved transparency. The methodology included inputs from a statistician, the valuers and other external consultants.

The revaluation was conducted across all Crown land including Crown land not controlled and recognised by the Department. Differences in value could emerge where another entity which controls a parcel of Crown land conducts its own revaluation.

The audit of the revaluation found that the process complied with accounting standards and the Treasury requirements and the outcome was correctly reflected in the financial statements.

The Department is currently reviewing issues encountered during the revaluation and considering further improvements it can make to future revaluations.

### Control and recognition of Crown land

#### Recommendation

**The Department should confirm the completeness and accuracy of the Crown land database with other organisations that manage and control Crown land to improve the reliability of its records.**

Parcels of Crown land are managed and controlled by numerous public and private sector organisations, including corporations, statutory bodies and local governments. The Department maintains a database on Crown land. \$5.3 billion of Crown land is recognised in the financial statements of the Department, as it manages and controls these parcels. There is no process in place for the Department and other managers to confirm all Crown land that should be recognised has been, or that two organisations are not recognising the same parcel of land.

In previous years, the Department confirmed the control of Crown land with most of the relevant New South Wales public sector agencies to ensure the Crown land is recognised by the correct agency. However, a similar exercise has not been carried out with local councils. While audit testing revealed no material discrepancies, instances of Crown land being incorrectly recognised were noted.

One recommendation from the Parliamentary Inquiry into Crown land in 2016 was that the Department conduct a stocktake of all Crown land in New South Wales. The government response to this recommendation was for the Department to conduct a stocktake on a region by region basis. Such a stocktake would address the current uncertainty over the accuracy and completeness of the recognition of Crown land. The stocktake has not yet commenced.

In July 2017, the Department launched a voluntary land negotiation program with the NSW Aboriginal Land Council, Local Aboriginal Land Councils (LALC), and local government councils. The program is to consider Crown land in a given area (for example, local government areas or LALC areas) and explore which party may be best placed to own that land in recognition of each party's interests in the land. Information about all Crown land parcels in the negotiation area will be made available via LandsLink, a new web-based spatial system developed for the program.

### **A new governance and control framework for Crown land is being implemented**

The *Crown Land Management Act 2016* (the Act) received assent from Parliament on 14 November 2016, but much of the Act is not yet in force. It is anticipated the majority of the new Act will commence in early 2018. The Act is designed to reduce complexity and duplication, and deliver better social, environmental and economic outcomes and facilitate community involvement with Crown land.

#### **Recommendation**

**The Department should evaluate the impact the revised governance and control framework for Crown land under the *Crown Land Management Act 2016* will have on the recognition and the financial reporting of Crown land by the Department and other managers of Crown land.**

## **Crown land reserve trusts**

### **Accountability for the State's Crown land reserve trusts can be improved**

Some Crown land is set aside for public purposes and may only be used to deliver a public benefit or good. These are generally called Crown reserves. Reserve trusts have been established to act as trustees and hold legal ownership of Crown reserves. While the reserve trusts have responsibility for the care, control and management of the Crown reserve, they cannot operate without the appointment of someone to manage their affairs. The reserve trust manager can be the Minister, a Trust Board, an incorporated body, or an administrator appointed by the Minister.

Approximately 700 reserve trusts managed by Trust Boards do not prepare the financial statements required under the *Public Finance and Audit Act 1983*. To remedy this, the Treasury and the Department are working on clarifying the financial reporting obligations for these trusts. These reserve trusts manage Crown reserves containing showgrounds, cemeteries, racecourses, local parks and other community facilities and public areas.

In order to include balances relating to these reserve trusts in the Total State Sector financial statements, the Treasury estimated an aggregated value and adjusted the total state sector net assets. This adjustment is based on information collected by the Department of Industry rather than financial statements prepared under the *Public Finance and Audit Act 1983*.

Five cemetery reserve trusts and a holiday park reserve trust represented approximately two thirds of the adjustment by the Treasury. In 2016–17 the Treasury advised these six reserve trusts that they are controlled by the Minister for Primary Industries and are therefore part of the NSW Government, required to report under the *Public Finance and Audit Act 1983* and be audited by the Auditor-General.

These six reserve trusts had previously prepared financial statements and had them audited by private sector firms.

Two of the reserve trusts accepted the Treasury's view and prepared financial statements in accordance with the *Public Finance and Audit Act 1983*, which were audited by the

Auditor-General. Four reserve trusts did not agree with the Treasury's view and did not report as NSW Government agencies audited by the Auditor-General.

Reserve trust	Status
NSW Crown Holiday Parks Trust	Reported as NSW Government agency
Rookwood Necropolis Trust	Reported as NSW Government agency
Rookwood General Cemeteries Reserve Trust	Did not report as a NSW Government agency
Northern Metropolitan Cemeteries Trust	Did not report as a NSW Government agency
Southern Metropolitan Cemeteries Trust	Did not report as a NSW Government agency
Catholic Metropolitan Cemeteries Trust	Did not report as a NSW Government agency

The Treasury and the Department are working with the four cemetery and crematoria reserve trusts to resolve the disagreement and clarify reporting obligations for 2017–18. However, clarification is also still required for the remaining reserve trusts managed by Trust Boards.

Financial reporting arrangements by reserve trusts with Trust Boards will be impacted by the revised governance and control framework in the *Crown Land Management Act 2016*. Reporting arrangements could also be impacted by the proposed legislation under the Treasury's Financial Management Transformation Project.

Progress on resolving this issue will be a focus of our audits in 2017–18.

## TAFE NSW

### TAFE continues to experience system issues

TAFE NSW continues to experience issues with its student administration system, which first emerged in 2014–15.

It again needed to implement significant compensating controls and procedures to ensure the accuracy and completeness of student revenues. These procedures have come at high cost to operations, unacceptable delays to financial reporting and significant resource commitment of staff, contractors and audit.

For the current year, management developed and implemented an Educational Business System (EBS) revenue management strategy to address the significant deficiencies it continues to experience in accounting for its student revenue. TAFE NSW advised addressing the deficiencies involved approximately 100 staff and cost approximately \$6 million in direct costs. This process cost over \$10 million in the previous year. The process established the integrity of financial data in order for TAFE to produce reliable financial statements. Two high risk internal control issues relating to revenue at TAFE NSW are included in the section on internal controls later in this chapter.

Going forward, the strategy will focus on correcting underlying student data prior to the planned implementation of a new student management system. TAFE NSW advises it intends to replace the Student Administration and Learning Management system it jointly implemented with the Department of Education three years ago at a cost \$40.2 million. TAFE plans to implement the new system in 2018–19 at an estimated cost of \$89 million.

## Acquisition of ANZ Stadium

### The NSW Government acquired ANZ Stadium lease during 2016–17

On 1 July 2016, the NSW Government (via State Sporting Venues Authority (SSVA)) acquired 100 per cent of the shares in Stadium Holdings Pty Ltd (SHPL) and its subsidiaries. SHPL held the lease for ANZ Stadium from Sydney Olympic Park Authority, which is due to expire on 31 January 2031. As a result of the acquisition, SSVA became the leaseholder as at 1 July 2016.

