

Report on Planning and Environment 2017

19 DECEMBER 2017



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

THE ROLE OF THE AUDITOR-GENERAL

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

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

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

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

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

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

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



GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 52A of the *Public Finance and Audit Act 1983*, I present a report titled **Planning and Environment 2017**.

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

Margaret Crawford

Auditor-General
19 December 2017

© Copyright reserved by the Audit Office of New South Wales. All rights reserved. No part of this publication may be reproduced without prior consent of the Audit Office of New South Wales. The Audit Office does not accept responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any of this material.

contents

Planning and Environment 2017

Section one – Planning and Environment

Executive summary	1
Introduction	4
Financial reporting and controls	6
Service delivery	13

Section two – Appendices

Appendix one – List of 2017 recommendations	29
Appendix two – Status of 2016 recommendations	30
Appendix three – Agencies selected for this volume	32
Appendix four – Financial audit reporting	34
Appendix five – Timeliness of financial reporting	37
Appendix six – Financial indicators	40

Section one

Planning and Environment 2017

This report analyses the results of the financial statement audits of Planning and Environment cluster entities for the year ended 30 June 2017



Executive summary



1. Financial reporting and controls

Financial reporting

Unqualified audit opinions were issued for 39 of the 45 cluster agencies. Issues identified during the financial statement audits of seven small agencies delayed their finalisation beyond the statutory deadline. Six of these audits remain incomplete at the date of this report.

Agencies completed early close procedures mandated by the Treasury. We noted opportunities for agencies to improve the effectiveness of these procedures.

Internal controls

One in six internal control weaknesses identified during the financial audits were repeat issues. Agencies should action audit recommendations promptly.

User administration over financial systems needs to be strengthened to prevent inappropriate access to financial information.



2. Service delivery

Housing completions

Australian Bureau of Statistics data indicates the Department of Planning and Environment achieved the Premier's priority for housing completions in 2016–17.

Increasing housing supply

Australian Bureau of Statistics data shows the Department of Planning and Environment achieved the annual target of delivering over 50,000 housing approvals over the past three years.

Major project assessment

Progress against the State priority target to reduce time taken to assess planning applications for State significant developments is difficult to determine as the measure is unclear.

Litter management

The Environment Protection Authority's data indicates that progress towards the Premier's priority target for litter reduction slowed in 2016–17.

Cultural participation

The Department of Planning and Environment's data indicates overall attendance at cultural venues and events in New South Wales increased by 16 per cent in 2015–16.



1. Financial reporting and controls

Unqualified audit opinions were issued for most cluster agencies' financial statements

Unqualified audit opinions were issued for 39 of the 45 Planning and Environment cluster agencies' 30 June 2017 financial statements, with six small agency audits incomplete at the date of this report.

Agencies would benefit from completing additional early close procedures

Early close procedures continue to facilitate the timely preparation of financial statements and completion of audits. Where required, cluster agencies complied with mandatory early close procedures set by the Treasury. We noted opportunities for agencies to improve the effectiveness of early close procedures.

Seven small agency audits were not completed by the statutory deadline

Audits of the Jenolan Caves Reserve Trust and six other small entities responsible for managing certain Aboriginal owned national parks were not completed by the statutory deadline. The delay was due to issues identified during the audits. These smaller agencies were not required to perform early close procedures. They would benefit from finalising key reconciliations and asset valuations earlier in future reporting periods.

Water and electricity utilities continue to operate with low liquidity ratios

A liquidity ratio below one is an indicator that an entity may not be able to pay its debts as and when they fall due.

Water and electricity utilities had liquidity ratios below one at 30 June 2017. However, several factors such as access to regulated revenue streams and approved debt funding limits, enable them to support ongoing operations.

State Owned Corporations are investing in capital replacement

At 30 June 2017, all four State Owned Corporations in the cluster had three-year average capital replacement ratios greater than one. This indicates assets are generally being replaced at the rate they are wearing out.

One in six internal control weaknesses identified were repeat issues

The 2016–17 financial audits identified 136 internal control weaknesses and these were reported to cluster management. Twenty-three of these were repeat issues from previous financial audits across a range of areas.

Recommendation (repeat issue)

Management letter recommendations to address internal control weaknesses should be actioned promptly with a focus on addressing repeat issues.

The integrity and security of data in financial systems continues to be a risk

Nine internal control weaknesses identified in information systems were related to the creation, modification, deletion and review of user access to financial systems. The risk of users having excessive or unauthorised access to key financial systems compromises the integrity and security of data in these systems.

Recommendation (repeat issue)

User administration over financial systems should be strengthened to prevent inappropriate access to financial information.



2. Service delivery

The housing completions target was achieved in 2016–17

Australian Bureau of Statistics data indicates 63,506 houses were completed in 2016–17. This was 4.1 per cent above the Premier's priority target of delivering 61,000 housing completions per year.

The housing approvals target was achieved for the third consecutive year

Australian Bureau of Statistics data shows the number of approvals for new houses in 2016–17 was 72,472. This was 45 per cent above the State priority target of delivering more than 50,000 housing approvals per year. The Department of Planning and Environment has achieved the housing approvals target in each of the past three years.

State significant developments are not clearly defined in the State priority target

One State priority target is to halve the time taken to assess planning applications for State significant developments by March 2019. It is unclear which State significant developments are captured by this target as the Department of Planning and Environment reports on two separate measures in its annual report. The Department of Planning and Environment advised it will clarify requirements with the Department of Premier and Cabinet. Consequently, it is difficult to assess the Department of Planning and Environment's progress against this target.

Progress towards the Premier's priority target for litter reduction slowed in 2016–17

A Premier's priority target is to reduce the volume of litter by 40 per cent by 2020. This equates to a litter volume target of 4.2 litres per 1,000 square metres by 2020. The Environment Protection Authority's data shows the litter volume in New South Wales was 6.6 litres per 1,000 square metres in 2016–17, an increase of 16 per cent from the prior year.

Attendance at cultural venues increased by 16 per cent in 2015–16

A State priority target is to increase attendance at cultural venues and events in New South Wales by 15 per cent by 2019. The Department of Planning and Environment's data shows overall attendance increased from 13.3 million in 2014–15 to 15.4 million in 2015–16, although attendance fluctuated across individual venues and events.



1. Introduction

This report provides Parliament and others with the audit results, observations and recommendations for Planning and Environment cluster agencies. The report has been structured into two chapters focussing on financial reporting and controls and service delivery.

The Planning and Environment cluster plays a role in ensuring each community across New South Wales receives the services and infrastructure it needs.



* Brett Whiteley Foundation and Art Gallery of NSW Foundation are entities associated with, but not controlled by the Art Gallery of New South Wales Trust. The results of these audits were reported in the Auditor-General's October 2017 Report on State Finances.

** Further information on the Office of Local Government will be included in the Local Government Auditor-General's Report to Parliament due to be tabled in March 2018.

1.1 Snapshot of the cluster

A snapshot of the financial results of the Planning and Environment cluster for the year ended 30 June 2017 is shown below.



1.2 Changes to the cluster

The Planning and Environment cluster (the Cluster) was impacted by the following agency and staff changes effective 1 April 2017 arising from the 'Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017':

- employees principally involved in the administration of legislation allocated to the Minister for the Arts (including the provision of support for the portfolio responsibilities of the Minister for the Arts) were transferred from the Department of Justice to the Department of Planning and Environment (the Department)
- employees principally involved in the administration of legislation allocated to the Minister for Resources and the Minister for Energy and Utilities (including the provision of support for the portfolio responsibilities of those Ministers) were transferred from the Department of Industry to the Department
- the following agencies transferred to the Cluster from the Justice cluster:
 - Art Gallery of New South Wales
 - Australian Museum Trust
 - Australian Institute of Asian Culture and Visual Arts Ltd
 - Library Council of New South Wales
 - Trustees of the Museum of Applied Arts and Sciences
 - Sydney Opera House Trust.
- the following agencies transferred to the Cluster from the Industry cluster:
 - Coal Innovation NSW Fund
 - Essential Energy
 - Hunter Water Corporation
 - Sydney Water Corporation.
- UrbanGrowth NSW Development Corporation was transferred from the Cluster to the Premier and Cabinet cluster.



2. Financial reporting and controls

This chapter outlines our audit observations and recommendations related to financial reporting and controls of Planning and Environment cluster agencies for 2016–17.

