

# Industry 2018

11 DECEMBER 2018



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

# THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

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

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

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

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

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

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

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

**Margaret Crawford**  
Auditor-General  
11 December 2018

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## Industry 2018

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# **Section one**

## **Industry 2018**

This report analyses the results of our audits of the Industry cluster agencies for the year ended 30 June 2018.



# Executive summary

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This report analyses the results of our audits of financial statements of the Industry cluster for the year ended 30 June 2018. The table below summarises our key observations.



## 1. Financial reporting

### Audit opinions

Unqualified audit opinions were issued for 41 out of 47 financial statement audits. Six audits are continuing.

Statutory reporting deadlines apply to 37 of the 47 audits. Three of the incomplete audits have exceeded statutory deadlines.

Statutory reporting deadlines do not apply to ten financial statement audits, which are normally completed after the audits where statutory deadlines apply. Three of these audits are continuing.

### Quality of financial reporting

Misstatements identified in financial statements submitted for audit increased in 2017–18, indicating a renewed focus on quality is required. A number of these misstatements arose from issues identified as part of the early close procedures.

Mandatory early close procedures are set by NSW Treasury. However, 15 out of 17 agencies we assessed could improve aspects of their early close procedures by:

- improving the quality and timeliness of asset valuations and fair value assessments
- reconciling inter-agency balances and transactions
- assessing and documenting accounting implications of new and revised accounting standards.

### Timeliness of financial reporting

The timeliness of financial reporting has declined. Nineteen out of 37 audit opinions were issued within the statutory deadline. A number of audits were delayed due to the time required to resolve issues identified during the audit or to obtain appropriate evidence to support balances or disclosures in the financial statements. Delays also occurred receiving the signed certification from the agency required before we can issue an audit opinion.

**Recommendation:** Timeliness of financial reporting should be improved through better oversight of the preparation of financial statements, prompt resolution of issues, and an increased focus on early close procedures.

### Information system limitations at TAFE NSW

TAFE NSW has experienced issues with its student administration system since 2014–15. These issues have required additional processes and resources to verify the accuracy and completeness of revenue from student fees for the last three years.

TAFE NSW expects to spend up to \$89.0 million on a project for a new information system, which they believe will address these issues.

TAFE NSW has yet to set a date that the new system will be implemented.

## Accounting for Crown land

We continue to identify errors in the accounting for Crown land. While the figures in the Department of Industry's financial statements are materially correct, limitations in the Department's systems and other control weaknesses impacted the completeness and accuracy of the accounting for Crown land.

This is largely due to the Department using a Crown land database that is not designed to facilitate efficient financial reporting.

The Department is responsible for the oversight of the management of Crown land, which it estimates covers approximately 42 per cent of the state.

**Recommendation:** The Department should address system limitations and control weaknesses to ensure complete and accurate reporting for Crown land.

## Aboriginal land claims

The number of unprocessed Aboriginal land claims has increased to 33,452 at 30 June 2018. Claims can be made over Crown land assets of the Department, or other government agencies. Until claims are resolved there is uncertainty over who is entitled to the land and the uses and activities that can be carried out on the land.

**Recommendation (repeat issue):** The Department should reduce unprocessed Aboriginal land claims.



## 2. Audit observations

### Internal controls

Our 2017–18 audits found nine high risk issues and 118 moderate risk issues across cluster agencies. High risk issues were identified in information technology, governance and oversight, financial reporting, and controls over delegations and bank account details.

Nearly one in three internal control issues identified and reported to management in 2017–18 were repeat issues.

**Recommendation (repeat issue):** Recommendations to management to address internal control issues from prior years should be addressed promptly to reduce risks and improve processes.

### The Crown land database and recognition of Crown land

Crown land is an important asset of the state. Management and recognition of Crown land assets is weakened when there is confusion over who is responsible for a particular Crown land parcel. Instances were identified where Crown land was not recognised as an asset by the relevant state agency or local government council, or was recognised as an asset by more than one entity.

For several years we have reported deficiencies in the Department's database of New South Wales Crown land. These include:

- incorrectly identifying which entity controls Crown land parcels
- errors in the status of Crown land. For example, leased or other rights over the land
- incorrect records relating to Crown land, such as land size, use, manager
- delays in updating changes to Crown land records.

**Recommendation:** The Department should ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.

### **Asset maintenance plans and backlog maintenance**

Three out of five cluster agencies we reviewed did not have a current asset maintenance plan.

Two of these five agencies do not monitor their backlog maintenance. Consequently, the total backlog maintenance in the cluster is unknown. This impacts the reliability and consistency of information on assets and their condition, and their ability to effectively plan maintenance.

**Recommendation:** Cluster agencies should develop an asset maintenance plan and complete an assessment of the condition of their assets to identify any maintenance backlogs.

### **Maintenance budgets**

All agencies reviewed had an approved maintenance expense budget in 2017–18. However, given backlog maintenance is not always known, and a current asset maintenance plan does not always exist, not all agencies set their budgets based on actual maintenance needs.

**Recommendation:** Cluster agencies should set their maintenance budgets based on identified maintenance needs to more accurately budget and prioritise expenditure.



# 1. Introduction

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This report provides parliament and other users of the Industry cluster agencies' financial statements with the results of our audits, including our observations, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations
- service delivery.

The Department of Industry (the Department) is the lead agency in a cluster of 50 agencies. Other significant agencies in the cluster include Local Land Services, New South Wales Rural Assistance Authority, Technical and Further Education Commission (TAFE NSW), various sporting agencies, Forestry Corporation NSW and Water NSW.

The cluster:



**invests in skills and education for employment**

Key agencies: TAFE NSW



**supports tourism and secures major events to grow visitor numbers**

Key agencies: Destination NSW



**provides leadership and support to the sport and recreation sector**

Key agencies: Office of Sport, Sydney Olympic Park Authority and Venues NSW



**increases the productivity and resilience of the state's primary industries**

Key agencies: Local Land Services and Rural Assistance Authority



**supports and regulates the liquor, gaming, racing and registered clubs sectors**

Key agencies: Independent Liquor and Gaming Authority



**manages risks for natural resources, farming and food**

Key agencies: NSW Food Authority

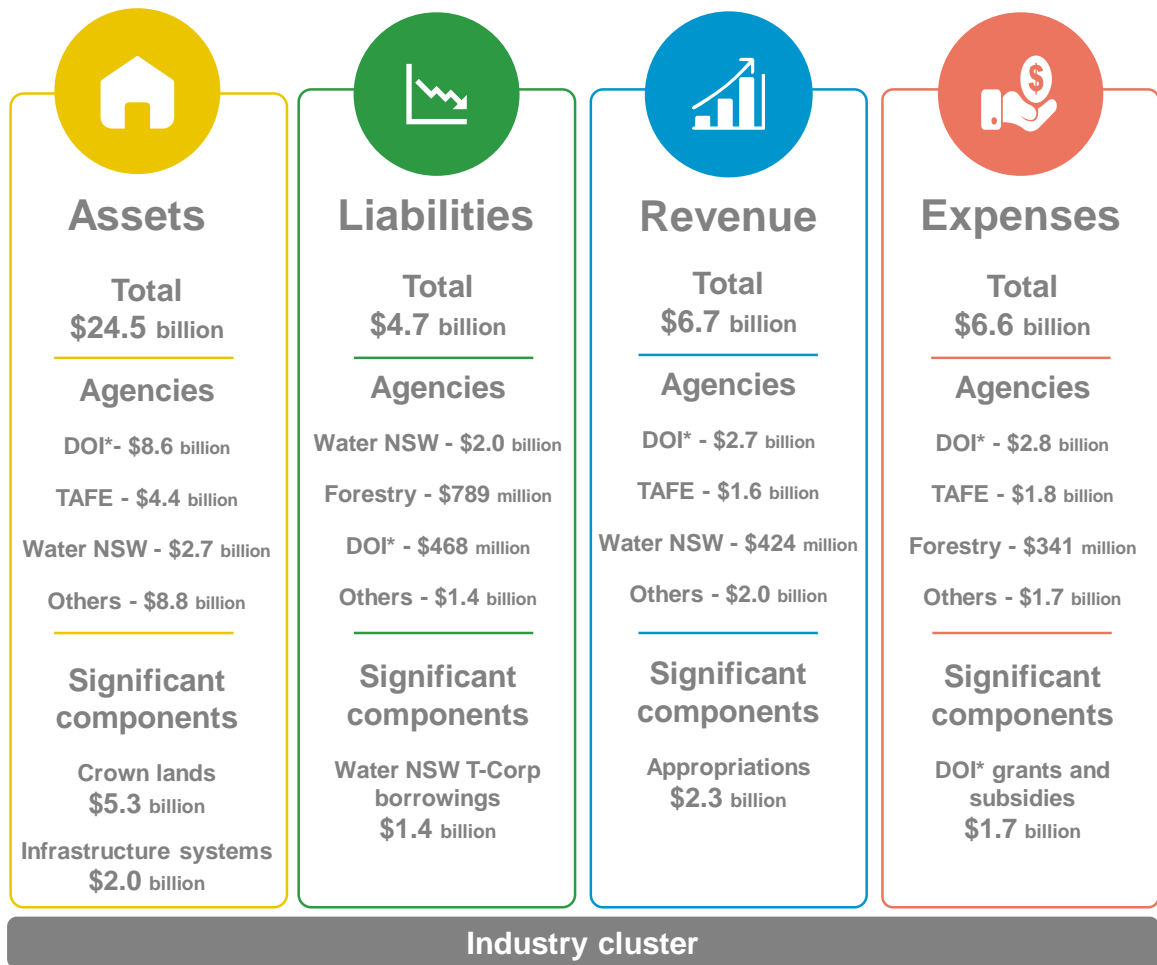


**supports sustainable use and access to natural resources**

Key agencies: Water NSW and Forestry Corporation NSW



## 1.1 Snapshot of the cluster



\* Department of Industry.

The Department is the largest agency in the cluster and holds significant assets, mostly Crown land, and accounts for a significant portion of the cluster's revenues and expenses. The Department's largest revenue source is parliamentary appropriations (\$2.3 billion in 2017–18). The majority of the Department's expenditure is for grants and subsidies including those paid to other cluster agencies to deliver their objectives.