The purchase consideration was \$220 million which consisted of \$151 million cash and \$69.0 million settlement of SHPL's bank borrowings/external debt. SSVA financed the purchase

with a loan from the Treasury Corporation (TCorp). The purchase price was equal to the fair value of net assets and liabilities acquired.

The acquisition was to create a NSW Government owned Stadia network.

On 13 April 2017, under the authority of the *Sporting Venues Authorities Amendment Act 2017*, SSVA transferred the assets, liabilities and rights of SHPL to Venues NSW at no consideration. The transfer included the leasehold interests of ANZ Stadium, associated TCorp loans and the remaining three instalments of purchase consideration payables.

The fair value of net assets and liabilities divested to Venues NSW on 13 April 2017 was \$88.4 million, including \$280 million for the ANZ Stadium and \$113 million of borrowings.

On 24 November 2017 the Premier, Gladys Berejiklian and Sports Minister Stuart Ayres announced that Allianz at Moore Park and ANZ at Sydney Olympic Park will be rebuilt beginning in 2018 and 2019, respectively. Each will take three years to complete at a total cost of \$2.0 billion. The accounting for the decommissioning of the existing stadia and the construction of the new facilities will be an area of focus for our audits of Sydney Cricket and Sports Ground Trust and Venues NSW in future years.

## Independent Liquor and Gaming Authority

### Recognition of present value of land under the Star City Casino for the first time

The Independent Liquor and Gaming Authority (ILGA) is party to a finance lease agreement with the Star City land as a lessor dated December 1994. However, ILGA had not previously recognised a finance lease receivable for the net present value of the right to receive the Star City land back at the end of the lease, and of the annual lease rentals, as required by Australian Accounting Standards. This has resulted in a series of prior period errors and adjustments impacting its statement of comprehensive income and statement of financial position. At 30 June 2017 the present value of the finance lease receivable recognised by ILGA was \$4.9 million.

## 2.4 Key financial information

### Cluster agencies recorded a deficit of \$107 million

Cluster agencies recorded a combined operating deficit of \$107 million in 2016–17 (combined operating deficit of \$78.0 million in 2015–16). The financial results included:

- \$226 million net deficit (\$222 million net deficit) for the Department
- \$63 million net surplus (\$28 million net deficit) for Sports and Recreation agencies
- \$100 million net profit after tax (\$54 million net profit after tax) for Water NSW
- \$49 million net profit after tax (\$90 million net profit after tax) for Forestry Corporation of New South Wales
- \$51 million net deficit (\$65 million net surplus) for TAFE NSW.

Appendix four summarises key financial information for each agency.

Significant changes in the net result of cluster agencies from the prior year included:

- the Department's net deficit was \$226 million similar to the net deficit of \$222 million in 2015–16. Expenses increased by \$752 million including an increase in grants and subsidies paid of \$866 million
- \$76 million less revenue for TAFE NSW mainly due to student fees decreasing by \$72.9 million
- \$43 million less revenue for Forestry Corporation of New South Wales due to revenue from the change in the fair value of biological assets decreasing by \$73.9 million partially offset by a \$25.0 million increase in sales revenue
- a revaluation gain of \$34.3 million on property plant and equipment compared to a \$41.8 million revaluation loss in 2015–16 for Water NSW.

Total combined assets of the cluster agencies were \$24.4 billion at 30 June 2017, similar to \$24.2 billion at 30 June 2016. Total liabilities increased to \$4.0 billion from \$3.7 billion.

## 2.5 Financial performance and sustainability

As part of our audits we obtain an understanding of the entity and its environment, including an entity's financial performance and sustainability. Strong financial performance underpins an agency's overall performance, providing a platform for achieving its service delivery objectives.

The majority of agencies in the cluster are largely funded through government grants and contributions and generally do not have sustainability issues. Our analysis against key financial sustainability indicators found that, overall, cluster agencies are not at high risk of sustainability concerns. The table below shows agencies where potential issues were identified.

### Financial performance and sustainability

Agencies	Adjusted net result-surplus/ (deficit) \$m	Operating margin %	Liquidity (ratio)	Expense growth rate %
Local Land Services*	(18.3)	(11.6)	1.6	2.9
New South Wales Rural Assistance Authority	(17.9)	(39.6)	1.1	152.0
NSW Food Authority	11.1	53.6	9.5	(67.7)
Independent Liquor and Gaming Authority	(4.0)	(61.5)	1.1	(24.4)
Office of Sport	(1.7)	(1.0)	2.1	(0.6)
Sydney Cricket and Sports Ground Trust*	1.2	1.3	0.9	16.7
Venues NSW*	12.7	15.5	0.7	56.2
State Sporting Venues Authority*	0.2	1.4	N/A	675.0
Sydney Olympic Park Authority	18.3	17.8	8.3	(4.2)

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

\* Consolidated entity.

N/A Not Applicable. State Sporting Venues Authority does not have any current assets or current liabilities.

Source: Financial statements (audited).

### Four agencies with adjusted net deficits in 2016–17

Adjusted net result is the net result from audited financial statements adjusted for large one-off (non-recurring) transactions.

A negative operating margin indicates that insufficient revenue is being generated to fund operations and assets renewal. Over the longer term, negative operating results are not sustainable.

Local Land Service's (LLS) deficit has decreased by \$23.9 million compared to 2015–16. This was mainly due to \$24.3 million additional State and Commonwealth grants revenue this year. New South Wales Rural Assistance Authority's (RAA) had Fisheries adjustment grants expenditure of \$15.2 million in 2016–17 which largely caused its deficit.

The Independent Liquor Gaming Authority's net result has changed from a surplus of \$1.8 million in 2015–16 to a deficit of \$4.0 million this year following significant reforms to its operations and

structure. This deficit was mainly due to a decrease of \$12.6 million in grants and contributions revenue, partially offset by a decrease of \$5.6 million in personnel service expenses.

Office of Sport's net result has changed from a surplus of \$7.5 million in 2015–16 to a deficit of \$1.7 million this year. This was due to an increase in other operating expenses, mainly for maintenance, and a decrease in grants and contributions revenue.

### **Two agencies had liquidity ratios below one**

Sydney Cricket and Sports Ground Trust's (SCGT) liquidity is slightly below one. However, it predicts in its five year and ten year forecasts that it will have annual surpluses for each year ahead. These unaudited forecasts also show substantial annual cash flows. Therefore, SCGT is likely to meet its liabilities as they fall due.

Venues NSW's liquidity is below one. However, it has an approved borrowing facility up to \$250 million, therefore further funding is available if required. The NSW Government has committed to fully fund the construction of the Western Sydney Stadium and these funds are available to meet Venues NSW commitments as they fall due.

A liquidity ratio below one is an indicator that an agency may not be able to pay their debts as and when they fall due and may need to call on borrowing facilities or funding support to meet their obligations.

### **Expense growth rates were above 100 per cent for two agencies**

There has been large fluctuation in agency expense growth over the last 12 months. Generally, these fluctuations have occurred due to changes in the agencies operations or because of specific projects and programs.