Observation	Conclusion or recommendation
2.1 Quality of financial reporting	
Unqualified audit opinions were issued for 39 of the 45 cluster agencies' financial statements.	<p>Issues identified during the financial statement audits of seven smaller agencies delayed their completion. Six audits remain incomplete at the date of this report.</p> <p>Apart from these seven small agency audits, the quality of financial reporting across the cluster remained at a high standard.</p>
2.2 Timeliness of financial reporting	
Seven agencies' financial statement audits were not completed by the statutory deadline with six audits incomplete at the date of this report.	<p>Issues identified during the financial statement audits of seven smaller agencies delayed their finalisation beyond the statutory deadline. These agencies would benefit from performing additional early close procedures in future reporting periods.</p>
2.3 Financial and sustainability analysis	
Water and Electricity utility agencies continue to operate with low liquidity ratios.	<p>A liquidity ratio below one is an indicator that an entity may not be able to pay its debts as and when they fall due.</p> <p>Whilst liquidity ratios were below one, utility agencies demonstrated they can continue to support ongoing operations due to:</p> <ul style="list-style-type: none">• access to regulated revenue streams• assets with long useful lives to generate revenue• debt funding limits approved by the NSW Treasurer under <i>the Public Authorities (Financial Arrangements) Act 1987</i>.
2.5 Internal controls	
One in six internal control weaknesses reported in 2016–17 were repeat issues.	<p>Delays in implementing audit recommendations can prolong the risk of fraud and error.</p> <p>Recommendation (repeat issue): Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.</p>
Nine of these internal control weaknesses related to the creation, modification, deletion and review of user access to financial systems.	<p>These control weaknesses may compromise the integrity and security of financial data.</p> <p>Recommendation (repeat issue): Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information.</p>

2.1 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued for most cluster agencies' financial statements

Unqualified audit opinions were issued for 39 of the 45 cluster agencies' 30 June 2017 financial statements. Sufficient audit evidence was obtained to conclude the financial statements of these 39 agencies were free of material misstatements.

The audits of the following smaller agencies' financial statements were incomplete at the date of this report:

- Biamanga National Park Board of Management
- Gaagal Wanggaan (South Beach) National Park Board of Management
- Gulaga National Park Board of Management
- Mt Grenfell Historic Site Board of Management
- Mutawintji National Park Board of Management
- Worimi Conservation Lands Board of Management.

These entities are collectively referred to as the Boards of Management in this report.

Further details on these incomplete audits are provided below in the section 'Timeliness of financial reporting'.

Key audit issues

Challenges in valuing cultural, scientific and heritage collection assets

The nature of some collection assets presents cultural institutions with challenges in assessing their fair value in accordance with Australian Accounting Standards and the Treasury policy.

Valuing such assets requires detailed record keeping and involves significant estimates and judgements by management and experts. The valuation becomes complex as there are often no active markets and/or reliable valuation techniques for some items. Where a market valuation is not possible, collection assets can be valued on a current replacement cost basis. Past audits have identified instances where estimates of replacement cost were not appropriately supported.

The Australian Museum has not yet valued 9.6 million unregistered collection items. Management advised these collection items cannot be reliably measured. This has been reported as a repeat high risk audit issue to management and those charged with governance of the Museum.

The Museum is due to complete a comprehensive valuation of its collection assets by 30 June 2018. Museum management advised they are preparing an updated valuation methodology in collaboration with the Council of Australasian Museum Directors. As part of this process, it expects to assess the fair value of collection items that have not previously been valued.

The Australian Museum's electronic collections database remains incomplete

The Australian Museum estimates it has approximately 18.4 million collection items. To date, it has registered in its electronic database 8.8 million items in 1.9 million individual records. It estimates an additional 700,000 records will be required to register the remaining 9.6 million collection items and expects this will take several years to complete. The Museum advises that the rate of registration is dependent on resources available.

The absence of a complete electronic collection database may impact the Museum's ability to discharge its stewardship responsibilities over its collections. Incomplete electronic records may impact its ability to support research, host exhibitions and facilitate exchange of collections with other institutions efficiently.

2.2 Timeliness of financial reporting

Financial audits of seven smaller agencies were not completed by the statutory deadline

Audits of the financial statements of six Boards of Management listed in the 'Audit opinions' section above were incomplete at the date of this report. This was mainly due to:

- most Board members not returning their completed KMP questionnaires in a timely manner. The Office of Environment and Heritage (OEH) was required to undertake additional work to identify related party transactions that may require disclosure in the financial statements
- numerous accounting issues identified during the audits whereby transactions were recorded in the incorrect financial reporting period.

The audit of the Jenolan Caves Reserve Trust was not completed by the statutory deadline. The delay was due to issues with the comprehensive revaluation of caves infrastructure assets. These issues included:

- significant delays in the provision of documentation supporting the revaluation
- inadequate documentation by Trust management
- the identification of significant audit adjustments requiring correction in the financial statements.

Due to their relatively small size, the seven agencies mentioned above were not required by the Treasury to complete early close procedures. The OEH did provide a proforma of the Boards' financial statements for audit review before year end.

These seven smaller agencies would benefit from performing additional early close procedures in future reporting periods, such as:

- performing regular reconciliations for key account balances
- reinforcing the importance of KMPs returning completed questionnaires promptly
- conducting asset valuations before year end.

Appendix five of this report shows which cluster agencies met financial reporting deadlines.

Cluster agencies would benefit from completing additional early close procedures

Planning and Environment cluster agencies complied with mandatory early close procedures set by the Treasury. However, some agencies can improve the effectiveness of early close procedures by:

- pro-actively identifying and assessing the impact of significant and complex transactions
- reconciling and reviewing key account balances in a timely manner
- assessing the impact of new and revised accounting standards
- compiling adequate working papers to support revaluations of property, plant and equipment to allow for an efficient and effective audit before year end
- reconciling inter-agency balances and transactions with other government agencies.

Adopting early close procedures facilitates the early resolution of accounting issues, reduces pressure on reporting timelines and staff at year end and reduces the risk of errors in the financial statements.

2.3 Financial and sustainability analysis

The table below summarises the performance of State Owned Corporations (SOCs) in the cluster against some key financial indicators in 2016–17.

Year ended 30 June 2017	Liquidity	Gearing	Capital replacement
State owned corporation	times	%	Three-year average
Landcom (trading as UrbanGrowth NSW)	3.4	na	1.6
Essential Energy	0.4	69	1.3
Hunter Water Corporation	0.4	48	2.0
Sydney Water Corporation	0.4	50	2.4

na SOC does not have borrowings.

Note: Refer to Appendix six for definitions of the above ratios.

Source: 2016–17 financial statements (audited).

Utility agencies continue to operate with low liquidity ratios

A liquidity ratio of more than one usually indicates sufficient resources are available to settle short-term liabilities when they fall due.

Liquidity ratios of the utility agencies (i.e. Essential Energy, Hunter Water Corporation and Sydney Water Corporation) were less than one at 30 June 2017. However, there are several factors that enable these entities to support ongoing operations, such as:

- access to regulated revenue streams
- assets with long useful lives to generate revenue
- debt funding limits approved by the NSW Treasurer under the *Public Authorities (Financial Arrangements) Act 1987*.

Landcom had a liquidity ratio of 3.4 times, primarily because it has accumulated substantial cash reserves after being granted a dividend holiday by the NSW government for 2015–16 and 2016–17.

Water utilities had gearing ratios below the regulatory benchmark

Both water utilities operated with gearing ratios (proportion of debt in total financing) below the Independent Pricing and Regulatory Tribunal's (IPART) 60 per cent benchmark at 30 June 2017. IPART considers gearing of 60 per cent to be optimal. The Australian Energy Regulator (AER) also uses a 60 per cent benchmark for government electricity utilities. Essential Energy was operating with a gearing ratio of 69 per cent at 30 June 2017.

All State Owned Corporations had three-year average capital replacement ratios above one

The capital replacement ratio is a long-term indicator. Capital expenditure can be deferred in the short-term, if for example, insufficient funds are available. Entities with ratios lower than one over the long-term may be under-investing in the assets they require for service delivery.

At 30 June 2017, all four SOCs in the cluster had three-year average capital replacement ratios of more than one. This means assets are generally being replaced as they wear out.

2.4 Key financial information

The combined net surplus across the cluster was \$995 million

The cluster recorded an overall net surplus (after deducting income tax equivalents for the SOCs) of \$995 million in 2016–17, \$113 million higher than the \$882 million net surplus recorded in 2015–16. The large net surplus was primarily due to the 2016–17 results of the SOCs.

The overall net surplus in 2016–17 mainly comprised:

- Sydney Water Corporation's net profit after tax of \$447 million (\$548 million in 2015–16)
- Landcom's net profit after tax of \$168 million (\$162 million)
- the Department of Planning and Environment's (the Department) net surplus of \$113 million (\$54 million). This was primarily attributable to increased contributions from developers due to strong growth in development projects
- Essential Energy's net profit after tax of \$50.0 million (loss after tax of \$1.2 million)
- Hunter Water Corporation's net profit after tax of \$54.8 million (\$38.3 million).