Water NSW is a State Owned Corporation, which holds significant long term borrowings as part of its capital structure. This is a normal capital structure for a State Owned Corporation.

## 1.2 Changes in the composition of the cluster

### There were few changes to the cluster in 2017–18

The Sydney Cricket & Sports Ground Trust Staff Agency was abolished on 1 April 2017 under the *Government Sector Employment Act 2013*.

The Office of the Greyhound Welfare and Integrity Commission was established on 3 July 2017 under the *Greyhound Racing Act 2017*.

The Natural Resources Access Regulator (NRAR) was established on 14 December 2017 under the *Natural Resources Access Regulator Act 2017*. It began operations on 30 April 2018.

Appendix three lists the cluster agencies.



## 2. Financial reporting

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

This chapter outlines our audit observations related to the financial reporting of agencies in the Industry cluster for 2018.

### Observation

### Conclusions and recommendations

#### 2.1 Quality of financial reporting

**Unqualified audit opinions were issued for 41 out of 47 financial statement audits. Six audits are continuing.**

**The number of misstatements identified in financial statements submitted for audit increased from 73 in 2016–17 to 92 in 2017–18.**

**Conclusion:** Agencies continue to address financial reporting issues and ensure significant matters that may impact the audit opinion are appropriately dealt with. The increase in the number of misstatements indicates a renewed focus on quality is required.

#### 2.2 Timeliness of financial reporting

**Nineteen out of 37 audit opinions were issued within the statutory deadline. Delays occurred due to the time required to resolve issues identified during the audit, or to obtain appropriate evidence to support balances or disclosures in the financial statements. There were also delays in receiving the signed certification from the agency, required before we can issue an audit opinion.**

**We reviewed the conduct of early close procedures at 17 agencies. Fifteen of these agencies were assessed as not fully addressing mandatory early close procedures.**

**Recommendation:** Timeliness of financial reporting should be improved through better oversight of the preparation of financial statements, prompt resolution of issues, and an increased focus on early close procedures.

#### 2.3 Key financial reporting issues

**Information system limitations continue at TAFE NSW. TAFE NSW implemented additional processes to verify the accuracy and completeness of revenue from student fees.**

**Misstatements and internal control issues continue to be identified in accounting for Crown land.**

**Conclusion:** Procedures to address system limitations are costly, causing delays in financial reporting and increased resource commitments for staff, contractors and audit.

The information system used to record Crown land was not designed to facilitate efficient financial reporting. These limitations and other control weaknesses impacted the completeness and accuracy of the Department's financial statements.

**Recommendation:** The Department should address system limitations and control weaknesses to ensure complete and accurate reporting for Crown land.

Observation	Conclusions and recommendations
Unprocessed Aboriginal land claims continue to increase.	<b>Recommendation (repeat issue):</b> The Department should reduce unprocessed Aboriginal land claims.
<b>2.4 Financial information and sustainability</b>	
Cluster agencies recorded a combined surplus of \$58.0 million compared to a combined deficit of \$86.0 million in the previous year.	
We identified five agencies with potential sustainability issues such as low liquidity or negative net assets.	<b>Conclusion:</b> Adequate arrangements are in place to mitigate potential sustainability issues. These arrangements include a commitment from the Department to provide financial support if required.

## 2.1 Quality of financial reporting

### Audit opinions

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

Unqualified audit opinions were issued for 41 out of 47 financial statement audits in the Industry cluster. Six audits for 30 June 2018 financial statements are ongoing.

The audit of the Land Administration Ministerial Corporation's financial statements for the year ended 30 June 2017 is nearly complete. The finalisation of these financial statements was significantly delayed by the correction of misstatements from previous years. The audit of the financial statements for the year ended 30 June 2018 is continuing.

Water Administration Ministerial Corporation audits for years ended 30 June 2011 onwards remain incomplete due to insufficient information being available to finalise those financial statements. Issues remain unresolved in 2017–18.

#### We found more misstatements in 2017–18

The number of misstatements we identified when auditing cluster agencies' financial statements increased to 92 in 2017–18 (73 in 2016–17). These figures exclude misstatements for the 2017–18 audits that are not yet complete. A misstatement is an error in amount, classification, presentation or disclosure in the financial statements in the financial statements initially submitted for audit.

Ten misstatements individually greater than \$5.0 million were identified. These misstatements ranged in value from \$5.0 million to \$71.2 million. Two of these misstatements, of \$5.2 million and \$9.2 million, related to the Department's financial statements and were not corrected. The uncorrected misstatements were determined by the Department not to be material. We agreed with the Department's assessment.

The number of misstatements we identify has generally declined across the public sector since NSW Treasury introduced the 'early close procedures' in 2011–12. By bringing forward year-end activities, agencies have been better able to identify and resolve accounting issues earlier and meet earlier reporting deadlines with improved quality and accuracy.

## 2.2 Timeliness of financial reporting

### The timeliness of financial reporting has declined

Not all agencies have statutory deadlines that apply to submitting their financial statements for audit and for the issue of the Independent Auditor's Report. Thirty-five of the 37 agencies subject to statutory deadlines submitted their financial statements on time.

The time required by cluster agencies to resolve issues and respond to audit queries and information requests meant we were only able to issue an Independent Auditor's Report for 19 entities within the statutory deadline. Fifteen were issued after statutory deadlines. A further three cluster agency audits remain ongoing. In 2016–17, 26 out of 34 Independent Auditor's Reports were issued within the deadline.

The table below details these exceptions.

Timeliness of financial reporting exceptions			
Cluster agencies	Early close procedures	Financial statements	Audit report
<b>Principal department</b>			
Department of Industry	✓	✓	!
<b>Other agencies</b>			
Cemeteries and Crematoria NSW	✓	✓	!
Cobar Water Board	✓	✓	!
Combat Sports Authority of NSW	N/A	✓	!
Dam Safety Committee	✓	✓	!
Greyhound Welfare and Integrity Commission	✓	✓	!
Office of the Greyhound Welfare and Integrity Commission	✓	✓	!
Independent Liquor and Gaming Authority	✓	✓	!
Land Administration Ministerial Corporation	✓	✓	!
Natural Resources Access Regulator	N/A	✓	!
NSW Skills Board	✓	✓	!
NSW Food Authority	✓	✓	!
Rice Marketing Board for the State of New South Wales	N/A	✓	!
Rookwood General Cemeteries Reserve Land Manager	N/A	!	!
Rookwood Necropolis Land Manager	N/A	!	✓ <sup>1</sup>
Technical and Further Education Commission	✓	✓	!
TAFE Commission (Senior Executives) Staff Agency	✓	✓	!
Water Administration Ministerial Corporation	✓	✓	!
Wentworth Park Sporting Complex Trust	N/A	✓	!
<b>Key</b>	✓ Statutory reporting deadline was met	!	Statutory reporting deadline was not met

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

<sup>1</sup> The statutory deadline was not exceeded as the financial statements were submitted late.

For the financial statements of agencies not subject to statutory deadline, seven audit opinions have been issued and three audits are ongoing.

Details for all agencies in the cluster are included in Appendix four.

### **Transition to a new accounting system contributed to delays**

The Department provides accounting and financial reporting services to most cluster agencies. The Department implemented a new enterprise resources system in September 2018. The Department advised the implementation's resource requirements proved more than they anticipated and resource constraints diminished the timeliness of its responses to audit queries and protracted the audit process.

### **Cluster agencies would benefit from an increased focus on early close procedures**

Industry cluster agencies prepared and submitted their early close work in accordance with the mandatory timeframe set by NSW Treasury. However, we assessed 15 of the 17 agencies where we reviewed early close work as either partially addressing, or not addressing one or more mandatory requirement.

An increased focus on early close activities would help agencies with timely financial reporting and reduce the number of misstatements in financial statements.

Procedures noted as partially addressed included:

- completing revaluations of property, plant and equipment, and fair value assessments, during the early close process
- reconciling inter-agency balances and transactions with other government agencies
- assessing the impact of new and revised accounting standards.

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

TAFE NSW did not complete its revaluation of property, plant and equipment by the early close deadline. NSW Treasury exempted TAFE NSW from completing the revaluation at early close on the basis it required additional time to complete and review the valuation.

## **2.3 Key financial reporting issues**

### **Department of Industry**

#### **Errors in accounting for Crown land continue to be identified**

Accounting for Crown land assets continues to challenge the Department. Six internal control issues relating to accounting for Crown land are included in the internal control section later in this report. Three of the deficiencies reported are repeated from previous years.

The Crown Land Information Database (CLID) contains records of Crown land in New South Wales, and despite not being designed to facilitate efficient financial reporting, it is still used by the Department to generate financial reporting information. The Department expends significant effort to generate the information from CLID it needs to prepare its financial statements.

As part of our audit of the Department's financial statements, we test the reconciliation adjustments between CLID and the Department's general ledger to ensure that the balance of Crown land presented in the financial statements is materially correct.

Errors in accounting for Crown land continues to generate the majority of the misstatements we identify in the Department's financial statements.

## TAFE NSW

### Information system limitations continue at TAFE NSW

TAFE NSW has experienced issues with its student administration system since 2014–15. These system limitations have again required additional processes to verify the accuracy and completeness of revenue from student fees. These procedures come at a cost to operations, caused delays in financial reporting and increased resource commitments for staff, contractors and audit.

TAFE NSW expects to spend up to \$89.0 million on a project for a new information system, which they believe will address these issues. Modules of the new student enrolment system were planned to be in place in May 2019. However, TAFE NSW has advised that this date is being reassessed.