State Sporting Venues Authority's (SSVA) expense growth rate of 675 per cent is attributed to the acquisition of 100 per cent of shares in Stadium Holdings Pty Ltd (SHPL) and its wholly owned subsidiaries on 1 July 2016. As a result of the acquisition, expenses of SHPL and its wholly owned subsidiaries were consolidated into SSVA in 2016–17.

RAA's 152 per cent increase in expense growth rate is mainly due to \$36.0 million higher grants and subsidies expenses incurred in 2016–17 in relation to natural disaster relief and the Fisheries adjustment program.

The Department issued a letter of support to a number of agencies in the cluster, including RAA, which enabled it to continue reporting as going concern and pay its debts as and when they fall due.









## **2.6 Internal controls**






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.




We identified 180 internal control issues, including 61 repeat issues across the cluster and raised these in management letters. We rated four of these issues as 'high' risk, 98 as moderate rated issues and 78 low rated issues.



The table below summarises Management Letter issues across all agencies by category and risk rating.

Category	Risk Rating*	Issue
Information technology	 Moderate: 15 new, 9 repeat  Low: 5 new, 4 repeat	<p>The audits identified opportunities for agencies to improve information technology (IT) processes. We noted issues associated with:</p> <ul style="list-style-type: none"> <li>• user access administration</li> <li>• password security policies and parameters</li> <li>• development, review and test of system disaster recovery plans</li> <li>• system change management</li> <li>• absence of a documented and approved IT policies and procedures.</li> </ul>
Governance and oversight	 High: 1 new  Moderate: 6 new, 15 repeat  Low: 12 new, 2 repeat	<p>The audits identified opportunities for agencies to improve governance and oversight processes. The high risk matter relates to the absence of documented revenue procedures manual for TAFE NSW's student revenue.</p> <p>We also noted issues associated with:</p> <ul style="list-style-type: none"> <li>• outdated policies and procedures</li> <li>• service level agreements either not available or not finalised</li> <li>• incomplete partnership agreements</li> <li>• contract registers either incomplete or not being implemented to oversight key contractual arrangements</li> <li>• absence of a detailed annual financial budget</li> <li>• outdated asbestos register and absence of an asbestos management plan.</li> </ul>
Internal control deficiencies or improvements	 High: 1 new, 1 repeat  Moderate: 18 new, 10 repeat  Low: 20 new, 2 repeat	<p>The two high risk matters reported are in relation to:</p> <ul style="list-style-type: none"> <li>• failure of revenue quality reviews to detect errors at TAFE NSW</li> <li>• purchase orders created and approved after the invoice date at TAFE NSW. This is a repeat issue.</li> </ul> <p>The audits identified opportunities for agencies to improve internal controls across key business processes, including:</p> <ul style="list-style-type: none"> <li>• procurement and accounts payable</li> <li>• revenue and receipting</li> <li>• payroll</li> <li>• fixed assets and revaluations</li> <li>• debtors and creditors management</li> <li>• vendor master file maintenance</li> <li>• manual journal processing.</li> </ul>

Category	Risk Rating*	Issue
Non-compliance with legislation, key policies or procedures	 Moderate: 7 new, 1 repeat  Low: 7 new, 7 repeat	Breaches of the <i>Public Finance and Audit Act 1983</i> , the Treasury Circulars and Policies and accounting standards were identified.
Financial Reporting and/or accounting misstatements	 High: 1 repeat  Moderate: 11 new, 6 repeat  Low: 16 new, 3 repeat	<p>The high risk matter relates to an interest free loan of \$6.5 million held by Wentworth Park Sporting Complex Trust. The nature of the loan continues to need resolution with the counterparty - Greyhound Racing NSW. This matter has been raised as a repeat issue for many years and remains unresolved.</p> <p>Our audits identified other opportunities for agencies to strengthen financial reporting. Areas of improvement include:</p> <ul style="list-style-type: none"> <li>the CLID system was not designed to facilitate efficient financial reporting</li> <li>implementing additional controls to prevent misstatements</li> <li>ensuring sufficient time is given to conduct the revaluation and perform adequate sense-checks</li> <li>design and implementation of a robust methodology for asset valuation</li> <li>proper review of arrangements/agreements with the Department</li> <li>identifying the applicable accounting standards and their disclosure and presentation requirements to ensure compliance</li> <li>carrying out proper review of reconciliations and perform reconciliations at regular intervals throughout the year.</li> </ul>

 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.

## There were 61 repeat issues raised in management letters

### Recommendation (repeat issue)

**Internal control issues and recommendations from previous years should be addressed promptly to reduce risk and improve processes.**

There were 61 repeat issues raised in 2016–17 management letters across the cluster. Two repeat issues were rated as high risk and 41 as moderate risk. Local Land Services had 12 repeat issues, the Department had 11, TAFE NSW had six, Sydney Cricket and Sports Ground Trust had five and the Independent Liquor and Gaming Authority had four. Some of these issues have been carried forward for a number of years.

Management should address these repeat issues as soon as possible.

A number of repeat issues relate to services delivered or supported by a service provider. In these instances, the resolution of the issue requires the involvement of the service provider and are not wholly within the control of the agency. The Department of Industry and the Office of Sport are the main service providers within the cluster.



## Information technology controls

### User access administration over financial systems needs to be improved

#### Recommendation

Agencies should ensure administration of user access to critical systems:

- retains documentation of approvals to create, modify and deactivate user access
- allocates appropriate access rights
- performs and documents regular user access reviews
- logs and monitors privileged/super user account activity
- deactivates terminated user access on a timely basis
- does not allow shared generic user accounts, instead of unique user accounts for staff performing administration tasks.

We identified 17 moderate management letter issues related to user access administration at the Department of Industry (3 issues), Local Land Service (2 issues), Sydney Cricket and Sports Ground Trust (2 issues), Venues NSW (2 issues), New South Wales Institute of Sport (2 issues), Water NSW (2 issues), TAFE NSW (2 issues), Office of Sports (1 issue) and Forestry Corporation of New South Wales (1 issue). These issues include the following:

- users accounts created either without adequate documentation or approvals
- logging and review of privileged/super user account transactions not performed
- user access reviews not performed or documented
- inappropriate level of access given to users
- shared generic user accounts used by staff performing user administration task
- terminated users not removed from the system in a timely manner.

These weaknesses increase the risk of users having excessive or unauthorised access to critical financial systems and information, which could compromise the integrity and security of financial data residing in these systems.



## 3. Service delivery

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

This chapter outlines our audit observations, conclusions and recommendations for the service delivery of agencies in the cluster for 2016–17.