The water utilities combined net profit after tax decreased by \$84.5 million in 2016–17 to \$502 million (\$586 million in 2015–16). This was largely due to changes in water prices determined by IPART for customers of Sydney Water Corporation. IPART reduced the 2016–17 water usage, fixed water and wastewater service charges for most customers.

Appendix four of this report details key financial information for Planning and Environment cluster agencies.

Total expenses in the cluster fell by \$382 million in 2016–17

The decline in cluster expenditure in 2016–17 was mainly due to a decrease in funding by \$328 million to the Office of Local Government (OLG). Significant one-off funding was provided to OLG in 2015–16 for the local government reforms.

The Department received \$1.2 billion in appropriations from the NSW Government's Consolidated Fund in 2016–17 and provided \$941 million in grants and contributions to 15 cluster agencies to fund their recurrent and capital budgets. The OEH and OLG received most of this funding at \$474 million and \$150 million respectively.

Cluster agencies' total assets increased by \$1.7 billion

Total cluster assets increased from \$47.9 billion at 30 June 2016 to \$49.6 billion at 30 June 2017. The increase was primarily due to asset revaluations, the transfer of Arts NSW assets from the Department of Justice to the Department and capital investments incurred by utility agencies.













Distributions to the NSW Government fell by \$85 million

SOCs reported total distributions of \$954 million (\$1,039 million in 2015–16) to the NSW Government in 2016–17. This decrease was mainly due to Sydney Water Corporation's lower underlying result, which reduced its 2016–17 distribution by \$109 million.

2.5 Internal controls

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. Deficiencies in internal controls, matters of governance interest and unresolved issues identified during the audits are reported to management and those charged with governance of the cluster agency. Audit management letters include observations, related implications, risk assessment and recommendations.

The table below summarises management letter issues across all Planning and Environment cluster agencies by category and risk rating.

Category	Risk Rating	Issue
Information technology	 Moderate: 9 new, 4 repeat  Low: 4 new, 1 repeat	<p>The financial audits identified opportunities for agencies to improve information technology (IT) processes and controls that support the integrity of financial data used to prepare agencies' financial statements. The audits noted issues with:</p> <ul style="list-style-type: none"> • user access administration • password security • security management.
Internal control deficiencies or improvements	 Moderate: 21 new, 3 repeat  Low: 19 new, 1 repeat	<p>The financial audits identified internal control weaknesses in some key business processes, including:</p> <ul style="list-style-type: none"> • lack of segregation of duties • purchase orders raised after goods were received • non-performance and review of key reconciliations.
Financial reporting	 High: 1 repeat  Moderate: 17 new, 2 repeat  Low: 26 new, 3 repeat	<p>The financial audits identified opportunities for agencies to strengthen financial reporting.</p> <p>The high risk repeat matter related to the Australian Museum's revaluation of collection items.</p>
Governance and oversight	 Moderate: 4 new, 2 repeat  Low: 1 new, 1 repeat	<p>The financial audits identified opportunities for agencies to improve governance and oversight processes, including issues associated with:</p> <ul style="list-style-type: none"> • outdated policies and procedures • the lack of project and contract registers.
Non-compliance with key legislation and/or central agency policies	 High: 4 new  Moderate: 3 new, 2 repeat  Low: 5 new, 3 repeat	<p>The financial audits identified breaches of the:</p> <ul style="list-style-type: none"> • <i>Government Information (Public Access) Act 2009</i> • <i>Public Authorities (Financial Arrangements) Act 1987.</i> <p>The high risk issues mainly related to outdated legislative compliance policies and registers.</p>



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.

Cluster agencies certified the effectiveness of internal controls over financial information

In 2016–17, the Department assigned its Executive Director Finance as the CFO for a range of small cluster agencies. The CFOs of cluster agencies certified internal controls over financial information for 2016–17 as required by TPP17-06 'Certifying the Effectiveness of Internal Controls

Over Financial Information'. This certification provided the agency head and the Treasury with assurance that financial controls were adequate for financial reporting purposes. For the financial audits that were complete at the date of this report, the agency heads obtained this assurance before signing the 2016–17 financial statements.

Last year's Auditor-General's Report to Parliament recommended that cluster agency CFOs certify the effectiveness of internal controls before agency heads sign the financial statements.

Five high risk internal control deficiencies identified in 2016–17

The 2016–17 financial audits identified five high risk issues across the cluster agencies. Four of these related to outdated legislative compliance policies and registers. A robust legislative compliance framework and supporting policies are important to ensure agencies' compliance with relevant legislation. The remaining high risk issue was a repeat matter relating to the Australian Museum's valuation of collection items. More information on this issue is provided earlier in this report under the section 'Key audit issues'.

One in six internal control weaknesses reported were repeat issues

Recommendation (repeat issue)

Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.

The 2016–17 financial audits of cluster agencies identified 136 internal control weaknesses. These were reported to management with recommendations to address them. Twenty-three of these were repeat issues from previous financial audits. Management of the relevant agencies responded to these findings and have agreed to implement additional controls to address the deficiencies identified.

A delay in implementing audit recommendations can prolong the risk of fraud and error. It also impacts on the quality of financial information and the effectiveness of decision making and exposes an agency to the risk of financial loss.

The integrity and security of data in financial systems continues to be a risk

Recommendation (repeat issue)

Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information.

Nine of the 18 internal control weaknesses identified in information systems were related to the creation, modification, deletion and review of user access to financial systems. Five of these control weaknesses related to agencies transferred into the Planning and Environment cluster from 1 April 2017 as a result of the 'Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017'.

The risk of users having excessive or unauthorised access to key financial systems compromises the integrity and security of data in these systems.

The Department advised it has initiatives in place to address these issues, including:

- improving how it grants user access, including administration/privileged access
- implementing a SAP toolset which reports on user accounts, user access levels, high risk access, access combinations and appropriateness
- better managing SAP account terminations and user account expiration dates for contingent labour
- consolidating HR data into a single system and generating regular termination reports to ensure terminated staff are promptly removed from the system
- regular review and update of Information and Communications Technology Acceptable Use Policy.



3. Service delivery

This chapter outlines our audit observations, conclusions and recommendations relating to service delivery for 2016–17.




Observation	Conclusion or recommendation
3.1 Premier's and State priorities	
The Planning and Environment cluster is responsible for delivering five Premier's and State priorities.	One priority target was achieved in 2016–17, two targets are on track to be achieved and progress towards one target slowed. Progress against one target cannot be determined.
3.2 Planning	
Housing completion	
There were 63,506 housing completions in 2016–17. This was 4.1 per cent above the Premier's priority target of delivering 61,000 housing completions per year.	The Australian Bureau of Statistics data shows the housing completions target was achieved in 2016–17.
Housing supply	
The number of approvals for new houses in 2016–17 was 72,472 against the State priority target of more than 50,000 approvals per year.	The Australian Bureau of Statistics data indicates the housing approvals target was achieved in 2016–17.
Major project assessment	
State significant developments are not clearly defined for the purposes of reporting against the State priority target.	The Department of Planning and Environment will clarify with the Department of Premier and Cabinet which developments are captured by the State priority target.
The Department of Planning and Environment's data shows the time taken to assess complex State significant developments increased by 16 per cent in 2016–17 while the time taken to assess less complex developments reduced by 20 per cent.	The Department of Planning and Environment considers it is on track to meet the State priority target of halving the time taken to assess State significant developments, despite uncertainty over the target measure.
Housing acceleration fund	
Program business cases were not developed for projects in Housing Acceleration Fund Rounds 1 to 4.	A program business case is necessary to ensure related projects are evaluated, managed and coordinated effectively.
The Department advised a program business case will be developed for Housing Acceleration Fund Round 5 projects.	
A benefit realisation review process has not yet been approved for Housing Acceleration Fund projects.	A benefit realisation review process is necessary to determine whether funded projects achieved intended outcomes.
The Department of Planning and Environment advised it is developing a benefit realisation review process.	