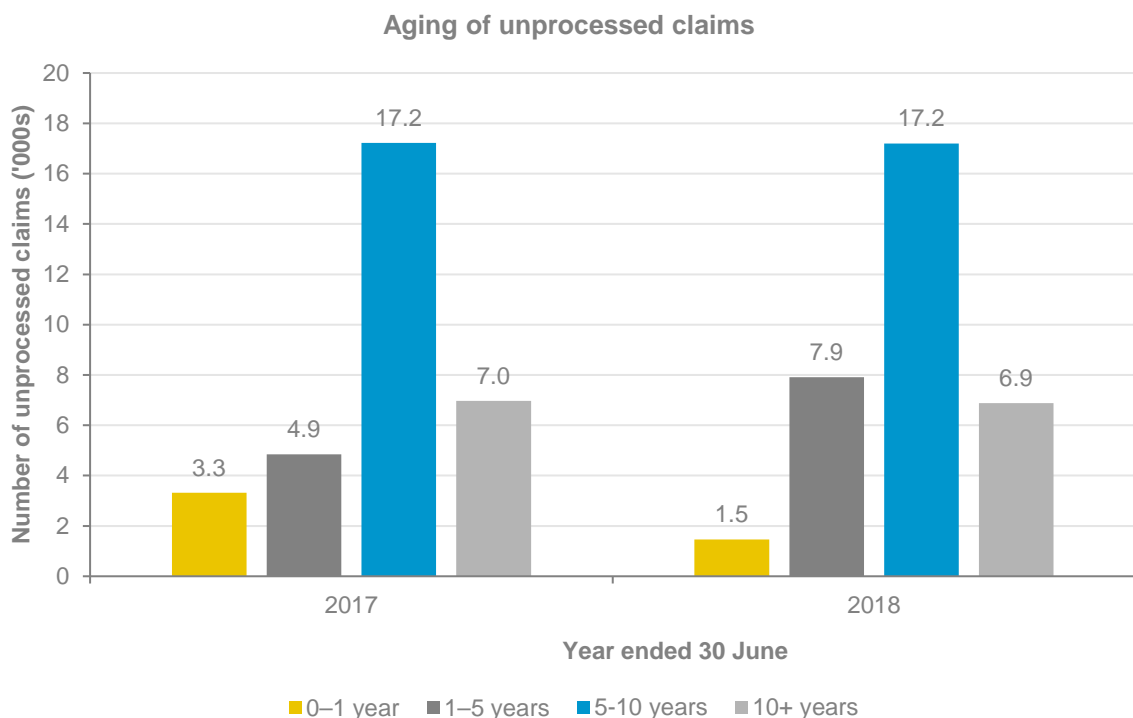
## Aboriginal land claims over Crown land

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

The Department has not been able to reduce the number of unprocessed Aboriginal land claims over Crown land, as new claims lodged exceeded claims processed. The Department's unaudited data shows the number of claims determined during the year increased to 492 in 2017–18 (387 in 2016–17). At 30 June 2018 there were 33,452 unprocessed claims, an increase of 1,091 or 3.4 per cent from 30 June 2017.

Unprocessed claims are a contingent liability for the Department. Once a land claim is granted the land transfers to the relevant Aboriginal Land Council.

The aging of unprocessed claims at both 30 June 2018 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 Departmental 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 2017–18 there were 1,484 claims lodged and 492 claims determined. The number of claims determined increased from 387 in 2016–17. One hundred and five claims were successful and 387 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 entered into negotiations in seven locations and will continue to meet with the participants to facilitate the assessment and resolution of land claims.

In 2017–18, the Department has been working with the NSW Aboriginal Land Council to prioritise land claims that provide economic, social or cultural benefit to Land Councils.

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

At 30 June 2018, the Minister or a court had approved 120 (193 at 30 June 2017) Aboriginal land claims, but the land had yet to be transferred out of the Department. This land had been valued at approximately \$271 million, but was written down to zero by the Department to reflect the success of the claims. Fifty-nine (84 at 30 June 2017) of the claims were approved ten or more years ago.

The Department aims to reduce the number of approved claims awaiting survey and transfer to acceptable levels by 2018–19. As of 30 June 2018, the number of claims awaiting survey and transfer has been steadily declining over the last five years through the centralised management of the survey program and use of external contracting services.

## **2.4 Financial information and sustainability**

### **Operating results**

#### **Cluster agencies recorded a surplus of \$58.0 million**

Cluster agencies recorded a combined operating surplus of \$58.0 million in 2017–18 (combined operating deficit of \$86.0 million in 2016–17). The financial results included:

- \$54.6 million net deficit (\$226 million net deficit in 2016–17) for the Department
- \$212 million net surplus (\$63.0 million net deficit in 2016–17) for Sports and Recreation agencies
- \$83.3 million net profit after tax (\$100 million net profit after tax in 2016–17) for Water NSW
- \$33.3 million net profit after tax (\$49.0 million net profit after tax in 2016–17) for Forestry Corporation of New South Wales
- \$240 million net deficit (\$51.3 million net deficit in 2016–17) for TAFE NSW.

Appendix six 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 of \$54.6 million was smaller than its net deficit of \$226 million in 2016–17. Expenses decreased by \$251 million mainly due to decreases in grants and subsidies paid amounting to \$307 million. However, this saving was offset by an increase in other operating expenses of \$59.7 million
- TAFE NSW's revenue fell by \$125 million mainly due to a decrease in student fees of \$102 million. This followed a \$79.2 million decrease in student fees in 2016–17. TAFE NSW's unaudited student numbers also decreased by 12.7 per cent between 2016–17 and 2017–18
- Venues NSW's revenue increased by \$167 million mainly due to increases in grants from the NSW Government (\$98.2 million), sale of food and beverages (\$28.2 million) and revenue from hospitality (\$16.1 million). Venue's NSW financial statements included a full year of transactions for ANZ stadium, which was transferred to Venues NSW in April 2017
- Sydney Olympic Park Authority's net surplus increased by \$37.0 million mainly due to an increase in developer and other contributions, and gains on disposal of property assets of \$26.0 million and \$4.3 million respectively.

Expenditure grew by more than 25 per cent in five agencies due to increases in the agencies' activities. This increase in expenditure was usually offset by a corresponding increase in revenue related to those activities.

## Total cluster assets and liabilities

Cluster agencies' total combined assets was \$24.5 billion at 30 June 2018, down from \$24.7 billion at 30 June 2017. Significant factors in this decrease in total assets were:

- A decrease of \$85.7 million on the buildings and improvements at the Sydney Cricket Ground and Allianz Stadium of the Sydney Cricket and Sports Ground Trust mainly due to the reduction in the reported value of Allianz Stadium of \$208 million, partially offset by increases in other assets.
- A \$531 million revaluation decrease on TAFE NSW land and building during the year. A detailed condition assessment of buildings and splitting out significant building components, reduced useful lives.

Valuations were conducted by qualified valuers appointed by management of the respective agencies. Decrements were adjusted directly to the asset revaluation reserve in equity with a corresponding decrease to property, plant and equipment and did not affect the net results of the agencies.

Total liabilities at 30 June 2018 increased to \$4.7 billion from \$4.0 billion at 30 June 2017. This is mainly due to Water NSW increasing its borrowings from NSW Treasury Corporation by \$704 million. On 23 October 2017 Water NSW made a \$652 million capital repayment to the Consolidated Fund. The payment was funded by \$150 million cash and \$502 million NSW Treasury Corporation borrowings. The capital repayment was designed to enable the Water NSW to achieve a target capital structure by funding its operations through an agreed debt level.

## Financial performance and sustainability

### Cluster agencies were assessed as financially sustainable

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 Industry cluster are largely funded through government grants and contributions. Our analysis against key financial performance and sustainability indicators found that, overall, while cluster agencies may be dependent on ongoing government support, they are not at high risk of sustainability concerns. The table below shows agencies that have indicators of potential sustainability issues.

#### Financial performance and sustainability

Agencies	Adjusted net result-surplus/ (deficit) \$000	Operating margin %	Liquidity (ratio)	Expense growth rate %	Net assets/ (liabilities) \$000
Destination NSW*	(231)	(0.1)	0.8	17.4	(10,359)
Sydney Cricket and Sports Ground Trust*	1,984	2.0	0.9	2.7	622,824
Venues NSW*	125,927	50.6	0.6	77.1	528,570
Greyhound Welfare and Integrity Commission*	(6)	(0.2)	0.4	N/A	(6)
Natural Resources Access Regulator**	(2,980)	(350.6)	0.2	N/A	(2,980)

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

\* Consolidated entity.

\*\* Unaudited balances.

N/A not applicable as agency did not exist before 2017–18.

#### Five agencies had liquidity ratios below one

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

Destination NSW's (DNSW) and the Sydney Cricket and Sports Ground Trust's (SCGT) liquidity are slightly below one. DNSW will receive recurrent cluster grants from the New South Wales Government, which mitigates any sustainability concerns. SCGT predicts in its five year and ten year forecasts that it will have annual surpluses for each year ahead. These unaudited forecasts also show annual cash flows to fund its capital works program and to repay debt. Therefore, SCGT believes it can 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 construction of the Western Sydney Stadium. These funds are also available to meet Venues NSW's commitments as they fall due. Venues NSW's 2017–18 financial statements included the full year transactions for ANZ Stadium, which was transferred to Venues NSW in April 2017. It also received \$98.2 million for the construction of the Western Sydney Stadium. As a result, its revenue increased by \$167 million. This has contributed to a net surplus of \$126 million during the year after deducting an increase in expenditure of \$53.6 million.

The Greyhound Welfare and Integrity Commission (GWIC) and the Natural Resources Access Regulator (NRAR) commenced operations during the year. GWIC's liquidity ratio for 2017–18 is 0.4. However, this is expected to improve in the coming years as it will receive funding from the NSW Government and from the greyhound racing industry. Greyhound Racing NSW is required to provide funding for certain activities of the Commission under its operating licence. The Natural Resources Access Regulator (NRAR) is budgeted to receive \$9.5 million over two years, as outlined in the NSW Budget Papers for 2018–19. The Department has also committed to provide financial support to these agencies if required during 2018–19. This additional funding for GWIC and NRAR is expected to improve their financial position in the coming years and ensure they can meet their liabilities as they fall due.

### **Three agencies had accumulated deficits**

As a result of deficits in operations for the last two financial years, DNSW had net liabilities of \$10.4 million at 30 June 2018. However, DNSW expects to receive recurrent cluster grants from the NSW Government to allow it to continue operating as a going concern.