Issues	Conclusion or recommendation
<b>3.1 Measuring and reporting on performance</b>	
<b>The Department is responsible for two State priorities (increasing apprenticeships and business confidence) and the Premier's priority of creating jobs. The Department also supports four state priorities.</b>	Australian Bureau of Statistics data shows the Premier's priority for job creation continues to be achieved. The Department reported that the number of people completing apprenticeships and traineeships had declined to 59 per cent against a 2019 target of 65 per cent, while the State was ranked first or second on a range of business confidence indicators.
<b>3.2 Improvements required in the administration of Crown land</b>	
<b>The Department faces many challenges in the administration of Crown land. These challenges range from inadequate systems and processes through to satisfying competing commercial, environmental, and community interests.</b>	The Department has implemented, or is implementing the recommendations from a performance audit on the Sale and Lease of Crown land and the Parliamentary Inquiry into Crown land. It is also implementing the revised framework for Crown land contained in the <i>Crown Land Management Act 2016</i> .
<b>3.3 Aboriginal land claims over Crown land</b>	
<b>The number of unprocessed Aboriginal land claims continues to increase. Work on finalising Aboriginal Land Agreements, which may help address the claims backlog, is continuing.</b>	<b>Recommendation (repeat Issue):</b> The Department should continue to implement measures to reduce the number of unprocessed Aboriginal land claims.
<b>3.4 Skills development</b>	
<b>Eleven contracted Smart and Skilled service providers had their contracts cancelled for quality issues. There were 391 providers of Smart and Skilled qualifications as at October 2017.</b>	The Department of Industry spent \$1.4 billion on the provision of vocational education and training. The Department has controls in place to monitor the performance of contracted service providers to ensure quality delivery of training.

### 3.1 Measuring and reporting on performance

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

#### Premier and State Priorities

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

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

The Premier's priority of creating 150,000 new jobs was achieved in 2015–16. Australian Bureau of Statistics figures show 186,000 additional people were employed in New South Wales between April 2015 and June 2017.

The government has committed \$190 million over four years to industry to support job creation. In 2016–17, the Jobs for NSW Fund provided grants of \$23.7 million, in addition to loans and loan guarantees.

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

The Department measures its achievement by the percentage of the apprentices and trainees successfully completing their apprenticeship or traineeship.

#### **Apprenticeships and traineeships completed within the expected timeframe has declined.**

The Department's unaudited figures show that in June 2017, 59 per cent of apprentices and trainees successfully completed their apprenticeship or traineeship within the expected time. This has fallen from 62 per cent in the previous year. The Department advised this was due to the unusually high number of training contracts that expired or were cancelled because of quality assurance activities.

The Department reported it has continued to actively work with business and industry to drive up apprenticeship and traineeship commencements and completions.

#### **Key initiatives**

The Department advised some of its key initiatives to increase the proportion of people completing apprenticeships and traineeships to 65 per cent by 2019 include:

- promoting access to pre-apprenticeships and traineeships and pre-vocational qualifications
- roll out of a model to fast-track apprenticeships through stage one of their training to keep apprentices engaged and more likely to complete their qualification
- providing information, advice and guidance through the delivery of networking and careers events and the development of promotional resources and tools
- roll-out of pilot projects under the Infrastructure Skills Legacy Program
- developing VET pathways to university - the first of four pilot projects commenced in 2017 with the remaining to be rolled out in 2018.

### **State priority: For New South Wales to be the leading Australian state in business confidence**

The State continues to be ranked highly for business confidence in 2016–17. It was ranked first or second on a range of major business confidence indicators throughout the year. These indicators included the NAB Monthly business survey, the ANZ–Roy Morgan business index, and the Sensis Business index.

### **Key initiatives**

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

- establishment of the NSW Innovation and Productivity Council
- launch of the NSW Trade and Investment Action Plan 2017–18
- introduction of reforms by the Treasury that seek to ensure Australian-based foreign-owned developers in the housing sector are not at a competitive disadvantage compared to Australian-owned developers
- launch of the NSW Small Business Strategy.

The cluster also supports the State priorities for:

- building infrastructure: key infrastructure projects to be delivered on time and on budget across the state
- making it easier to start a business: making New South Wales the easiest state to start a business
- increasing cultural participation: increase attendance at cultural venues and events in New South Wales by 15 per cent by 2019
- tackling childhood obesity: reduce overweight and obesity rates of children by 5 per cent over ten years.

## **3.2 Improvements required in the administration of Crown land**

Key responsibilities of the Department include managing Crown land and administering the *Crown Lands Act 1989* and other legislation that impacts on Crown land. The NSW Parliamentary Research Service reported that Crown land comprises around 34 million hectares with approximately 59,500 tenures and around 35,000 Crown reserves.

Administering Crown land is complex with many competing economic, social, cultural, heritage, and community objectives and interests. The Department has had difficulty balancing all these objectives for a number of years. A reform process for Crown land has been underway since 2012.

Refer to the Financial Reporting and Controls Chapter for issues on valuing and accounting for Crown land.

### **The Department is improving management of the sale and leasing of Crown land**

The Sale and Lease of Crown Land performance audit tabled in Parliament in September 2016 concluded the Department was not managing the sale and leasing of Crown land effectively and made six recommendations, which were accepted by the Department.

The Department had implemented two recommendations by March 2017. One recommendation, originally due by July 2017 has been delayed as it is being delivered through the Community Engagement Strategy required under the new *Crown Land Management Act 2016*. Another recommendation, also due by July 2017 has been delayed as it was originally included within the scope of a broader project, now postponed until the fourth quarter of 2017–18 because of resourcing issues.

The Department advised it is on track to implement the remaining two recommendations in December 2017.

### **Parliamentary Inquiry recommended changes in the management of Crown land**

A Parliamentary Inquiry into Crown land was tabled in October 2016. The terms of reference for this Inquiry were:

- a) the extent of Crown land and the benefits of active use and management of that land to New South Wales
- b) the adequacy of community input and consultation regarding the commercial use and disposal of Crown land,

- c) the most appropriate and effective measures for protecting Crown land so that it is preserved and enhanced for future generations, and
- d) the extent of Aboriginal Land Claims over Crown land and opportunities to increase Aboriginal involvement in the management of Crown land.

The Inquiry report made 20 recommendations for changes in managing Crown land.

The NSW Government response to the Inquiry advised it has addressed nine recommendations through the new *Crown Land Management Act 2016*, which will commence in early 2018.

An additional four recommendations are being addressed by the Land Negotiation Program (the Program). The Program aims to ensure Crown land is held by the most appropriate landholder to achieve the most positive social, economic, cultural and environmental benefit for the people of New South Wales, whilst retaining land of State significance.

The NSW Government response stated it supports or supports in principle the remaining recommendations of the report.

### **A new framework for Crown land is being implemented**

The *Crown Land Management Act 2016* (the Act) received assent from Parliament on 14 November 2016. Much of the Act is not yet in force. It is anticipated the majority of the provisions will commence in early 2018. The Act is designed to reduce complexity and duplication, deliver better social, environmental and economic outcomes and facilitate community involvement with Crown land.

The draft Crown Land Management Regulation (the Regulation) to support the operation of the Act has recently been on public exhibition. The Regulation sets out the principles and rules proposed to govern conduct of the users and managers of Crown land. Over 70 submissions were received and these are now being considered in the finalisation of the Regulation.

A draft Community Engagement Strategy (the Strategy), a requirement under the Act, was on public exhibition for community feedback until 10 December 2017. The Strategy sets out the engagement requirements for certain dealings under the Act. The Department advises the Strategy will be finalised before the commencement of the Act.