Observation	Conclusion or recommendation
Greater Sydney Commission	
The Greater Sydney Commission forecasts a further 725,000 dwellings in the greater Sydney region will be required up to 2036 to meet housing demand.	In response to population growth, the Commission has set a five-year housing supply target of 189,100 houses across the five Greater Sydney Commission districts.
ePlanning system	
The Department of Planning and Environment did not perform a benefit realisation review for phase one of the ePlanning project. It has committed to performing a benefit realisation review after completion of phase two in 2018.	It cannot be determined if phase one of the project delivered expected outcomes as a benefit realisation review was not performed.
3.3 Environment and Heritage	
Litter volume in New South Wales was 6.6 litres per 1,000 square metres in 2016–17, an increase of 16 per cent from the prior year. This is above the Premier's priority litter volume target of 4.2 litres per 1,000 square metres by 2020.	The Environment Protection Authority's data indicates the progress towards the target of reducing the volume of litter by 40 per cent by 2020 has slowed.
The NSW Government plans to invest \$240 million to facilitate strategic biodiversity conservation on private land.	Performance measures have not yet been developed for the private land conservation program.
3.4 Water	
IPART reduced water usage charges for most Sydney Water Corporation customers in 2016–17.	Water usage prices in New South Wales compare favourably to larger water utilities in other jurisdictions.
Hunter Water Corporation's water recycling and water conservation performance has been stable over recent years.	Sydney Water Corporation experienced reduced industry demand for recycled water. Several large industrial customers relocated away from Sydney.
The volume of Sydney Water Corporation's recycled water reduced by 12 per cent in 2016–17 compared to the previous year.	
3.5 Arts and Culture	
A State priority target is to increase overall attendance at cultural venues and events in New South Wales by 15 per cent from 2014–15 levels by 2019.	The Department of Planning and Environment's data indicates overall attendance increased by 16 per cent in 2015–16, although attendance fluctuated across individual venues and events. This indicates progress towards achieving the overall target by 2019.

3.1 Premier's and State priorities

Variable performance by cluster agencies against key priorities

The NSW Government released Premier's and State Priorities 'NSW: Making it Happen' in September 2015. The Planning and Environment cluster is the lead cluster responsible for delivering five key priorities. The table below provides a snapshot of cluster agencies' performance against the priorities' targets.

Key priorities	Targets	
Planning		
Making housing more affordable	Deliver 61,000 housing completions on average per year to 2021.	—
Increasing housing supply	Deliver more than 50,000 housing approvals every year.	✓
Accelerating major project assessment	Halve the time taken to assess planning applications for State significant developments.	*
Environment and Heritage		
Keeping our environment clean	Reduce the volume of litter by 40 per cent by 2020.	!
Arts		
Increasing cultural participation	Increase attendance at cultural venues and events in New South Wales by 15 per cent by 2019.	—
 Target met  On track to meet target  Progress towards target slowed		

* Progress against this target is difficult to determine as the target measure is unclear.

Source: NSW State and Premier's Priorities 'Making it Happen' and Department of Planning and Environment (unaudited).

The performance of cluster agencies against these priorities and targets is analysed in this chapter. Most analysis is performed on unaudited data provided by cluster agencies.

3.2 Planning

The Planning and Environment cluster plays a role in addressing the challenge of housing affordability. It aims to do this by increasing housing supply, accelerating major project assessments and simplifying the planning system.

Housing completion

The housing completion target was achieved in 2016–17

Australian Bureau of Statistics data shows 63,506 new houses were completed across the State in 2016–17. This was 4.1 per cent above the Premier's priority target of 61,000 housing completions on average per year to 2021, with 2016–17 as the baseline year.

The chart below shows the trend in housing completions over the past three years.



Source: Australian Bureau of Statistics (unaudited).

The Premier's affordable housing priority aims to ensure enough homes are built to meet the needs of a growing population. To support the Premier's commitment to deliver 61,000 housing completions on average per year to 2021, the Department focuses on the following two targets:

- 90 per cent of housing approvals determined within 40 days by 2019
- State-led rezoning for 10,000 additional dwellings on average per year in appropriate areas to 2021.

More to be done to achieve the target for faster housing approvals

The Department's unaudited data shows housing approvals determined within 40 days increased from 73 per cent in 2015–16 to 77 per cent in 2016–17. This remains below the 2019 target of 90 per cent of housing approvals determined within 40 days.

The Department advised it has taken steps to influence the behaviour of councils across New South Wales and remove procedural impediments to reducing housing approval timeframes. These include:

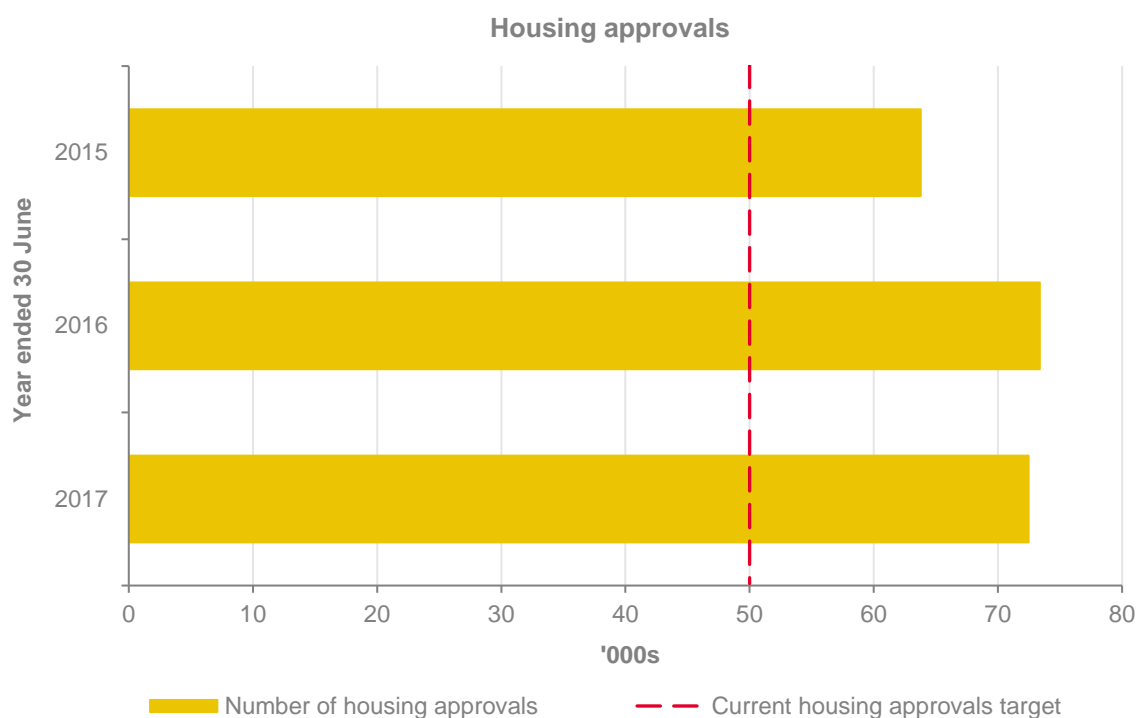
- the Development Assessment Best Practice Guide released in March 2017. The aim of this guide is to support councils in streamlining the housing approval process
- a new simplified Housing Code replacing the General Housing Code in July 2017. The new Housing Code aims to encourage the uptake of complying developments by more clearly setting out planning rules
- an 'Explanation of Intended Effect for a new Medium Density Housing Code' for complying development was placed on public exhibition in 2016. The Department advised this will be finalised in 2018 following consideration of submissions received during the public exhibition period
- expansion of the NSW Planning Portal (also referred to as the ePlanning system) to enable online lodgement of housing applications. The ePlanning system is discussed later in this chapter.

Increasing housing supply

The Department continues to meet the housing approvals target

The Australian Bureau of Statistics reported the number of new housing approvals in 2016–17 was 72,472, slightly below the previous year of 73,385. Approvals in 2016–17 were 45 per cent above the State priority target of delivering more than 50,000 housing approvals per year.

The chart below shows the Department achieved the housing approvals target in the past three years.



Source: Australian Bureau of Statistics (unaudited).

The Department advised it is developing planning strategies to provide additional housing along transport corridors and rezone and release more land to create new communities. It advised it is continuing efforts to drive cross-agency collaboration with the aim of increasing housing supply. Key initiatives include:

- the NSW Government's \$2.5 billion (including \$1.6 billion in the 2017–18 budget) investment in the Housing Acceleration Fund to deliver enabling infrastructure for housing. This is discussed further below
- development of 12 new Special Infrastructure Contribution plans to accompany the NSW Government's priority precinct program in 2016–17. The plans aim to ensure infrastructure needs identified for priority growth areas can be funded
- leading population analysis and building awareness across government on opportunities and threats arising from population change
- establishing housing data sharing agreements with key government agencies such as Sydney Water Corporation
- implementing a consultation program to inform the Sydney Housing Supply Forecast.

Major project assessment

State significant developments are not clearly defined in the State priority target

One State priority target is to halve the time taken to assess planning applications for State significant developments by March 2019.