For GWIC and NRAR, this is the first year of operations. These agencies are still establishing sustainable revenue streams through negotiations with other entities who are required to provide funding under legislation or agreements.

The Department issued a letter of support to a number of agencies in the cluster, including Destination NSW, GWIC and the NRAR so they could report as going concerns and support their basis of accounting.



## 3. Audit observations

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

This chapter outlines our observations and insights from:

- our financial statement audits of agencies in the Industry cluster for 2018
- the areas of focus identified in the Audit Office [Annual Work Program](#).

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

Observation	Conclusions and recommendations
<b>3.1 Internal control</b>	
<b>Almost one in three internal control issues identified in 2017–18 were repeat issues.</b>	<b>Recommendation (repeat issue):</b> Recommendations to management to address internal control issues from prior years should be addressed promptly to reduce risks and improve processes.
<b>3.2 Information technology controls</b>	
<b>User access administration over financial systems remains an area of weakness. Two high risk and 18 moderate risk issues related to user access administration across nine agencies were identified.</b>	<b>Recommendation (repeat issue):</b> Agencies' controls over administration of user access to critical systems should: <ul style="list-style-type: none"><li>• retain documentation of approvals to create, modify and deactivate user access</li><li>• allocate appropriate access rights</li><li>• perform and document regular user access reviews</li><li>• log and monitor privileged/super user account activity</li><li>• deactivate terminated user access on a timely basis.</li></ul>
<b>3.3 Annual work program</b>	
<b>Errors continue to be identified in the Crown land database.</b> <b>Instances were identified where Crown land was not recognised by the appropriate entity, or was recognised by more than one entity.</b> <b>Approximately 700 managers of Crown land do not submit financial statements required by the <i>Public Finance and Audit Act 1983</i>.</b>	<b>Recommendation:</b> The Department should ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.  NSW Treasury and the Department are continuing work to clarify reporting arrangements for these entities.

## Observation

## Conclusions and recommendations

### 3.4 Managing maintenance

**Some cluster agencies do not monitor their backlog maintenance. Consequently, the total backlog maintenance in the Industry cluster is unknown. This impacts the reliability and consistency of information about assets and their condition.**

When backlog maintenance is unknown, it is difficult for agencies to develop an accurate and effective maintenance plan that focuses on areas of highest need. It also means agencies' maintenance plans are reactive rather than preventative.

Effective maintenance planning helps agencies to:

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

**Recommendation:** Cluster agencies should develop an asset maintenance plan and complete an assessment of the condition of their assets to identify any maintenance backlogs.

**Maintenance budgets in some cluster agencies are not set based on actual maintenance needs.**

**Recommendation:** Cluster agencies should set their maintenance budgets based on identified maintenance needs to more accurately budget and prioritise expenditure.




## 3.1 Internal control







### Internal control at agencies






Effective internal controls reduce the risk of fraud and error and help agencies to operate efficiently and effectively and to comply with relevant laws, standards and policies. Our audits do not review every control every year. We select a range of measures, and report on those that present the most significant risks that agencies should mitigate. We report on 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 212 internal control issues, including 62 repeat issues across the cluster, which we raised in our management letters to those agencies. We rated nine of these issues as 'high' risk, 118 as moderate risk and 85 issues as being of low risk.

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

Category	Risk rating	Issue
Information technology	 High: 2 repeat  Moderate: 27 new, 9 repeat  Low: 12 new, 4 repeat	We reported two high risk matters in relation to: <ul style="list-style-type: none"><li>• system administrator access provided to staff members at the New South Wales Institute of Sport that was not in accordance with their role description</li><li>• absence of policies and processes to monitor the activities of privileged users at Water NSW.</li></ul>

Category	Risk rating	Issue
		<p>Our audits identified opportunities for agencies to improve controls in 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 testing of system disaster recovery plans</li> <li>• system change management</li> <li>• lack of oversight regard controls operating within the service provider</li> <li>• absence of an IT governance framework, security risk assessments, and a penetration testing process.</li> </ul>
Governance and oversight	<p> High: 1 new, 1 repeat</p> <p> Moderate: 7 new, 9 repeat</p> <p> Low: 6 new, 4 repeat</p>	<p>Our audits identified opportunities for agencies to improve governance and oversight processes. The two high risk matters reported related to:</p> <ul style="list-style-type: none"> <li>• absence of a formal approved internal audit plan at Local Land Services. This is a repeat issue</li> <li>• lack of a travel, entertainment and board expenses policy at the Rice Marketing Board for the State of New South Wales.</li> </ul> <p>We noted issues associated with:</p> <ul style="list-style-type: none"> <li>• outdated or incomplete policies and procedures</li> <li>• service level agreements either not available or not finalised</li> <li>• incomplete partnership agreements</li> <li>• contract registers that were either absent incomplete impairing agency oversight of key contractual arrangements</li> <li>• an outdated asbestos register.</li> </ul>
Internal control deficiencies or improvements	<p> High: 2 new, 1 repeat</p> <p> Moderate: 23 new, 13 repeat</p> <p> Low: 25 new, 4 repeat</p>	<p>We reported three high risk matters in relation to:</p> <ul style="list-style-type: none"> <li>• financial delegations in the SAP system not agreeing to the actual documented delegation at TAFE NSW</li> <li>• absence of procedures to verify changes to supplier bank account details at TAFE NSW</li> <li>• purchase orders created and approved after the invoice date at TAFE NSW. This is a repeat issue.</li> </ul>

Category	Risk rating	Issue
		<p>Our 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> <li>• franking credit refunds</li> <li>• treasury and banking.</li> </ul>
Non-compliance with legislation, key policies or procedures	<p> Moderate: 6 new, 2 repeat</p> <p> Low: 3 new, 2 repeat</p>	<p>Breaches of the <i>Public Finance and Audit Act 1983</i>, the Treasury Circulars and Policies and Accounting Standards were identified.</p>
Financial reporting and/or accounting misstatements	<p> High: 1 new, 1 repeat</p> <p> Moderate: 17 new, 5 repeat</p> <p> Low: 20 new, 5 repeat</p>	<p>We reported two high risk matters in relation to:</p> <ul style="list-style-type: none"> <li>• the fixed asset register of Sydney Olympic Park Authority, which was not updated for the interim revaluation results at the individual asset level</li> <li>• 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.</li> </ul> <p>Our audits identified opportunities for agencies to strengthen financial reporting. Areas of improvement include:</p> <ul style="list-style-type: none"> <li>• implementing additional controls to prevent misstatements</li> <li>• submitting complete and reviewed work papers to support the financial statements</li> <li>• meeting disclosure and presentation requirements to ensure compliance with Accounting Standards</li> <li>• reconciliations not performed at regular intervals throughout the year, and not having reconciliations properly reviewed</li> <li>• design and implementation of a robust methodology for asset valuation</li> <li>• timely identification and transfer of lands with counter party</li> <li>• identification and recording of built assets over Crown land</li> </ul>

Category	Risk rating	Issue
		<ul style="list-style-type: none"> <li>timely update of the fixed assets register</li> <li>developing a more streamlined process in which chart of accounts could be mapped</li> <li>analysing individual debtors to identify those likely to be irrecoverable.</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.	

### Almost one third of internal control issues reported to agencies were repeat issues

Out of the 212 internal control issues raised in 2017–18 management letters across the cluster, 62 were repeat issues. Five were rated as high risk, and 38 were rated as moderate risk. The Department had ten repeat issues, NSW Crown Holiday Parks Land Manager had nine repeat issues, Local Land Services and TAFE NSW had seven repeat issues each and Sydney Cricket and Sports Ground Trust and Water NSW had five repeat issues each. Some of these issues have been carried forward for a number of years and remain unaddressed.

Some repeat issues related 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.

Management at the cluster agencies should prioritise addressing all repeat issues.

## 3.2 Information technology controls

### Two high risk issues were noted relating to user access administration

Our 2017–18 audits identified two high risk issues relating to administration of user access to key information systems at two agencies. One of the high risk issues related to finance staff being provided system administrator access at the New South Wales Institute of Sport. The New South Wales Institute of Sport does not have in place policies and processes to ensure audit logs of transactions processed by system administrators are periodically reviewed for appropriateness. The other high risk issue we identified related to Water NSW not having processes and policies to regularly review privileged users' activities for some of their key application systems.

We also identified 18 moderate risk issues related to user access administration at:

- the Department of Industry (4 issues)
- TAFE NSW (4 issues)
- Water NSW (3 issues)
- Office of Sport (2 issues)
- NSW Crown Holiday Parks Land Manager (2 issues)
- Forestry Corporation of New South Wales (1 issue)
- Local Land Services (1 issue)
- NSW Food Authority (1 issue).

These issues included:

- 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
- levels of access given to users that was incompatible with their duties
- terminated users not removed from the system in a timely manner.

These weaknesses increase the risk of users with access to critical financial systems and information being able to make unauthorised or incorrect transactions, and increases the likelihood that those transactions will remain undetected. This can compromise the integrity and security of financial data residing in these systems.

### Implementation of myHQ system by the Department of Industry

During the year, the Department started to implement the new version of SAP (myHQ). The implementation was expected to be completed by 1 July 2018. However, it was deferred to 1 September 2018. The implementation of the system will be an area of focus for our 2018–19 audit.