## **3.3 Aboriginal land claims over Crown land**

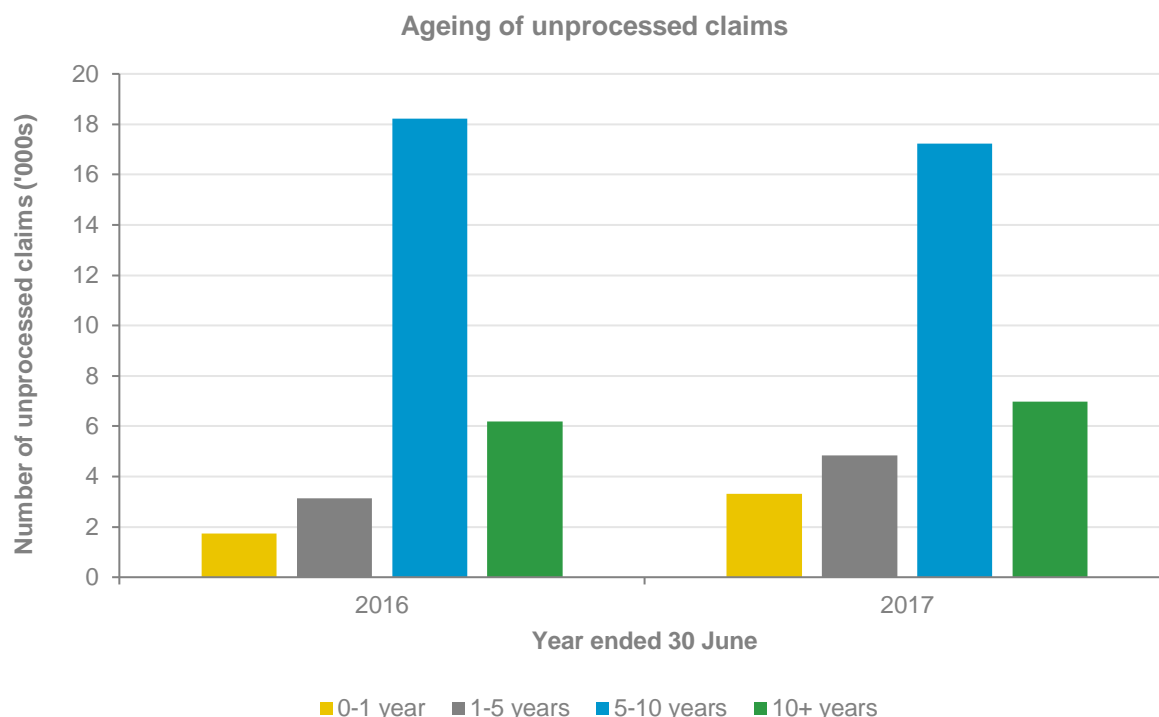
### **The number of unprocessed Aboriginal land claims continues to increase**

#### **Recommendation (repeat issue)**

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

Work on finalising Aboriginal Land Agreements, which may help address the claims' backlog, is continuing. The Department's unaudited figures show the number of claims determined during the year decreased from 567 in 2015–16 to 387 in 2016–17. Together with the large number of new claims received in 2016–17, this has contributed to the increase in the number of unprocessed claims.

At 30 June 2017 there were 32,361 unprocessed claims an increase of 3,077 or 10.5 per cent from 30 June 2016). The ageing of unprocessed claims at 30 June 2016 and 30 June 2017 is shown in the following table.



Source: Department of Industry (unaudited).

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

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

In 2016–17 there were 3,464 claims lodged and 387 claims determined. The number of claims determined fell from 567 in 2015–16. Ninety-eight (146) claims were successful and 289 (421) claims were refused or withdrawn.

A key initiative to reduce the unprocessed claims is the development of Aboriginal Land Agreements, which allow for the settlement of multiple land claims. The Department has been piloting these agreements in a few locations and anticipates they could positively impact the backlog of claims.

The NSW Government responded to the Parliamentary Inquiry on the economic development in Aboriginal communities on 1 May 2017. This Inquiry included recommendations relating to Aboriginal land claims.

The majority of the 39 recommendations are supported by the NSW Government and are broadly consistent with existing policy directions, including Growing NSW's First Economy: a Framework for Aboriginal Economic Prosperity, released in December 2016.

The NSW Government's responses to the key recommendations include:

- the prioritisation of existing and new land claims according to potential for economic development
- addressing the backlog of land claims through using the Aboriginal Land Agreement process to more strategically negotiate the bulk settlement of land claims.

### **Land claims approved but not yet transferred decreased slightly**

At 30 June 2017, the Minister or a court had approved 193 (194 at 30 June 2016) Aboriginal land claims, but the land had yet to be transferred out of the Department. This land had been valued at approximately \$350 million, but was written down to zero by the Department to reflect the successful claims. Eighty-four (87 at 30 June 2016) of the claims were approved ten or more years ago.

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

## **3.4 Skills development**

The Department of Industry spent \$1.4 billion in 2016–17 on providing government funded vocational education and training. This includes Smart and Skilled, apprenticeships and traineeships, and adult and community education.

The Department contracts with providers to deliver the Smart and Skilled program. The largest provider is TAFE NSW. The Smart and Skilled reform was introduced on 1 January 2015 to provide government subsidised training to eligible students and providers for qualifications most needed in the New South Wales economy. The NSW Skills List defines the courses subsidised under Smart and Skilled.

### **The number of Smart and Skilled providers increased**

The Department's unaudited figures show that in October 2017, there were 391 providers of Smart and Skilled qualifications. This was an increase from 301 in 2015.

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

### **Over 1,900 students were affected by Smart and Skill contract cancellations**

In 2016–17 the Department advised, 11 providers had their Smart and Skilled contracts cancelled due to quality issues. This has affected over 1,900 students. The Department stated it is working with the students to ensure they can transfer to another training provider and is offering help with foregone fees.

### **Sixteen 'Directions Statement' commitments have been implemented.**

The Department has advised, as at October 2017, 16 of the 19 commitments made under the Directions Statement for Vocational Education and Training have been implemented, and the remaining are underway. The Department issued the Statement in July 2016 to respond to findings from reviews of the first-year of Smart and Skilled. The Statement focussed on:

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

### **Sixty-six per cent of the Targeted Priorities Program budget unspent**

As part of its response the NSW Government budgeted \$83.7 million to fund the Smart and Skilled Targeted Priorities Program. This program focuses on training to help people develop the skills they need to get a job, undertake entry level qualifications or transition to a new job.

However, 66 per cent of the money for targeted priority courses to be delivered by private sector providers had not been committed or paid. In 2015–16 84 per cent of this targeted funding remained unspent.

The Department advised expenditure for the program is driven by demand, which was significantly lower than anticipated. Unspent program funds were redistributed to give providers more flexibility to deliver a wider range of qualifications and to meet increasing demand in 2017.



## **Section two**

### Appendices





# Appendix one – List of 2017 recommendations

The table below lists the recommendations made in this report.



## 1. Financial reporting and controls

### Control and recognition of Crown land

The Department should confirm the completeness and accuracy of the Crown land database with other organisations that manage and control Crown land to improve the reliability of its records.