Currently, the Department reports in its annual report:

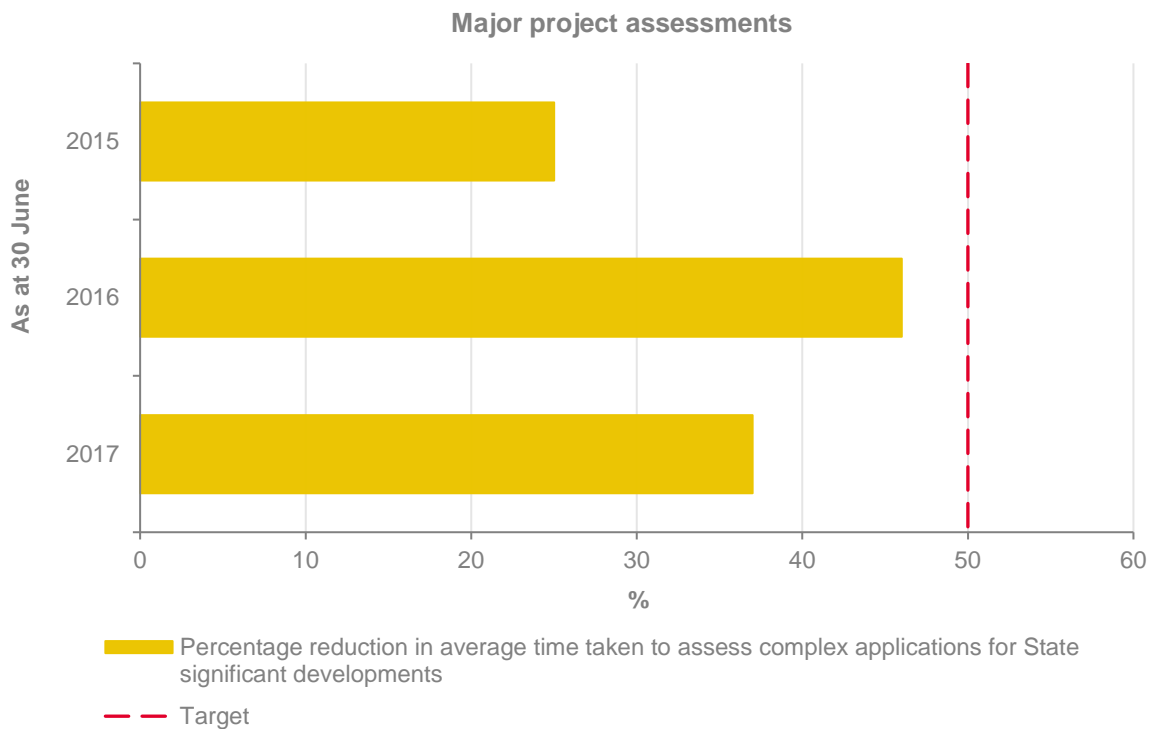
- the average time taken to assess the most complex State significant developments, which are predominantly major resources proposals. It also reports this information to the Department of Premier and Cabinet (DPC) which helps to coordinate progress reporting on Premiers' and State priorities
- the average time taken to assess other less complex State significant developments. The Department does not report this information to DPC.

The Department advised it is unclear which State significant developments are meant to be included in and reported against the State priority target. Therefore, assessing progress against the target is difficult. It plans to clarify its reporting requirements with DPC.

The Department advised it is on track to meet the State priority target by March 2019 when considering the combined results of both complex and less complex State significant developments.

Time taken to assess complex State significant developments increased in 2016–17

The Department's unaudited data indicates the average time taken to assess the most complex State significant developments increased by 16 per cent from 373 days at 30 June 2016 to 432 days at 30 June 2017. Whilst performance has slipped compared to the previous year, it represents a 37 per cent reduction (46 per cent reduction as at 30 June 2016) in the time taken to assess these applications from the baseline of 688 days as at November 2014. This trend is demonstrated in the chart below.



Source: Department of Planning and Environment (unaudited).

The Department attributes the 2016–17 increase in overall assessment time for complex State significant developments primarily to extended assessment and exhibition times for projects such as Bylong Coal, Narrabri Gas and Hume Coal. The Department advised the extended timeframes were required to address community concerns and complete legal proceedings for some major

resource projects. The Department also provided the public more time to consider Environment Impact Statement material.

Time taken to assess less complex State significant developments reduced in 2016–17

The Department's unaudited data shows that for less complex State significant developments, the average assessment time reduced by 20 per cent from 207 days at 30 June 2016 to 165 days at 30 June 2017. This represents a 45 per cent reduction from the baseline of 298 days as at November 2014.

To help achieve the State priority target, the Department advised it has commenced reform of the assessment process, including:

- introducing new assessment processes, policies and guidelines
- increasing the capacity and capability of the assessment team
- allocating funds for independent expert peer review of complex technical matters
- introducing and monitoring targets for each stage of the assessment process
- driving cross-agency collaboration, which includes deploying case managers (with support from the DPC) to bring a whole-of-government focus to assessments, and working with senior officers from other agencies to resolve issues earlier in the assessment process.

Legislative amendments are expected to reduce major project assessment timeframes

The Department advised the proposed amendments to the *Environmental Planning and Assessment Act 1979* aim to reduce the two-stage Planning Assessment Commission (the Commission) process (review and determination) to a single-stage process (determination). It expects this will reduce end-to-end assessment timeframes by up to 70 days.

The Commission is a panel of experts appointed by the Minister for Planning (the Minister) that reviews and determines applications for major developments. The Commission also provides advice to the Minister or the Secretary of the Department on planning and development matters.

The Auditor-General's January 2017 performance audit '[Assessing major development applications: Planning Assessment Commission](#)' found the Commission improved its decision-making processes for major development applications in recent years. However, the Commission needs to ensure it makes decisions in a consistent and transparent manner. The report recommended the Commission work with the Department to ensure applications are referred to the Commission earlier in the process and assessment reports cover matters that Commissioners consider important in assessing projects.

Housing acceleration fund

The Department is the sponsor of the Housing Acceleration Fund

The Housing Acceleration Fund (HAF) was established in 2012. The total budget allocation up to and including the 2017–18 State budget is \$2.5 billion. HAF aims to deliver critical enabling infrastructure to stimulate and accelerate housing development in New South Wales. NSW Government agencies and utilities, councils and private sector developers can participate in HAF.

The Department is the sponsor for HAF. It is responsible for identifying and selecting HAF projects and obtaining funding reservation and approval for them. The Department advised 12 projects, which were predominantly related to roadworks and the wastewater network, have been completed since commencement of HAF. Five projects were in progress at the date of this report.

Frameworks have been developed to support the Housing Acceleration Fund

Two frameworks have been developed since the establishment of the HAF. The first framework was used to allocate and monitor funding used by HAF Rounds 1 to 4 projects. This framework was approved by the NSW Government's Expenditure Review Committee (ERC). More recently, a prioritisation framework was developed for HAF Round 5 projects. This framework aims to ensure all funded projects are aligned with defined HAF objectives and subject to project assurance processes administered by Infrastructure NSW (INSW).

A new HAF Executive Steering Committee, comprising senior officers from the Department, INSW, the Treasury and DPC, was established and met for the first time in July 2017. This Committee now oversees project selection and funding allocation for HAF projects.

The Department advised it will not nominate any new projects for HAF Rounds 1 to 4. HAF Round 1 projects are expected to complete by June 2018.

No program business cases were developed for HAF Rounds 1 to 4 projects

The Department advised a program business case to guide how related projects are evaluated, managed and coordinated, was not developed for HAF Rounds 1 to 4. It advised a program business case is being developed for HAF Round 5 projects. Nominated projects for HAF Round 5 will be assessed and prioritised by the HAF Executive Steering Committee, and relevant project assurance documents will be submitted to INSW by early 2018. Once endorsing the project selections and funding requirements, INSW will brief the Treasury and the funding request will be submitted for ERC approval.

The Department expects that HAF Round 5 projects will contribute to achieving the Premier's priority target of completing 61,000 houses on average per year to 2021.