## 3.3 Annual work program

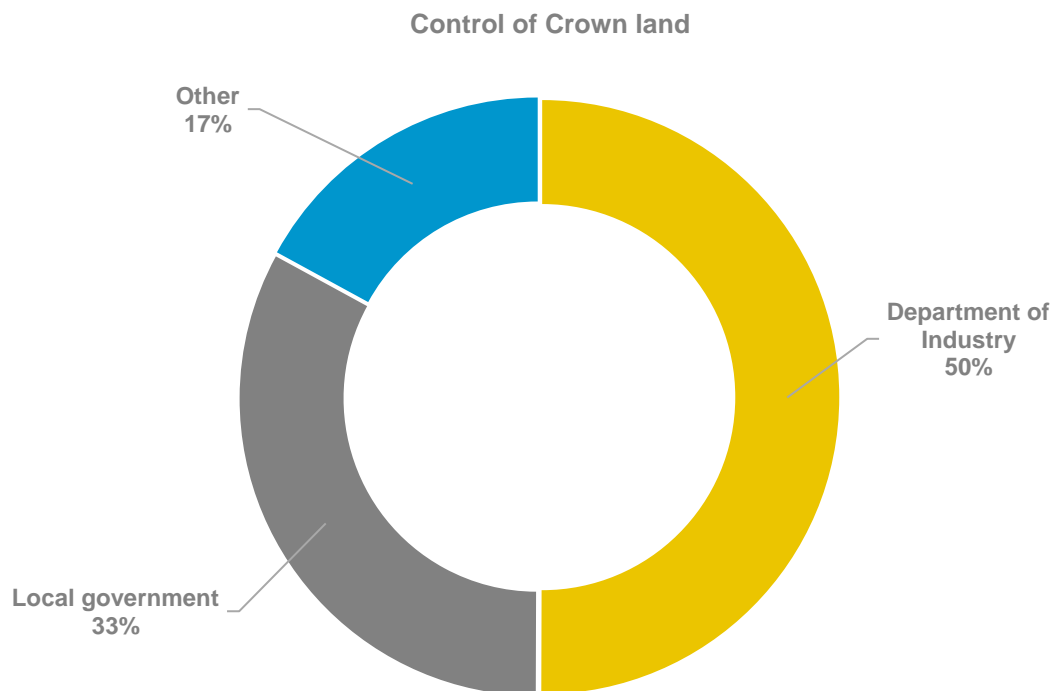
Each year our financial audits examine a small number of specific topics across agencies. We determine which topics to consider by looking for opportunities to improve public-sector accountability, governance and administration. We also consider the risks and challenges to reporting the true financial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

Risks and challenges that may impact on financial reporting of the Industry cluster agencies this year include:

- recognition of Crown land
- financial reporting by Crown Reserve Trusts (including cemetery trusts)
- accounting for stadium assets.

### Recognition of Crown land

The Department is responsible for oversight of the management of NSW Crown land, which it estimates covers approximately 42 per cent of the state. Crown land includes parks, reserves, roads and cemeteries. 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 the Crown Land Information Database (CLID), which records various details about the state's Crown land.



Source: Crown Land Information Database (unaudited).



### **There continues to be significant deficiencies in Crown land records**

The Department uses CLID to record all Crown land in New South Wales and all leases on Crown land. For several years we have reported deficiencies in the recording of Crown land assets in CLID. These issues include:

- duplicated records showing both the Department and another entity as controlling the Crown land
- incorrect entity shown as the manager of Crown land
- incorrect status of Crown land
- incorrect records relating to Crown land, such as land size, use, manager
- delays in updating changes to CLID.

The 2017 Industry report to parliament included a recommendation that 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. This would enable 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 Crown land.

The Department advised that it is continuing to conduct data integrity reviews, including status checks for Crown land.

In 2017–18, the Department wrote off \$21.0 million in Crown land which was found to be duplicated in another agency.

### **Errors in Crown land records were identified at local councils**

We are testing samples of Crown land at 128 local councils to identify any deficiencies and common issues with the recognition of Crown land by local councils and the Department. To date these reviews have been completed at 70 councils. Our analysis found variances between Crown land records of the Department and local councils. The results of the testing identified:

- 47 per cent of councils had instances where one or more parcel was recorded in CLID as council managed, but the land was not recorded in the council's register
- 31 per cent of councils had one or more parcel recorded in the council register, but the land was not recorded in CLID as managed by that council
- 13 per cent of councils' records of Crown land size or description were inconsistent with CLID
- 2 councils had not recognised any Crown land that they manage and control.

For 40 per cent of councils, no variances were identified in our sample testing.

The issues relating to the Crown land and councils will be more fully explored in the Report on Local Government 2018 scheduled for release in early 2019.

### **The Department launches an online portal**

On 1 July 2018, the Department launched an online portal to enable councils to query Crown land data. In addition to the portal, the Department has provided CLID information to the councils so they can perform their own review of Crown land that is identified as managed by the council in CLID.

### **Land Negotiation Program contributing towards a stocktake of Crown land**

The Department is continuing a voluntary land negotiation program with the NSW Aboriginal Land Council, and various Local aboriginal land councils and local government councils. This program considers Crown land in a given area and explores which party is best placed to manage that land. The Department has advised that as a part of this program a stocktake is undertaken of the Crown land in the subject area.

## Annual reporting by Crown land managers needs to improve

The *Crown Land Management Act 2016* requires non-council managers of Crown land to submit an annual report to the Department of Industry. Crown land managers can submit their annual reports electronically using the Crown Reserves Reporting System, or they may submit a hard copy of their annual reports to the Department.

The Department advised the compliance rate for submission of these annual reports in 2016–17 was approximately 62 per cent, and that reminders have been sent to the Crown land managers who do not comply. The Department does not perform any checks on the accuracy or completeness of the information reported by the Crown land managers, nor does it systematically follow up on those that do not comply with the Act.

The ability of the Department to oversight the use of Crown land is limited when it does not obtain annual report information from Crown land managers, and does not review the accuracy and completeness of those annual reports it does receive.

For 2017–18 only, the Crown land managers are exempted from submitting an annual report under section 71 of the Crown Land Management Regulation 2018.

## Financial reporting by Crown Reserve Trusts (including cemetery trusts)

### Accountability for the state's Crown land reserves continues to need improvement

For the year ended 30 June 2018 approximately 700 reserve trusts managed by Trust Boards did not prepare the financial statements required under the *Public Finance and Audit Act 1983*.

The *Crown Lands Management Act 2016* abolished these reserve trusts on 1 July 2018 and created Crown land managers. Members of the Trust Boards under previous legislation were automatically appointed as board members of the Crown land managers under the new Act, and continue to manage the reserves. This change in legislation has not relieved these entities from the requirement to prepare financial statements under the *Public Finance and Audit Act 1983*.

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 were established to act as trustees and hold legal ownership of Crown reserves under the *Crown Lands Act 1989*. While the reserve trusts had responsibility for the care, control and management of the Crown reserve, they could not 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.

NSW Treasury and the Department are working on clarifying the financial reporting obligations for these entities. These Crown reserves contain showgrounds, cemeteries, racecourses, local parks and other community facilities and public areas. Some of the Crown reserves have independent streams of revenue from user charges.

In 2016–17 NSW Treasury advised the five cemetery reserve trusts and a holiday park reserve trust that they are controlled by the Minister Lands and Forestry and are therefore part of the NSW Government. As such, they are required to prepare financial statements under the *Public Finance and Audit Act 1983* and be audited by the Auditor-General.

In 2017–18 three of these reserve trusts accepted NSW Treasury's view and prepared financial statements in accordance with the *Public Finance and Audit Act 1983*, which were audited by the Auditor-General. Three reserve trusts continue to maintain they are not controlled by the Minister for Lands and Forestry.

Land manager (formerly Reserve trust)	Year ended 30 June	
	2018	2017
NSW Crown Holiday Parks	✓	✓
Rookwood Necropolis	✓	✓
Rookwood General Cemeteries Reserve	✓	!
Northern Metropolitan Cemeteries	!	!
Southern Metropolitan Cemeteries	!	!
Catholic Metropolitan Cemeteries	!	!

! Did not report as a NSW Government agency.

✓ Reported as a NSW Government agency and audited by the Auditor-General.

In order to include balances relating to these three cemetery reserve trusts in the Total State Sector financial statements, NSW Treasury estimated an aggregated value for their assets using financial statements submitted by these cemetery reserve trusts. The value of the combined assets and liabilities of these Crown reserves, which have not been audited by the Audit Office, was \$557 million at 30 June 2018.

There has been limited progress in resolving this issue during 2017–18. The Department advised it is continuing to work with NSW Treasury to clarify and enforce reporting requirements set out in legislation.

### Accounting for stadium assets

The NSW Government has announced significant investment in new stadiums, including the demolition of the Sydney Football stadium (Allianz stadium). The Sydney Cricket and Sports Ground Trust impaired the reported value of Allianz stadium by \$208 million from \$229 million to \$21.0 million, to reflect the decrease in the useful life of the asset.

The 2018–19 Budget provided new funding for stadia infrastructure, with \$729 million for the construction of a new stadium at Moore Park to replace Allianz stadium.

Construction is continuing of the Western Sydney stadium, and at 30 June 2018 Venues NSW had capitalised \$173 million. The budgeted total cost of the completed stadium is \$360 million.

At 30 June 2018, there had been no binding decision that required a reassessment of the useful life or reported value of ANZ Stadium, or the carrying value of that stadium to be impaired.

## 3.4 Managing maintenance

The Industry cluster agencies spent \$157 million on maintenance expenses in 2017–18 (\$146 million in 2016–17). In order to analyse how well cluster agencies are managing their asset maintenance, we reviewed asset maintenance practices at five cluster agencies, which we selected based on the value of their total depreciable assets.

The five selected agencies are:

- Technical and Further Education Commission (TAFE NSW)
- Water NSW
- Department of Industry
- Sydney Olympic Park Authority
- Sydney Cricket and Sports Ground Trust.

## Asset maintenance plan

The NSW Treasury's 'Total Asset Management Guideline – Asset Maintenance Strategic Planning' requires budget dependent agencies to develop asset maintenance strategic plans. Maintenance planning plays a key role in optimising the economic life and operating performance of existing assets.

### Some cluster agencies do not have a current asset maintenance plan

Three out of five cluster agencies we reviewed did not have a current asset maintenance plan.

Effective maintenance planning helps agencies to:

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

## Policy framework

We reviewed whether the selected agencies have a clear policy on what constitutes maintenance, enhancement and operating expenses.

### One cluster agency does not have a clear policy on what constitutes maintenance

Of the five cluster agencies reviewed, one does not have a maintenance policy. Other agencies have maintenance policies in place but some can be improved by including more specific guidance on what constitutes maintenance, enhancement and operating expenses. The absence of specific guidance increases the risk of:

- incorrectly classifying maintenance expenditure in the financial statements
- inappropriately capitalising costs during various stages of a project
- routine maintenance activities being treated as capital expenses.