### New governance and control framework for Crown land

The Department should evaluate the impact of the revised governance and control framework for Crown land under the *Crown Land Management Act 2016* will have on the recognition and the financial reporting of Crown land by the Department and other managers of Crown land.



### Repeat internal control issues

Internal control issues and recommendations from previous years should be addressed promptly to reduce risk and improve processes (repeat issue).



### Information technology controls

Agencies should ensure administration of user access to critical systems:



- retains documentation of approvals to create, modify and deactivate user access
- allocates appropriate access rights
- performs and documents regular user access reviews
- logs and monitors privileged/super user account activity
- deactivates terminated user access on a timely basis
- does not allow shared generic user accounts, instead of unique user accounts for staff performing administration tasks.



## 2. Service delivery

### Aboriginal land claims over Crown land

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



Key



Low risk



Medium risks



High risks






## Appendix two – Status of 2016 recommendations

The table below lists the status of recommendations made in the 2016 Auditor-General's Reports to Parliament on agencies included in the Industry cluster for 2016–17.

Recommendation	Current status	
<b>The Department should:</b>		
Implement risk management across the cluster.	The Department implemented a revised risk framework as part of its approach to continually improve its risk maturity. Improvements include increasing the links between the cluster's strategic planning and risk frameworks.	—
Sign Service Agreements with all serviced divisions and agencies.	The Department has signed agreements with entities to which it provides significant services. These agreements include an annual review process.  For the remaining user entities, where the Department provides fewer services, the Department is still in the process of finalising simplified agreements. Some of these are now complete.	—
Continue to implement measures to reduce the number of unprocessed Aboriginal land claims.	The number of unprocessed Aboriginal land claims has increased in 2016–17. The Department has been piloting Aboriginal Land Agreements in a few locations and anticipates they could have a positive impact on the backlog of claims.	!
<b>The Department and other agencies should:</b>		
Action internal control issues promptly.	The Department is addressing this recommendation, but many internal control issues remain unresolved.	—
Continue efforts to reduce employee excess annual leave balances to meet whole-of-government targets.	Agencies continue to address this recommendation by: <ul style="list-style-type: none"> <li>monthly monitoring and reporting of excessive leave</li> <li>requiring staff with excess leave to submit plans for taking leave.</li> </ul>	—
The Independent Liquor and Gaming Authority should obtain assurance, independent from the casino operator, over the completeness and accuracy of the calculation of administered revenue payable to the Treasury for casino operations.	The Authority obtained assurance from an external firm, over the completeness and accuracy of revenue from casino operations.	✓
Identify where instances of alleged fraud and corruption resulted from weaknesses in internal controls, and address the weaknesses.	Suspected instances of fraud and corruption have been identified in the Department and other cluster agencies and they were reported to ICAC. Some instances have been addressed by the Department and other cluster agencies. However, there are still a number of instances that need to be addressed.	—

Recommendation	Current status	
Improve their model for managing conflicts of interest using guidance from the ICAC.	Most agencies have addressed this recommendation including updating their policies and procedures in line with the Public Service Commission's 'Behaving Ethically: a guide for NSW Government sector employees' guide and the guidance from ICAC'.  Some agencies management of conflicts of interest still requires improvement, with one agency not regularly maintaining its conflicts of interest register.	—
Ensure they have an appropriately designed government contracts register that complies with Part 3 Division 5 of the <i>Government Information (Public Access) Act 2009</i> .	Agencies continue to address this recommendation by: <ul style="list-style-type: none"> <li>implementing new procedures to ensure contracts are cross-referenced with the published GIPA response on e-Tender</li> <li>reconciling registers and finance information monthly</li> <li>implementing a centralised contracts' register.</li> </ul>	—
<b>Technical and Further Education Commission should:</b>		
Update, finalise and sign the Service Level Agreement with its shared service provider.	The Commission changed service providers during 2017 and has a signed service level agreement in place with the new service provider.	✓
<b>Sports and Recreation agencies should:</b>		
Implement measures to improve the accuracy of budgets.	The Office of Sport has implemented an internal budget process to align with the Treasury Budget process/procedures. There is ongoing monitoring and reporting on budget performance, including quarterly budgets reviews.	✓
Address the issues preventing invoices being paid on time.	Venues NSW has addressed this issue. There has been improvement in invoices being paid on time, as reported in the annual report.	✓
Strengthen procurement processes to ensure purchase orders are approved before goods and services are ordered.	The Office of Sport's procurement policies and procedures require purchase orders to be created prior to the ordering of goods and services. Orders which are placed prior to purchase orders being created are monitored and staff are advised of the correct procedure when this occurs.  Venues NSW has made some improvements on this recommendation over the last six months, it is anticipated that the procurement policy will be finalised in March 2018.	—
Collect information on purchase orders raised after invoice date and set targets to improve performance.	The Office of Sport monitors and follows-up instances where purchase orders are raised after invoice date. However, the Office of Sport does not set targets to improve performance. The Office advised as part of the update of its key performance indicators, a target will be included and reported against from 2017–18 onwards.	—
Strengthen their asset management by developing: <ul style="list-style-type: none"> <li>asset management plans</li> <li>both financial and non-financial key performance indicators</li> <li>systems for collecting and monitoring asset management data.</li> </ul>	The Office of Sport has partially addressed this recommendation and is in the process of implementing key performance indicators.	—

Recommendation	Current status	
Ensure key performance targets and measures are monitored and reported on.	Venues NSW use the Office of Sport Corporate Services as its shared service provider. Once the Service Level Agreement is finalised key performance targets will be reported on. It is planned that the SLA will be completed by December 2017.	!
The Office of Sport, in its capacity as a shared service provider, should provide agencies with independent assurance over the design and operating effectiveness of its internal controls.	The Office of Sport does not consider itself to be a formal shared service provider as it only provides shared services to entities within the Sport Portfolio and whose employees are employed by Office of Sport. No independent assurance over the operating effectiveness of its internal controls was provided in 2016–17.	!
Use the Audit Office's 'Governance Lighthouse - Strategic Early Warning System' to assess their governance frameworks against.	The Office of Sport has performed an assessment using Audit Office's Governance Lighthouse model and is implementing recommendations to improve.  Venues NSW is undertaking a self-assessment against the Governance Lighthouse model, it is anticipated to be completed by March 2018.	—
Maintain a compliance management framework, monitor compliance and report breaches to the audit and risk committee.	Venues NSW: A compliance management framework has not yet been developed, however it is planned to be in place by 30 June 2019.	!
Perform a risk self-assessment against the Audit Office's Risk Management Maturity Toolkit.	Venues NSW: A risk self-assessment against Audit Office's Risk Management Maturity Toolkit has not been performed. Following the work on its risk management framework, Venues NSW will decide whether to use the Audit Office's Risk Management Maturity Toolkit or another organisation's risk management maturity model.	!
Venues NSW should regularly measure customer satisfaction, develop a centralised complaints' handling policy and complaints register across its venues.	Venues NSW has a localised complaints' handling process at the venues and centralised reporting process is followed. Venues NSW will develop a centralised framework.	—
 <b>Fully addressed</b>  <b>Partially addressed</b>  <b>Not addressed</b>		