A benefit realisation process has not yet been approved

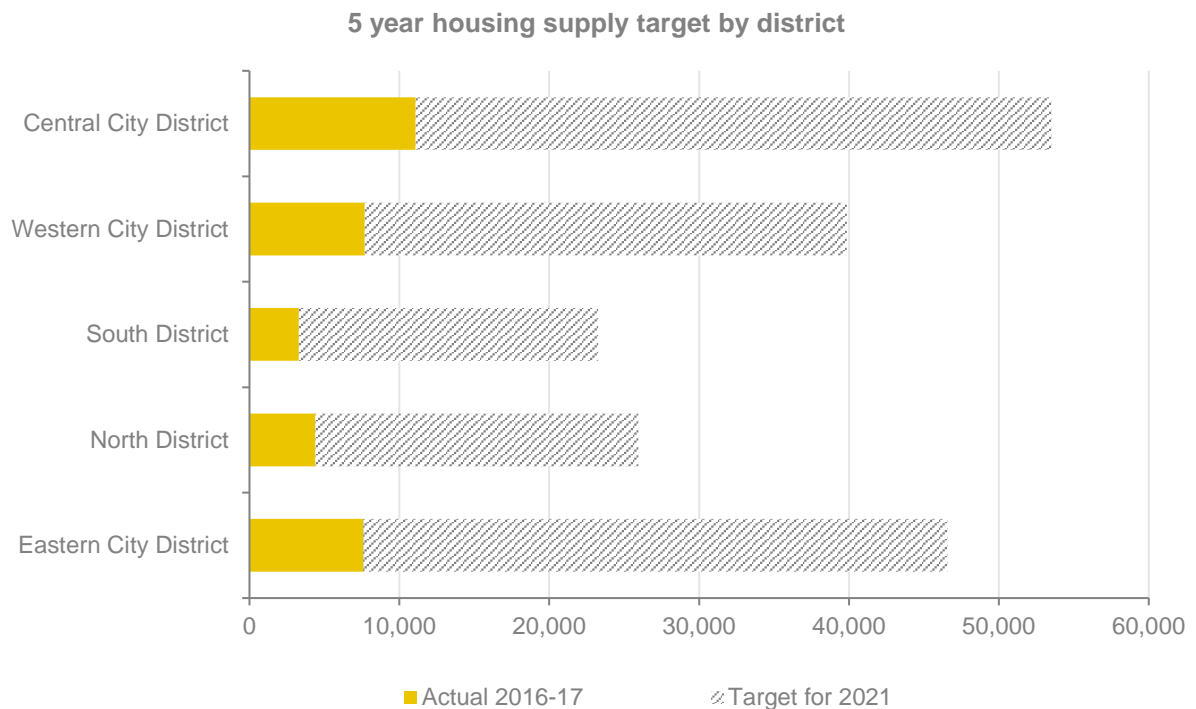
The Department advised a benefit realisation process for HAF Rounds 1 and 2 was under development at the date of this report. It advised the key measurement will be the number of dwellings delivered on the ground. Each HAF project has a target number of dwellings at the time project funding is approved. The Department advised it will provide the methodology for determining dwellings delivered on the ground to the HAF Executive Steering Committee for endorsement in late 2017.

Greater Sydney Commission

Five-year housing supply targets by district have been developed

The Greater Sydney Commission's (Commission) role in housing supply is to work with councils and NSW Government agencies to develop housing supply targets. The Commission forecasts a further 725,000 dwellings will be required up to 2036 to meet housing demand. In response to population growth, the Commission has set a five-year housing supply target of 189,100 houses (or more than 37,000 per year on average) across the five Greater Sydney districts by 2021. The Commission advised the total new housing supply across all five districts was 34,091 in 2016–17.

The chart below shows each district's progress towards the housing supply target.



Source: Greater Sydney Commission (unaudited).

The Commission launched its first draft regional plan in October 2017

The Commission advised that its draft regional plan is built on a vision where the people of Greater Sydney live within 30 minutes of their jobs, education and health facilities and services. The Commission plans to achieve this by transforming Greater Sydney into a metropolis of three cities - the Western Parkland City, the Central River City and the Eastern Harbour City.

Draft district plans are a guide for implementing the draft regional plan at a district level, and are a bridge between regional and local planning. Both the draft district plans and the draft regional plan were on exhibition until 15 December 2017.

ePlanning system

A comprehensive benefit realisation review of ePlanning phase one was not performed

The NSW Planning Portal (ePlanning) provides public access to planning related information and services. Phase one of the ePlanning project was completed in June 2016. The Department advised that the planned benefit realisation review for phase one, to assess whether the project had delivered intended benefits, was not undertaken. Instead, the Department sponsored a Gateway Health Check (GHC) in January 2017 as a mid-stream insight into phase two of the project. It advised that the GHC is a process which provides a point-in-time insight into areas which may compromise completion of the next stage of the project or could affect project outcomes.

The Department advised the GHC identified improvement opportunities, including:

- conducting a risk workshop to update the risk register and further inform project planning
- developing a strategy for the closure of phase two
- prioritising stakeholder engagement to ensure that internal and external stakeholders understand the impacts of the ePlanning portal on their business operations
- finalising and reviewing the benefit realisation plan to ensure that the identified benefits are realistic, measurable and can be tracked.

The Department advised a benefit realisation review will be conducted following completion of phase two of the ePlanning project, expected late 2018.

Phase two of the ePlanning system is expected to complete by the end of 2018

The Department has spent \$10.4 million up to 30 June 2017 on phase two of the ePlanning project. The budget for phase two is \$26.8 million. The Department undertook user acceptance testing with councils, which identified issues to be addressed prior to an online lodgement pilot commencing in the first quarter of 2018.

Phase two of the ePlanning project aims to improve:

- access to spatial data
- data capture for housing activity, which will assist in forward planning of State infrastructure
- the quality of applications to councils and certifiers
- development application processing timeframes
- transparency of the assessment process.

The Department has commenced phase three of the ePlanning project

The third phase of the ePlanning project commenced in September 2017 and is expected to be completed in June 2019. It has a budget of \$5.0 million. Phase three includes integration of State infrastructure contributions into the planning portal and the creation of an integrated electronic workflow for local environmental planning.

3.3 Environment and Heritage

The Planning and Environment cluster works with the New South Wales community to care for and protect the State's environment and heritage. Key focus areas include litter management and biodiversity reforms.

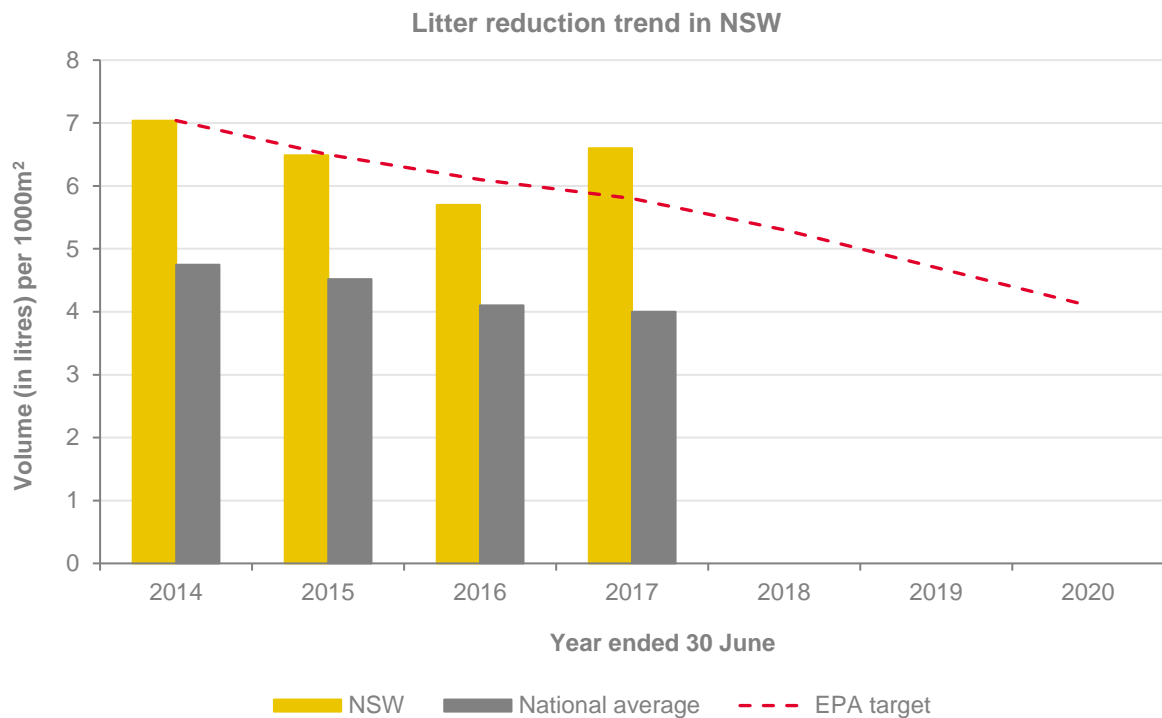
Litter management

Progress towards the Premier's priority target for litter reduction has slowed

The State Plan 'NSW: Making it Happen' includes a Premier's priority to reduce the volume of litter by 40 per cent by 2020. This equates to a litter volume target of 4.2 litres per 1,000 square metres by 2020.

According to the Keep Australia Beautiful National Litter Index (the Index), litter volume in New South Wales was 6.6 litres per 1,000 square metres in 2016–17, an increase of 16 per cent from the prior year. The 2016–17 litter volume was also above the target set by the Environment Protection Authority (EPA) and the national average. The EPA advised almost half of the increase was due to one litter category - plastic industrial containers (i.e. large oil containers). This category is not targeted through the EPA's litter prevention programs.

The graph below indicates that progress towards the 2020 target for litter reduction has slowed:



Note: Targets are based on EPA targets for its Litter Prevention Program.