The NSW Treasury 'Guidelines for the Capitalisation of Expenditure on Property, Plant and Equipment' provides guidance on the appropriate accounting treatment of capital and maintenance expenditure.

## Backlog maintenance

### Some cluster agencies do not monitor their backlog maintenance

Total backlog maintenance in the Industry cluster is unknown. Two out of the five cluster agencies we reviewed do not monitor their backlog maintenance. The risks these agencies face may be elevated because they may not:

- monitor asset maintenance closely enough
- have a plan or strategy to prioritise high risk asset maintenance issues
- properly consider and act on known work health and safety issues
- consider and act on issues that impact legislative compliance matters on a timely basis.

## Maintenance budgets

### Maintenance budgets do not always reflect actual maintenance needs

All agencies reviewed have an approved maintenance expense budget in 2017–18. However, given backlog maintenance is unknown, and a current asset maintenance plan does not always exist, not all agencies set their budgets based on actual maintenance needs. Two out of five cluster agencies reviewed set their budgets based on the previous year's actual maintenance expense.

By not setting asset maintenance budgets based on actual maintenance needs, agencies risk:

- not being able to meet required service delivery outcomes
- not prioritising required works
- incurring higher future maintenance costs because of asset deterioration
- issues with workplace health and safety
- not complying with relevant legislative requirements.

### Some cluster agencies exceeded their asset maintenance budgets

The table below shows actual maintenance expense versus budget in the five selected cluster agencies.

Four out of the five agencies we reviewed exceeded their budgets for maintenance expense in 2017–18. The Department exceeded its maintenance expense budget by \$8.6 million. The Department advised this was mainly due to:

- some business units within the Department not having a separate maintenance budget. Rather, it is combined with other expense items during the budget setting process
- the budget for asset maintenance is generally set based on last year's actual or budget maintenance expense adjusted for CPI
- the Department does not specifically review variations to maintenance expense budgets. Rather, the amount is generally reviewed in the context of the overall operating expenses.

Maintenance actual vs budget

Year ended 30 June	2018		2017		2016	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
TAFE NSW	36,006	35,533	42,153	36,868	34,343	33,855
Water NSW	22,110	21,797	21,397	21,467	28,652	N/A
Department of Industry	19,452	10,829	14,585	11,500	14,375	na
Sydney Olympic Park Authority	16,358	14,254	16,276	13,973	14,067	13,168
Sydney Cricket and Sports Ground Trust	9,287	9,453	8,300	8,433	7,777	8,478

N/A The 2015–16 budgets were prepared separately for Sydney Catchment Authority and State Water Corporation before creation of Water NSW.

na The 2015–16 budget for Department of Industry did not have detailed level of maintenance expense budget.

Source: Information provided by each agency (unaudited).

There may be valid reasons for an agency to spend more on maintenance than it had budgeted. Given backlog maintenance is unknown, and a current asset maintenance plan does not always exist, agencies may have difficulty setting their budgets based on actual maintenance needs.

### All five agencies are using fully depreciated assets

Accounting Standards and NSW Treasury policy require agencies to review asset useful lives at least annually, and depreciate the cost of each asset over its useful live.

We compared the number of fully depreciated assets to the total number of depreciable assets, and noted all five agencies continue to use assets that are fully depreciated. Four out of five agencies we reviewed have fully depreciated 30 per cent or more of their assets out of their total number of assets (excluding land). This indicates that agencies may have underestimated the useful lives of their assets and depreciated them too quickly, recognising too much depreciation in their financial statements each year.

We also considered the financial impact of these assets by comparing the replacement cost of the fully depreciated assets to the total replacement cost of all assets (excluding land). We concluded this does not have a significant impact on the financial statements.

Year ended 30 June 2018	TAFE NSW	Water NSW	Department of Industry	Sydney Olympic Park Authority	Sydney Cricket and Sports Ground Trust
Number of fully depreciated assets	7,218	9,417	1,961	101	523
Number of assets (excluding land)	11,033	31,016	6,560	1,015	1,068
Fully depreciated assets as a percentage of total assets (excluding land)	65%	30%	30%	10%	49%
Total replacement cost of fully depreciated assets (\$000)	228,229	246,163	36,700	4,821	11,004
Total replacement cost of all assets (excluding land) (\$000)	6,307,025	2,085,052	3,440,657	852,317	764,113
Fully depreciated assets as a percentage of total assets (excluding land)	4%	12%	1%	1%	1%

Source: Information provided by each agency (unaudited).

### 3.5 Managing major capital projects

We obtained information about three significant ongoing capital projects in the Industry cluster. Further details are included in the Service Delivery chapter.



## 4. Service delivery

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Agencies in the Industry cluster provide services across a wide variety of areas. This chapter outlines certain service delivery outcomes for 2017–18 for the Industry cluster. It provides important contextual information about the cluster's operation, but the data on activity levels and performance is provided by Cluster agencies. The Audit Office does not have a specific mandate to audit performance information. Accordingly, the information in this chapter is unaudited.

In our recent performance audit, [Progress and measurement of Premier's Priorities](#), we identified 12 limitations of performance measurement and performance data. We recommended that the Department of Premier and Cabinet ensure that processes to check and verify data are in place for all agency data sources.

### 4.1 Measuring and reporting on performance

#### 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 Department is the lead cluster agency responsible for implementing two State Priorities and one Premier's Priority.

These priorities and their current reported status are detailed below. The reported status is based on information supplied by the Department unaudited.

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

The Department advised that analysis of Australian Bureau of Statistics (ABS) figures shows that an additional 338,900 people were employed in New South Wales between April 2015 and June 2018, exceeding the set target twofold.

The performance audit report 'Progress and measurement of the Premier's Priorities' identified that reported performance include part-time jobs and unpaid jobs in family companies as per ABS definition, which was not made clear on the Premier's Priority website. The Premier's Priority website has been updated to clarify the reported performance.

The full performance audit report is available at '[Progress and measurement of the Premier's Priorities](#)'.

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

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

The Department's unaudited figures show there were 25,766 completions of apprenticeships and traineeships during the 12 months to 30 June 2018, and at 30 June 2018, 59 per cent of apprentices and trainees successfully completed their apprenticeship or traineeship within the expected time. This result is the same as in the previous year.

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

The Department advised that between March 2018 and June 2018, NSW's composite business confidence ranking was third, just behind Queensland and South Australia.

The Department measures its achievements using business confidence indicators from three data sources (NAB Monthly Business Survey; Roy Morgan Business Index; Sensis Business Index) and takes an average of composite results each quarter from March 2016 to June 2018.

## 4.2 Skills development

The Department of Industry spent \$1.4 billion in 2017–18 (\$1.4 billion in 2016–17) on providing government funded vocational education and training. This includes Smart and Skilled training, apprenticeships and traineeships, and adult and community education.

This spending is a significant component of the Department's measures to support skills development programs for employment and increase the proportion of people completing apprenticeships and traineeships. The Department's unaudited figures show that the proportion of apprentices and trainees successfully completed their apprenticeship or traineeship within the expected time remained at 59 per cent as 30 June 2018.

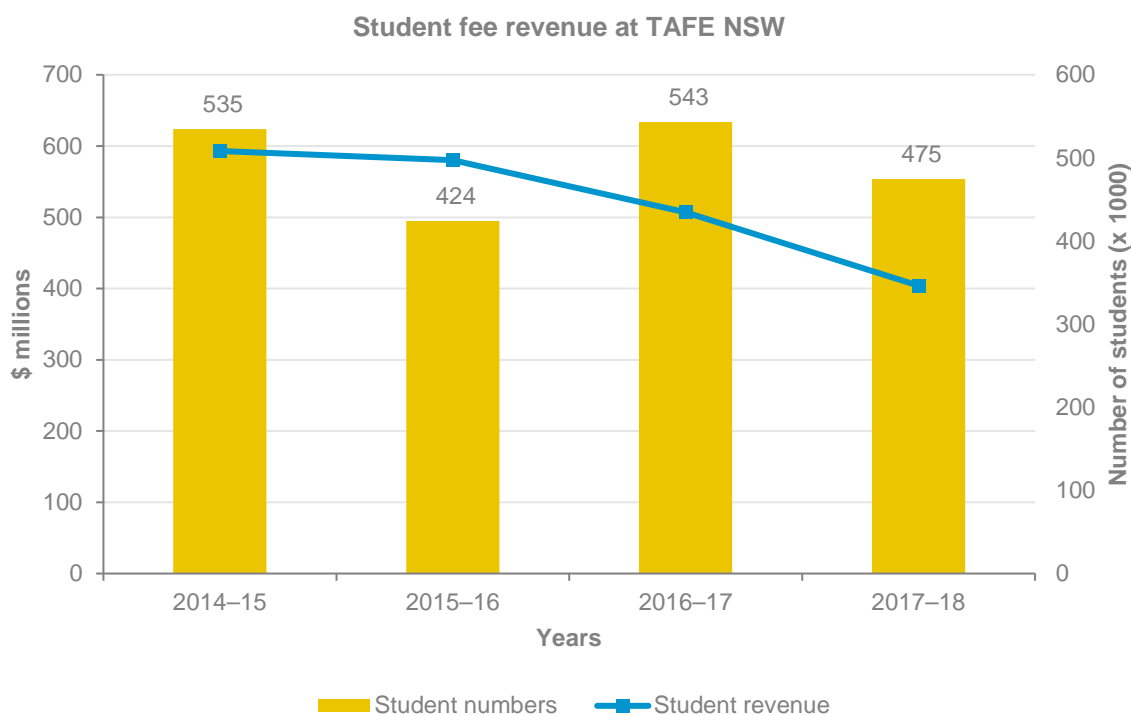
The Department contracts with providers to deliver the Smart and Skilled program. This program was introduced to provide government subsidised training to eligible students for qualifications most needed in the New South Wales economy. The NSW Skills List defines the courses subsidised under Smart and Skilled.