## Appendix three – Agencies selected for this volume

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### Agency

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[Agricultural Scientific Collections Trust](#)

[Aquaculture Trust Fund](#)

[Belgenny Farm Agricultural Heritage Centre Trust](#)

[C B Alexander Foundation](#)

[Catholic Metropolitan Cemeteries Trust](#)

[Cemeteries and Crematoria NSW](#)

[Charter Fishing Trust Fund](#)

[Combat Sports Authority of NSW](#)

[Commercial Fishing Trust Fund](#)

[Dams Safety Committee](#)

[Department of Industry](#)

[Destination NSW](#)

**Destination NSW Staff Agency**

**Fish Conservation Trust Fund**

[Forestry Corporation of NSW](#)

[Game and Pest Management Trust Fund](#)

[Independent Liquor and Gaming Authority](#)

[Jobs for NSW Fund](#)

**Lands Administration Ministerial Corporation**

[Local Land Services](#)

**Local Land Services Staff Agency**

[New South Wales Institute of Sport](#)

**New South Wales Institute of Sport Staff Agency**

[New South Wales Rural Assistance Authority](#)

[Northern Metropolitan Cemeteries Trust](#)

[NSW Crown Holiday Parks Trust](#)

[NSW Food Authority](#)

**NSW Ovine Johne's Disease Transaction Based Contribution Scheme**

[NSW Skills Board](#)

[Office of Sport](#)

[Public Reserves Management Fund](#)

[Recreational Fishing \(Freshwater\) Trust Fund](#)

[Recreational Fishing \(Saltwater\) Trust Fund](#)

## Agency

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[Responsible Gambling Fund](#)

[Rice Marketing Board for the State of New South Wales](#)

[Rookwood General Cemeteries Reserve Trust](#)

[Rookwood Necropolis Trust](#)

[Southern Metropolitan Cemeteries Trust](#)

State Sporting Venues Authority

[Sydney Cricket and Sports Ground Trust](#)

Sydney Cricket and Sports Ground Trust Staff Agency

[Sydney Olympic Park Authority](#)

[Technical and Further Education Commission](#)

Technical and Further Education Commission Staff Agency

[Trustees of the Farrer Memorial Research Scholarship Fund](#)

[Venues NSW](#)

[Veterinary Practitioners Board](#)

Water Administration Ministerial Corporation

[WaterNSW](#)

[Wentworth Park Sporting Complex Trust](#)

Wild Dog Destruction Board

[Wine Grapes Marketing Board](#)





## Appendix four – Timeliness of financial and audit reporting

Agencies	Timeliness of financial reporting and audit reporting			Management letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat (included in total)
<b>Cluster lead entity</b>								
Department of Industry	✓	✓	-- <sup>1</sup>	--	15	4	<b>19</b>	11
<b>Other agencies</b>								
Agricultural Scientific Collections Trust	#	#	#	--	1	--	<b>1</b>	--
Belgenny Farm Agricultural Heritage Centre Trust	#	#	#	--	2	--	<b>2</b>	2
C B Alexander Foundation	#	#	#	--	2	--	<b>2</b>	1
Cemeteries and Crematoria NSW	✓	✓	✓	--	1	--	<b>1</b>	1
Dam Safety Committee	✓	✓	✓	--	--	2	<b>2</b>	--
Destination NSW	✓	✓	✓	--	--	--	--	--
Destination NSW Staff Agency	✓	✓	✓	--	--	--	--	--
Forestry Corporation of NSW	✓	✓	✓	--	1	1	<b>2</b>	--
Independent Liquor and Gaming Authority	✓	✓	! <sup>2</sup>	--	6	3	<b>9</b>	4
Land Administration Ministerial Corporation	✓	✓	! <sup>3</sup>	*	*	*	*	*
Local Land Services	✓	✓	✓	--	9	4	<b>13</b>	12
Local Land Services Staff Agency	✓	✓	✓	--	--	--	--	--
New South Wales Rural Assistance Authority	✓	✓	✓	--	3	1	<b>4</b>	3
NSW Food Authority	✓	✓	✓	--	3	1	<b>4</b>	3

Agencies	Timeliness of financial reporting and audit reporting			Management letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat (included in total)
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	#	#	#	--	--	--	--	--
Rice Marketing Board	N/A	✓	✓	--	--	--	--	--
Trustees of the Farrer Memorial Research Scholarship Fund	#	#	#	--	3	--	3	2
Veterinary Practitioners Board	N/A	✓	✓	--	1	2	3	2
Water Administration Ministerial Corporation	✓	✓	! 4	*	*	*	*	*
Wentworth Park Sporting Complex Trust	N/A	✓	✓	1	--	2	3	2
Wild Dog Destruction Board	N/A	✓	✓	--	1	3	4	--
Wine Grapes Marketing Board	N/A	✓	✓	--	--	2	2	1
<b>Special Deposit Accounts</b>								
Aquaculture Trust Fund	#	#	#	--	--	--	--	--
Charter Fishing Trust Fund	#	#	#	--	--	--	--	--
Fish Conservation Trust Fund	#	#	#	--	--	--	--	--
Game and Pest Management Trust Fund	#	#	#	--	--	--	--	--
Jobs for NSW Fund	#	#	#	--	1	1	2	1
Commercial Fishing Trust Fund	#	#	#	--	--	--	--	--
Public Reserves Management Fund	#	#	#	*	*	*	*	*
Recreational Fishing (Freshwater) Trust Fund	#	#	#	--	--	--	--	--
Recreational Fishing (Saltwater) Trust Fund	#	#	#	--	--	--	--	--
Responsible Gambling Fund	#	#	#	--	1	--	1	1

Agencies	Timeliness of financial reporting and audit reporting			Management letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat (included in total)
<b>Skills</b>								
NSW Skills Board	✓	✓	! <sup>5</sup>	--	--	--	--	--
Technical and Further Education Commission	✓	✓	✓	3	14	13	<b>30</b>	6
Technical and Further Education Commission Staff Agency	✓	✓	✓	--	--	--	--	--
<b>Reserve Trust</b>								
Rookwood Necropolis Trust	N/A	!	! <sup>3</sup>	*	*	*	*	--
NSW Crown Holiday Parks Trust	N/A	!	! <sup>6</sup>	--	14	7	<b>21</b>	--
Rookwood General Cemeteries Reserve Trust	NA	✓	!	NA	NA	NA	<b>NA</b>	NA
Northern Metropolitan Cemeteries Trust	NA	!	!	NA	NA	NA	<b>NA</b>	NA
Southern Metropolitan Cemeteries Trust	NA	!	!	NA	NA	NA	<b>NA</b>	NA
Catholic Metropolitan Cemeteries Trust	NA	!	!	NA	NA	NA	<b>NA</b>	NA
<b>Sports and Recreation</b>								
Office of Sport	✓	✓	✓	--	3	5	<b>8</b>	3
Sydney Cricket and Sports Ground Trust	✓	✓	✓	--	4	7	<b>11</b>	5
Sydney Cricket and Sports Ground Trust Staff Agency	✓	✓	✓	--	--	--	--	--
Venues NSW	✓	✓	✓	--	3	3	<b>6</b>	--
State Sporting Venues Authority	N/A	✓	! <sup>7</sup>	--	--	1	<b>1</b>	--
Sydney Olympic Park Authority	✓	✓	✓	--	--	2	<b>2</b>	1
Combat Sports Authority of NSW	N/A	✓	✓	--	--	1	<b>1</b>	--
New South Wales Institute of Sport	✓	✓	✓	--	4	4	<b>8</b>	--

Agencies	Timeliness of financial reporting and audit reporting			Management letter findings				
	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Total	Repeat (included in total)
New South Wales Institute of Sport Staff Agency	✓	✓	✓	--	--	--	--	--
<b>Water</b>								
Water NSW	✓	✓	✓	--	6	9	15	--



Statutory financial reporting deadline was not met.