Source: Keep Australia Beautiful National Litter Index 2016–17 (excluding illegal dumping) (unaudited).

The Index is a key measure to track the EPA's progress against the Premier's priority target. However, the Index does not measure littering behaviour and other factors that influence the presence of litter in the environment. The EPA uses additional measures to assess the performance of its programs, including:

- annual or biannual tracking of attitudes and behaviours towards litter across the New South Wales community
- local litter checks required for all recipients of EPA litter grants. This check assesses littered items, infrastructure and community attitudes to local spaces and measures litter in local litter hotspots
- specific research and surveys.

EPA deferred the roll-out of the Container Deposit Scheme to 1 December 2017

The initial implementation date for the Container Deposit Scheme (the Scheme), also known as 'Return and Earn', was 1 July 2017. Following requests from environment groups and industry bodies, the EPA delayed the implementation by five months.

The EPA considers the introduction of the Scheme will play a key role in reducing litter volumes. The Scheme will target drink containers, which make up 44 per cent of litter volumes in New South Wales. The EPA advises the strategy includes a renewed focus on education and public awareness, as well as performance monitoring.

The Scheme is delivered through a two-part structure:

- a Scheme coordinator is responsible for financial management and ensuring the Scheme meets its state-wide access, recovery targets and community education
- a network operator sets up and runs a state-wide network of collection points. It can build and operate these collection points, or contract other organisations to collect on its behalf.

EPA plans to review the performance of the Scheme coordinator and network operator

The Minister for the Environment entered into agreements with the appointed Scheme coordinator and network operator on 28 July 2017. The EPA advised the agreements include key performance requirements for the implementation of the Scheme, with financial penalties if the Scheme is not delivered on time.

The EPA also advised it plans to perform an annual review of the Scheme coordinator and network operator to address each party's performance under the agreements.

At the request of the Minister, the EPA must conduct a performance audit of the activities of the Scheme coordinator or network operator in relation to the performance of obligations under the Scheme administration agreements.

The Scheme coordinator is required to report on its performance by reference to key performance targets under the Scheme coordinator agreement. The Scheme coordinator also has a statutory obligation to report on the Scheme's performance to the Minister annually under the *Waste Avoidance and Resource Recovery Act 2001*. The Minister must table the report in each House of Parliament within nine months of receiving it.

The EPA advised it will commission annual litter surveys that measure the number and volume of beverage containers in the litter stream to evaluate the effectiveness of the Scheme.

EPA has developed a centralised database to record illegal dumping incidents

RID online, a state-wide illegal dumping database, was launched in September 2015. It captures illegal dumping data from public land managers, councils and the EPA. An online reporting portal was launched in February 2016 to allow the public to report incidents of illegal dumping. The EPA advised it has used the data collected through RID online to record illegal dumping and set a baseline.

The 'NSW Illegal Dumping Strategy 2017–20 - Consultation draft' (the draft strategy) was released in May 2017. The draft strategy builds on the 'NSW Illegal Dumping Strategy 2014–16', and reiterates the target to reduce illegal dumping incidents by 30 per cent by 2020. The baseline for this target is 59,661 incidents of illegal dumping based on 2016–17 data.

Biodiversity reforms

Almost \$300 million will be invested in biodiversity reforms

The NSW Government has allocated \$240 million over five years to 2021–22 to facilitate strategic biodiversity conservation on private land. It has also allocated \$54.0 million over five years to 2021–22 to implement land management and biodiversity conservation reforms and strategic conservation planning for Western Sydney.

Performance measures have not yet been developed for private land conservation programs

The *Biodiversity Conservation Act 2016* established a new NSW Biodiversity Conservation Trust (the Trust). The Trust will administer the new private land conservation program and play a key role in the delivery of the new Biodiversity Offsets Scheme.

The Trust is currently in its establishment phase. A Board has been set up to oversee the Trust's operation. The Board is responsible for developing the approach and strategy for the Trust, including a monitoring, evaluation and reporting framework. The Board will be required to develop measures to monitor performance of the private land conservation program against the intended outcomes.

Wildlife protection

A framework has been developed to monitor the Saving Our Species program

The NSW Government has allocated \$100 million over five years to protect the State's threatened species, commencing 1 July 2016. The Office of Environment and Heritage (OEH) expects to

deliver projects for 315 species, 40 threatened ecological communities and 25 key threatening processes. Total spending for the first year of the SoS program was \$14.6 million.

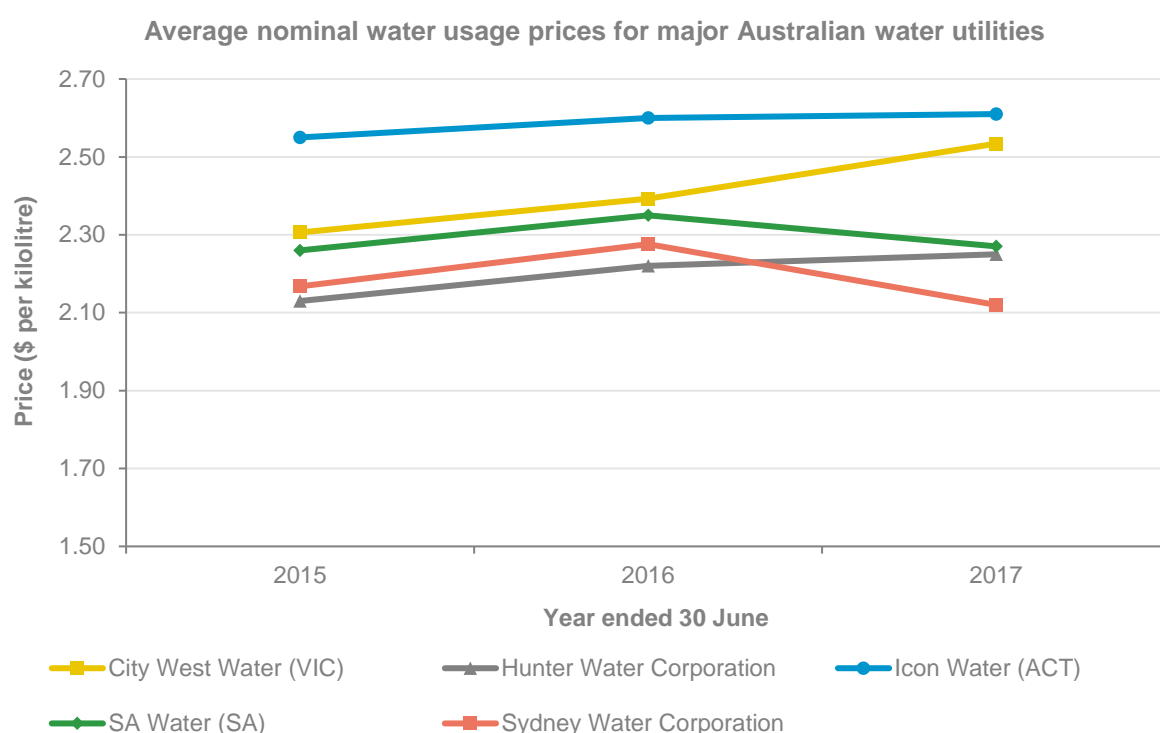
OEH advised it developed a Saving Our Species Monitoring, Evaluation and Reporting Framework in September 2016. Under this framework, outcomes of individual projects are reported annually to the wider community through species report cards which are available on OEH's website. These report cards specify project objectives, spending per site and key outcomes for each site. OEH expects this will allow it to quickly amend projects and investments if actions are ineffective and the status of a species undergoes a major decline.

3.4 Water

New South Wales water prices

Water usage prices in New South Wales compare favourably to other jurisdictions

The price of drinking water per kilolitre charged by water utilities in New South Wales and major utilities with more than 100,000 customers in other jurisdictions over the past three years is shown below:



Note: comparable data is not available for other jurisdictions.

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

The NSW Independent Pricing and Regulatory Tribunal (IPART) reduced the water usage, fixed water and wastewater service charges for most Sydney Water Corporation customers, resulting in a decrease in average water prices for 2016–17.

Water Recycling and Conservation

Under the operating licence requirements, IPART required Sydney Water Corporation and Hunter Water Corporation to develop and submit a methodology to determine the economic levels and efficiency targets for water conservation and water recycling from 2018.

Both Corporations advised they submitted the required methodology and target to IPART's review in the last quarter of 2017.

Water recycling and conservation by Hunter Water Corporation remained stable in 2016–17

Hunter Water Corporation's recycled water production and water conservation remained relatively stable over the past two years.

Hunter Water Corporation	Water Recycling and Conservation		
Year ended 30 June	2017	2016	2015
Water Recycling			
Actual recycled water production (gigalitres)	5.4	5.4	4.6
Water Conservation			
Actual water conservation (gigalitres)	0.2	0.3	0.3

Source: Hunter Water Corporation (unaudited).