A performance audit report '[Matching skills training with market needs](#)' was tabled in parliament in July 2018. This audit assessed the effectiveness of the Department in identifying, prioritising, and aligning course subsidies to the skill needs of NSW.

The audit concluded the Department effectively consults with industry, training providers and government departments to identify skill needs, and targets subsidies to meet those needs. However, the Department does not have a robust, data-driven process to remove subsidies from qualifications that are no longer a priority. There is a risk that some qualifications being subsidised do not reflect the skill needs of New South Wales.

### Student revenue is declining at TAFE NSW

The largest provider of skills training is TAFE NSW. Student fee revenue at TAFE NSW has declined from \$593 million in 2014–15 to \$404 million in 2017–18. TAFE NSW unaudited student data shows that student numbers have fluctuated during this period, and declined 12.7 per cent between 2016–17 and 2017–18. TAFE NSW advised student courses can be funded through student revenue or from government grants, limiting the relationship between student numbers and student revenue.



Source: Student numbers TAFE NSW (unaudited), Student fee revenue TAFE NSW audited financial statements.



TAFE NSW advised that enrolments increased during the period 2015–16 to 2016–17 in response to the government subsidised Smart and Skilled program and higher apprenticeship commencements during those years. Enrolment started to decline from the commencement of 2017 and continued to decline in 2018.

### 4.3 Managing major capital projects

We obtained information about three significant ongoing capital projects in the Industry cluster with a total estimated cost of \$875 million. We looked at the approval processes for the original project and any subsequent revisions.

This information presents the results of that work. However, this analysis relies on unaudited information provided by cluster agencies. Where possible the details have been agreed to the 2018–19 Budget Papers.

#### Agencies expect the capital projects to be completed within budgets

Of the three capital projects reviewed, none has revised its original budget. The Department advised the original completion date for the Port of Eden Breakwater Extension project was changed due to a delay during the project approval process.

At 30 June 2018, \$412 million or 47.1 per cent of the original budget has been spent on these projects. The table below summarises these projects.

Project name	Original budgeted cost	Revised budgeted cost	Actual costs at 30 June 2018	Project start	Original estimated completion	Revised completion
	\$m	\$m	\$m	Year	Year	Year
Broken Hill Pipeline project	471	471	248	2017–18	2018–19	N/A
Port of Eden Breakwater Extension	44	44	21	2015–16	2017–18	2018–19
Western Sydney Stadium	360	360	173	2014–15	2018–19	N/A
<b>Totals</b>	<b>875</b>	<b>875</b>	<b>442</b>			

N/A The original estimated completion date has not been revised.

Source: Information provided by each agency (unaudited).

## **Section two**

### Appendices



# Appendix one – List of 2018 recommendations

The table below lists the recommendations made in this report.



## 1. Financial reporting

### 1.1 Timeliness of financial reporting

Timeliness of financial reporting should be improved through better oversight of the preparation of financial statements, prompt resolution of issues, and an increased focus on early close procedures.



### 1.2 Accounting for Crown land

The Department should address system limitations and control weaknesses to ensure complete and accurate reporting for Crown land.



### 1.3 Aboriginal land claims (repeat issue)

The Department should reduce unprocessed Aboriginal land claims.



## 2. Audit observations

### 2.1 Internal controls (repeat issue)

Recommendations to management to address internal control issues from prior years should be addressed promptly to reduce risks and improve processes.



### 2.2 Information technology controls (repeat issue)

Agencies' controls over administration of user access to critical systems should:



- retain documentation of approvals to create, modify and deactivate user access
- allocate appropriate access rights
- perform and document regular user access reviews
- log and monitor privileged/super user account activity
- deactivate terminated user access on a timely basis.

### 2.3 The Crown land database and recognition of Crown land

The Department should ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.



### 2.4 Maintenance plans and backlog maintenance

Cluster agencies should develop an asset maintenance plan and complete an assessment of the condition of their assets to identify any maintenance backlogs.



### 2.5 Maintenance budgets

Cluster agencies should set their maintenance budgets based on identified maintenance needs to more accurately budget and prioritise expenditure.



Key



Low risk



Medium risks



High risks



# Appendix two – Status of 2017 recommendations

Recommendation	Current status					
<b>The Department should:</b>						
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.	Extensive manual reconciliation processes are being undertaken by the Department to gain comfort as to the accuracy of records.	-				
Evaluate the impact of the revised governance and control framework for Crown land under the <i>Crown Land Management Act 2016</i> will have on the recognition and the financial reporting of Crown land by the Department and other managers of Crown land.	The implementation of <i>Crown Land Management Act 2016</i> (CLMA) was pushed back to commence on 01 July 2018. The Department has evaluated that the impact on its own financial statements. However, more work is required to complete the investigation for all managers of Crown land.	-				
Continue to implement measures to reduce the number of unprocessed Aboriginal land claims (repeat issue).	The Department continues to put in place strategies to reduce the number of unprocessed Aboriginal land claims. Currently, the Department has implemented a pilot program of negotiations in specific locations, and is focusing on prioritising land claims which provide economic, social or cultural benefit to Land Councils.	-				
<b>The Department and other agencies should:</b>						
Promptly address internal control issues and recommendations from previous years to reduce risk and improve processes (repeat issue).	The Department and other agencies are addressing this recommendation, but many internal control issues remain unresolved.	-				
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>	The Department and other agencies are addressing this recommendation; however, some issues are still unresolved.	-				
<b>Key</b>		<b>Fully addressed</b>		<b>Partially addressed</b>		<b>Not addressed</b>



## Appendix three – Cluster agencies

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### Agency

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[Agricultural Scientific Collections Trust](#)

[Belgenny Farm Agricultural Heritage Centre Trust](#)

**Border Fence Maintenance Board**

[C B Alexander Foundation](#)

[Catholic Metropolitan Cemeteries Land Manager](#)

[Cemeteries and Crematoria NSW](#)

[Combat Sports Authority of NSW](#)

[Cobar Water Board](#)

[Crown Reserves Improvement Fund](#)

[Dams Safety Committee](#)

[Department of Industry](#)

[Destination NSW](#)

**Destination NSW Staff Agency**

[Fisheries Trust Fund](#)

[Forestry Corporation of NSW](#)

[Game and Pest Management Trust Fund](#)

[Greyhound Welfare and Integrity Commission](#)

**Office of the Greyhound Welfare and Integrity Commission**

[Independent Liquor and Gaming Authority](#)

[Jobs for NSW Fund](#)

**Lands Administration Ministerial Corporation**

[Local Land Services](#)

**Local Land Services Staff Agency**

[Natural Resources Access Regulator](#)

[New South Wales Institute of Sport](#)

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

[New South Wales Rural Assistance Authority](#)

[Northern Metropolitan Cemeteries Land Manager](#)

[NSW Crown Holiday Parks Land Manager](#)

[NSW Food Authority](#)

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

[NSW Skills Board](#)

[Office of Sport](#)

[Responsible Gambling Fund](#)

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## Agency

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

[Rookwood General Cemeteries Reserve Land Manager](#)

[Rookwood Necropolis Land Manager](#)

[Southern Metropolitan Cemeteries Land Manager](#)

**State Sporting Venues Authority**

[Sydney Cricket and Sports Ground Trust](#)

[Sydney Olympic Park Authority](#)

[Technical and Further Education Commission](#)

**TAFE Commission (Senior Executives) 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](#)

[Wine Grapes Marketing Board](#)

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# Appendix four – Timeliness of financial reporting

Cluster agencies	Timeliness of financial reporting		
	Early close procedures	Financial statements	Audit report
<b>Principal department</b>			
Department of Industry	✓	✓	! <sub>1</sub>
<b>Other agencies</b>			
Agricultural Scientific Collections Trust	#	#	#
Belgenny Farm Agricultural Heritage Centre Trust	#	#	#
Border Fence Maintenance Board	N/A	✓	✓
C B Alexander Foundation	#	#	#
Cemeteries and Crematoria NSW	✓	✓	! <sub>2</sub>
Dam Safety Committee	✓	✓	! <sub>2</sub>
Destination NSW	✓	✓	✓
Destination NSW Staff Agency	✓	✓	✓
Forestry Corporation of NSW	✓	✓	✓
Greyhound Welfare and Integrity Commission	✓	✓	! <sub>1</sub>
Office of the Greyhound Welfare and Integrity Commission	✓	✓	! <sub>1</sub>
Independent Liquor and Gaming Authority	✓	✓	! <sub>1</sub>
Land Administration Ministerial Corporation	✓	✓	! <sub>3</sub>
Local Land Services	✓	✓	✓
Local Land Services Staff Agency	✓	✓	✓
Natural Resources Access Regulator	N/A	✓	! <sub>3</sub>
New South Wales Rural Assistance Authority	✓	✓	✓
NSW Food Authority	✓	✓	! <sub>1</sub>
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	#	#	#
Rice Marketing Board for the State of New South Wales	N/A	✓	! <sub>2</sub>
Trustees of the Farrer Memorial Research Scholarship Fund	#	#	#
Veterinary Practitioners Board	N/A	✓	✓

Timeliness of financial reporting

Cluster agencies	Early close procedures	Financial statements	Audit report
Water Administration Ministerial Corporation	✓	✓	! 4
Wentworth Park Sporting Complex Trust	N/A	✓	! 1
Wine Grapes Marketing Board	N/A	✓	✓
<b>Special deposit accounts</b>			
Fisheries Trust Fund	#	#	#
Game and Pest Management Trust Fund	#	#	#
Jobs for NSW Fund	#	#	#
Crown Reserves Improvement Fund	#	#	#
Responsible Gambling Fund	#	#	#
<b>Skills</b>			
NSW Skills Board	✓	✓	! 2
Technical and Further Education Commission	✓	✓	! 1
TAFE Commission (Senior Executives) Staff Agency	✓	✓	! 1
<b>Land manager (formerly Reserve Trust)</b>			
Rookwood Necropolis Land Manager	N/A	!	✓
NSW Crown Holiday Parks Land Manager	✓	✓	✓
Rookwood General Cemeteries Reserve Land Manager	N/A	!	! 1
Northern Metropolitan Cemeteries Land Manager	na	na	na
Southern Metropolitan Cemeteries Land Manager	na	na	na
Catholic Metropolitan Cemeteries Land Manager	na	na	na
<b>Sports and recreation</b>			
Office of Sport	✓	✓	✓
Sydney Cricket and Sports Ground Trust	N/A	✓	✓
Venues NSW	✓	✓	✓
State Sporting Venues Authority	✓	✓	✓
Sydney Olympic Park Authority	✓	✓	✓
Combat Sports Authority of NSW	N/A	✓	! 1
New South Wales Institute of Sport	✓	✓	✓
New South Wales Institute of Sport Staff Agency	✓	✓	✓



Timeliness of financial reporting

Cluster agencies	Early close procedures	Financial statements	Audit report
<b>Water</b>			
Cobar Water Board			1
Water NSW			



Statutory financial reporting deadline was met.