Statutory financial reporting deadline was met.

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

NA These agencies did not finalise their audits with the Auditor-General, please see 2.3 Key financial issues from cluster agencies.

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

\* Management letter is not available as the audit for this agency is still ongoing.

1 The audit report on the Department's 2016–17 financial statements was issued one day later than the statutory deadline.

2 The audit opinion for Independent Liquor and Gaming Authority was not signed by the due date as a number of supporting work papers were provided late to the Audit.

3 The audit for this agency is still ongoing.

4 Water Administration Ministerial Corporation presented unsigned financial statements. The audits for 2011, 2012, 2013, 2014, 2015, 2016 and 2017 are outstanding due to insufficient supporting records

5 The audit opinion for NSW Skills Board was not signed by the due date as the Statement by Members of the Board could not be certified until the Board meeting, which was held on 16 October 2017.

6 The audit report on NSW Crown Holiday Parks Trust's 2016–17 financial statements was issued one day later than the statutory deadline.

7 The audit opinion for State Sporting Venues Authority was not signed on time due to complex accounting and auditing issues in relation to acquisition of ANZ stadium and transfer of associated asset and liabilities to Venues NSW.

Source: Early Close Procedures Letters, Client Service Reports, Independent Auditor's Reports and Management Letters issued by the Audit Office.



## Appendix five – Financial audit reporting

	Total assets		Total liabilities		Total revenue		Total expense	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m
<b>Cluster lead entity</b>								
Department of Industry*	8,639	8,946	475	379	2,778	2,030	3,004	2,252
<b>Other Agencies</b>								
Agricultural Scientific Collections Trust	103	103	--	--	--	--	--	--
Belgenny Farm Agricultural Heritage Centre Trust	1	1	--	--	2	2	2	2
C B Alexander Foundation	32	31	2	2	2	8	2	2
Cemeteries and Crematoria NSW	2	1	--	1	2	2	2	2
Dams Safety Committee	--	--	--	--	2	2	2	2
Destination NSW*	20	38	30	31	160	157	176	166
Forestry Corporation of NSW	2,074	1,993	841	815	382	426	332	335
Independent Liquor and Gaming Authority	22	16	15	3	6	18	13	16
Local Land Services*	641	589	42	48	159	130	177	172
New South Wales Rural Assistance Authority	398	356	392	332	45	26	63	25
NSW Food Authority	41	42	23	38	21	21	10	31
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	1	1	--	--	--	--	--	--
Rice Marketing Board	1	6	--	5	--	1	--	1
Trustees of the Farrer Memorial Research Scholarship Fund	n/a	1	n/a	--	n/a	--	n/a	--
Veterinary Practitioners Board	3	3	1	1	1	1	1	1
Wentworth Park Sporting Complex Trust	54	54	7	7	1	1	3	3
Wild Dog Destruction Board	n/a	13	n/a	--	n/a	2	n/a	2
Wine Grapes Marketing Board	n/a	3	n/a	--	n/a	1	n/a	1

	Total assets		Total liabilities		Total revenue		Total expense	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Special Deposit Accounts</b>								
Aquaculture Trust Fund	3	2	--	--	1	1	1	1
Charter Fishing Trust Fund	--	1	--	--	--	--	--	--
Fish Conservation Trust Fund	1	--	--	--	--	1	--	--
Game and Pest Management Trust Fund	--	--	--	--	1	1	2	1
Jobs for NSW Fund	8	--	4	--	21	14	17	14
Commercial Fishing Trust Fund	12	11	--	--	5	5	4	4
Public Reserves Management Fund**	48	50	2	2	16	19	17	12
Recreational Fishing (Freshwater) Trust Fund	1	2	--	--	5	5	6	4
Recreational Fishing (Saltwater) Trust Fund	12	15	--	2	11	11	12	9
Responsible Gambling Fund	47	32	13	1	19	19	16	17
<b>Skills</b>								
NSW Skills Board	3	4	1	1	2	2	3	2
Technical and Further Education Commission*	5,246	5,445	378	526	1,726	1,800	1,776	1,735
<b>Reserve Trusts</b>								
Rookwood Necropolis Trust**	16	11	3	3	3	2	1	1
NSW Crown Holiday Parks Trust	248	233	27	25	49	48	48	47
<b>Sports and Recreation</b>								
Office of Sport	203	205	20	20	171	182	173	174
Sydney Cricket and Sports Ground Trust*	815	819	128	126	92	92	98	84
Venues NSW*	692	301	301	11	82	25	70	44
State Sporting Venues Authority*	174	174	--	--	133	11	93	12
Sydney Olympic Park Authority	2,265	2,212	23	42	156	121	138	144
Combat Sports Authority of NSW	--	--	--	--	1	1	1	1
New South Wales Institute of Sport*	5	4	3	2	17	16	17	17

	Total assets		Total liabilities		Total revenue		Total expense	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Water</b>								
Water NSW	2,563	2,510	1,239	1,249	419	342	319	288
<b>Total for cluster</b>	<b>24,394</b>	<b>24,228</b>	<b>3,970</b>	<b>3,672</b>	<b>6,491</b>	<b>5,546</b>	<b>6,598</b>	<b>5,624</b>

\* Consolidated financial statements.

\*\* Audited is not yet complete.

n/a Year end 31 December.



## Appendix six – Financial analysis

Indicator	Formula	Description
<b>Adjusted net result - surplus / (deficit) (\$m)</b>	Net result from audited financial statements adjusted for large one-off (non-recurring) transactions	A positive result indicates a surplus and a negative result indicates a deficit. Operating deficits cannot be sustained in the long-term.
<b>Operating margin (%)</b>	Adjusted net result / total underlying revenue	Net result and total underlying revenue is obtained from the Statement of Comprehensive Income and is adjusted to take into account large one-off (non-recurring) transactions.
<b>Liquidity (ratio)</b>	Current assets/ Current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio above one means there is more cash and current assets than short-term liabilities.</p> <p>Current liabilities exclude long-term employee provisions and revenue in advance.</p>
<b>Expense growth rate (%)</b>	(Total expenditure 2017 less total expenditure 2016) / total expenditure 2016	This measures the rate of growth in expenditure for an agency in the current year, compared to the prior year. A positive rate indicates that expenses have increased compared to prior year, while a negative rate indicates that expenses have decreased compared to prior year.



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