Statutory financial reporting deadline was not met.

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

na These agencies did not submit financial statements for audit by the Auditor-General, please see 3.3 Annual work program.

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

1 Delays occurred in resolving issues arising during the final phase of the audit and/or obtaining sufficient appropriate audit evidence to conclude on the financial statements.

2 Engagement Closing Reports were issued before the statutory reporting deadline however certification of the financial statements and transmittal to the Audit Office did not occur until after the statutory reporting deadline.

3 The audit for this agency is still ongoing.

4 Water Administration Ministerial Corporation presented unsigned financial statements. The audits from 2011 to 2018 are outstanding due to insufficient supporting records.



## Appendix five – Management letter findings

'Extreme', 'High', 'Moderate' or 'Low' represents the risk level assigned to each issue identified in our management letters. We use a risk assessment matrix to assign risk levels which is based on the likelihood of the risk occurring and the consequences if the risk does occur.

The risk assessment matrix used is consistent with the risk management framework in TPP12-03 'Risk Management Toolkit for the NSW Public Sector'.

### Management letter findings

	Extreme	High	Moderate	Low	Repeat
<b>Principal department</b>					
Department of Industry	--	--	25	11	10
<b>Other agencies</b>					
Agricultural Scientific Collections Trust	--	--	1	1	1
Belgenny Farm Agricultural Heritage Centre Trust	--	--	2	--	--
Border Fence Maintenance Board	--	--	--	2	--
C B Alexander Foundation	*	*	*	*	*
Cemeteries and Crematoria NSW	--	--	--	--	--
Dam Safety Committee	--	--	--	--	--
Destination NSW	--	--	--	--	--
Destination NSW Staff Agency	--	--	--	--	--
Forestry Corporation of NSW	--	--	2	--	--
Greyhound Welfare and Integrity Commission	--	--	1	1	--
Office of the Greyhound Welfare and Integrity Commission	--	--	--	--	--
Independent Liquor and Gaming Authority	--	--	--	--	--
Land Administration Ministerial Corporation	*	*	*	*	*
Local Land Services	--	1	6	6	7
Local Land Services Staff Agency	--	--	--	--	--
Natural Resources Access Regulator	*	*	*	*	*
New South Wales Rural Assistance Authority	--	--	3	--	3
NSW Food Authority	--	--	3	2	--
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	--	--	--	--	--
Rice Marketing Board for the State of New South Wales	--	1	--	1	--
Trustees of the Farrer Memorial Research Scholarship Fund	--	--	2	1	1
Veterinary Practitioners Board	--	--	1	1	2
Water Administration Ministerial Corporation	*	*	*	*	*

Management letter findings

	Extreme	High	Moderate	Low	Repeat
Wentworth Park Sporting Complex Trust	--	1	1	3	2
Wine Grapes Marketing Board	--	--	--	1	1
<b>Special deposit accounts</b>					
Fisheries Trust Fund	*	*	*	*	*
Game and Pest Management Trust Fund	--	--	1	2	--
Jobs for NSW Fund	--	--	1	--	1
Crown Reserves Improvement Fund	*	*	*	*	*
Responsible Gambling Fund	--	--	--	1	--
<b>Skills</b>					
NSW Skills Board	--	--	--	--	--
Technical and Further Education Commission	--	3	22	21	7
TAFE Commission (Senior Executives) Staff Agency	--	--	--	--	--
<b>Land manager (formerly Reserve Trust)</b>					
Rookwood Necropolis Land Manager	--	--	4	2	1
NSW Crown Holiday Parks Land Manager	--	--	14	8	9
Rookwood General Cemeteries Reserve Land Manager	--	--	8	2	--
Northern Metropolitan Cemeteries Land Manager	na	na	na	na	na
Southern Metropolitan Cemeteries Land Manager	na	na	na	na	na
Catholic Metropolitan Cemeteries Land Manager	na	na	na	na	na
<b>Sports and recreation</b>					
Office of Sport	--	--	5	3	3
Sydney Cricket and Sports Ground Trust	--	--	4	4	5
Venues NSW	--	--	1	6	--
State Sporting Venues Authority	--	--	--	--	--
Sydney Olympic Park Authority	--	1	--	--	--
Combat Sports Authority of NSW	--	--	--	1	1
New South Wales Institute of Sport	--	1	4	3	3
New South Wales Institute of Sport Staff Agency	--	--	--	--	--
<b>Water</b>					
Cobar Water Board	--	--	--	--	--
Water NSW	--	1	7	2	5

na These agencies did not finalise their audits with the Auditor-General.

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



## Appendix six – Financial audit reporting

	Total assets		Total liabilities		Total revenue		Total expense	
	2018 \$m	2017 \$m	2018 \$m	2017 \$m	2018 \$m	2017 \$m	2018 \$m	2017 \$m
<b>Cluster lead entity</b>								
Department of Industry*	8,616	8,639	468	475	2,700	2,778	2,755	3,004
<b>Other agencies</b>								
Agricultural Scientific Collections Trust	103	103	--	--	--	--	--	--
Belgenny Farm Agricultural Heritage Centre Trust	--	1	--	--	1	2	2	2
Border Fence Maintenance Board	na	12	na	--	na	2	na	2
C B Alexander Foundation**	32	32	2	2	3	2	2	2
Cemeteries and Crematoria NSW	2	2	--	--	1	2	1	2
Dams Safety Committee	--	--	--	--	1	2	1	2
Destination NSW*	31	20	42	30	207	160	207	176
Forestry Corporation of NSW	2,071	2,074	789	841	375	382	341	332
Greyhound Welfare and Integrity Commission*	2	--	2	--	3	--	3	--
Independent Liquor and Gaming Authority	19	22	10	15	5	6	3	13
Local Land Services*	691	641	61	42	224	159	220	177
Natural Resources Access Regulator**	1	--	4	--	1	--	4	--
New South Wales Rural Assistance Authority	433	398	427	392	36	45	37	63
NSW Food Authority	51	41	18	23	13	21	18	10
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	1	1	--	--	--	--	--	--
Rice Marketing Board for the State of New South Wales	2	1	1	--	1	--	1	--
Trustees of the Farrer Memorial Research Scholarship Fund	na	1	na	--	na	--	na	--
Veterinary Practitioners Board	4	3	1	1	1	1	1	1
Wentworth Park Sporting Complex Trust	52	54	7	7	1	1	4	3
Wine Grapes Marketing Board	na	3	na	--	na	1	na	1

	Total assets		Total liabilities		Total revenue		Total expense	
	2018 \$m	2017 \$m	2018 \$m	2017 \$m	2018 \$m	2017 \$m	2018 \$m	2017 \$m
<b>Special deposit accounts</b>								
Fisheries Trust Fund**	33	29	--	--	23	22	19	23
Game and Pest Management Trust Fund	1	--	--	--	1	1	--	2
Jobs for NSW Fund	26	8	15	4	39	21	32	17
Crown Reserves Improvement Fund**	50	48	1	2	17	16	15	17
Responsible Gambling Fund	36	47	1	13	19	19	17	16
<b>Skills</b>								
NSW Skills Board	3	3	1	1	2	2	2	3
Technical and Further Education Commission*	4,434	5,246	371	378	1,602	1,726	1,842	1,776
<b>Land manager (formerly Reserve Trust)</b>								
Rookwood Necropolis Land Manager	17	16	4	3	3	3	1	1
NSW Crown Holiday Parks Land Manager	306	248	24	27	52	49	53	48
Rookwood General Cemeteries Reserve Land Manager	184	173	3	4	36	38	25	19
<b>Sports and recreation</b>								
Office of Sport	228	203	24	20	248	171	246	173
Sydney Cricket and Sports Ground Trust*	749	815	126	128	123	92	101	98
Venues NSW*	839	692	310	301	249	82	123	70
State Sporting Venues Authority*	179	174	--	--	17	133	12	93
Sydney Olympic Park Authority	2,459	2,265	31	23	198	156	142	138
Combat Sports Authority of NSW	--	--	--	--	1	1	1	1
New South Wales Institute of Sport*	6	5	3	3	20	17	19	17
<b>Water</b>								
Cobar Water Board	80	77	1	1	6	7	5	4
Water NSW	2,743	2,563	2,002	1,239	424	419	340	319
<b>Total for cluster</b>	<b>24,484</b>	<b>24,660</b>	<b>4,749</b>	<b>3,975</b>	<b>6,653</b>	<b>6,539</b>	<b>6,596</b>	<b>6,625</b>

\* Consolidated financial statements.

\*\* Audit is not yet complete.

na Year end 31 December.



## Appendix seven – Financial analysis

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Indicator	Formula	Description
<b>Adjusted net result - surplus/(deficit) (\$000)</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 can only be sustained in the long-term with supplementary funding.
<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 2018 less total expenditure 2017)/Total expenditure 2017	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.
<b>Net assets/(liabilities) (\$000)</b>	Total assets less total liabilities	Net assets/(liabilities) is the residual interest in the assets of the entity after deducting all its liabilities. A net liability position may indicate that the entity is facing a potential going concern issue.

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## OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

## OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

## OUR VALUES

**Purpose** – we have an impact, are accountable, and work as a team.

**People** – we trust and respect others and have a balanced approach to work.

**Professionalism** – we are recognised for our independence and integrity and the value we deliver.

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