Water recycling by Sydney Water Corporation fell in 2016–17

The volume of Sydney Water Corporation's recycled water fell by 12 per cent in 2016–17 compared to the previous year due to reduced industry demand from the Rosehill/Camelia Recycled Water Scheme. The Corporation advised several large industrial customers relocated away from Sydney.

Sydney Water Corporation	Water Recycling and Conservation		
Year ended 30 June	2017	2016	2015
Water Recycling			
Actual recycled water production (gigalitres)	38.3	43.3	43.1
Water Conservation			
Actual water usage per person per day (litres)	302	293	295

Source: Sydney Water Corporation (unaudited).

3.5 Arts and Culture

Cultural participation

Overall attendance at cultural venues and events increased by 16 per cent in 2015–16

The Department's unaudited data shows overall attendance at cultural venues and events in New South Wales increased by 16 per cent from 13.3 million in 2014–15 to 15.4 million in 2015–16. Attendance fluctuated across individual venues and events. Data for 2016–17 is not yet available, however the Department advised that the upward trend is expected to continue.

One State priority target is to increase overall attendance at cultural venues and events in New South Wales by 15 per cent by 2019. The 2014–15 cultural attendance forms the baseline for this target.

The Department advised that initiatives contributed to increased participation across the State, including:

- increased access through extended opening hours at arts and cultural venues over summer
- free entry for people under 16 and a free weekend at the Australian Museum and the Museum of Applied Arts and Sciences
- ongoing partnership with, and involvement in, the Sydney Film Festival, Sydney Festival and Sydney Writers Festival
- improved accessibility to many of the State's Cultural Institutions for regional communities
- improved programming across cultural institutions
- expansion of Vivid Sydney to include more light installations, projections and precincts.

Section two

Appendices



Appendix one – List of 2017 recommendations

The table below lists the recommendations made in this report.



Financial reporting and controls

1 Internal controls issues

Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.



2 Information technology control issues

Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information.



Key



Low risk









Medium risks










High risks



Appendix two – Status of 2016 recommendations

Recommendation	Current status
Planning and Environment Cluster	
Agencies should assess the impact of new accounting standards on a timely basis and ensure their assessment is documented.	Some agencies, particularly smaller agencies in the cluster, did not assess the impact of new accounting standards on a continuous basis and ensure their assessment was documented. 
Agency CFOs need to certify the effectiveness of internal controls before agency heads sign the financial statements.	This matter has been addressed. In 2016–17, the Department assigned its Executive Director Finance as the CFO for a range of smaller cluster entities. The CFOs of cluster agencies certified the effectiveness of internal controls over the financial information for 2016–17 as required by TPP17-06. For the completed audits, the agency heads obtained this assurance before signing the 2016–17 financial statements. 
Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.	Most cluster agencies have developed processes to ensure timely response to and reporting of management letter recommendations, including regular updates to their Audit and Risk Committee. However, we noted one in six reported internal control weaknesses were repeat issues in 2016–17. The cluster agencies need to do more to address internal control weaknesses promptly, with a focus on addressing repeat issues. 
Management of user access over financial systems should be strengthened (Repeat Issue).	Weak user administration processes at cluster entities was the largest category of IT issues identified in 2016–17. Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information 
Department of Planning and Environment	
The Department should align financial performance and sustainability reporting across the cluster while implementing the Cluster Corporate Services model.	The Department advised it has consolidated consistent financial performance and sustainability reporting for relevant cluster entities as part of its recent roll-out of the Cluster Corporate Services model. 
Greater Sydney Commission	
The Greater Sydney Commission should develop targets and performance indicators to measure progress towards the achievement of outcomes.	In October 2017, the Commission released its draft Greater Sydney Regional Plan which contains draft metrics. Once these metrics are finalised following the consultation process, the Commission will monitor and report on progress against the metrics going forward. 

Recommendation	Current status
Environment Protection Authority	
The Environment Protection Authority (EPA) should develop measures and targets to assess the achievement of outcomes associated with illegal dumping initiatives.	This matter has been addressed. The EPA advised they have developed a number of measures for assessing outcomes of illegal dumping initiatives. 
The EPA should ensure appropriate governance arrangements are in place over the Container Deposit Scheme to manage risks and develop measures to monitor the performance of the Scheme.	The EPA advised the Container Deposit Scheme (now called 'Return and Earn') has governance arrangements in place to ensure the Scheme achieves its intended outcomes. Our audits will further assess and monitor the effectiveness of governance, risk management and performance monitoring going forward. 
Australian Museum Trust	
The Australian Museum Trust should complete a fair value assessment of collection assets held but not recognised by 30 June 2018. The assessment should be based on an appropriate methodology that identifies collection items that can be reliably quantified and valued. The valuation should be reviewed by relevant experts.	The Museum continues to address this recommendation. The Museum advised it is in the process of preparing a valuation methodology in collaboration with the Council of Australasian Museum Directors. 
The Museum should complete recording its collections in the electronic database as soon as possible.	The Museum is making progress to address this issue. The rate of registering in the electronic database is dependent on resources available to the Museum. It expects this will take several more years to complete. 
 Fully addressed	 Partially addressed  Not addressed



Appendix three – Agencies selected for this volume

Agency

Principle Department

[Department of Planning and Environment](#)

Planning agencies

Corporation Sole '*Minister Administering the Environment Planning and Assessment Act 1979*'

[Greater Sydney Commission](#)

[Hunter Development Corporation](#)

[Central Coast Regional Development Corporation](#)

[Landcom trading as UrbanGrowth NSW](#)

Ministerial Development Corporation

Environment and Heritage agencies

[Office of the Environment and Heritage](#)

Corporation Sole '*Minister Administering the Heritage Act 1977*'

[Environmental Trust](#)

[Environment Protection Authority](#)

Environment Protection Authority Staff Agency

[Centennial Park and Moore Park Trust](#)

[Royal Botanic Gardens and Domain Trust](#)

[Jenolan Caves Reserve Trust](#)

[Taronga Conservation Society Australia](#)

[Western Sydney Parklands Trust](#)

[Parramatta Park Trust](#)

Gaagal Wanggaan (South Beach) Board of Management

Mutawintji Board of Management

Worimi Conservation Board of Management

Gulaga National Park Board of Management

Biamanga National Park Board of Management

Mt Grenfell Historic Site Board of Management

Arts and Culture agencies

[Art Gallery of New South Wales Trust](#)

Art Gallery of New South Wales Trust Staff Agency

[The Australian Institute of Asian Culture and Visual Arts Limited](#)

[Australian Museum Trust](#)

Australian Museum Trust Staff Agency

[Library Council of New South Wales](#)

Agency

Library Council of New South Wales Staff Agency

[State Library of New South Wales Foundation](#)

[Sydney Opera House Trust](#)

Sydney Opera House Trust Staff Agency

[Trustees of the Museum of Applied Arts and Sciences](#)

Trustees of the Museum of Applied Arts and Sciences Staff Agency

[Historic Houses Trust of New South Wales](#)

Foundation for the Historic Houses Trust of New South Wales

Foundation for the Historic Houses Trust of New South Wales Limited

Energy and Utilities agencies

[Essential Energy](#)

[Hunter Water Corporation](#)

[Sydney Water Corporation](#)

[Coal Innovation Fund](#)

Local Government agencies

[Office of Local Government](#)

[Lord Howe Island Board](#)



Appendix four – Financial audit reporting

	Total assets		Total liabilities		Total revenue		Total expense	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cluster lead agency								
Department of Planning and Environment	692	224	120	54	1,466	1,648	1,353	1,594
Planning Agencies								
Corporation Sole 'Minister Administering the Environment Planning and Assessment Act 1979'	1,522	1,375	202	230	83	45	36	65
Greater Sydney Commission	--	--	3	--	19	5	21	5
Hunter Development Corporation	77	47	9	2	29	58	30	56
Central Coast Regional Development Corporation	32	30	2	2	1	1	2	3
Landcom trading as UrbanGrowth NSW	1,148	1,020	343	388	793	682	552	451
Ministerial Development Corporation	--	--	--	--	--	--	--	--
Environment and Heritage Agencies*								
Office of the Environment and Heritage	4,314	4,375	154	369	1,109	1,186	1,070	1,152
Corporation Sole 'Minister Administering the Heritage Act 1977'	12	11	--	--	1	1	1	1
Environmental Trust	4	5	--	--	60	55	62	67
Environment Protection Authority	33	38	16	15	162	169	169	161
Environment Protection Authority Staff Agency	10	8	10	8	73	68	73	68
Centennial Park and Moore Park Trust	1,075	1,028	9	9	43	30	30	28
Royal Botanic Gardens and Domain Trust	527	510	8	6	49	70	50	51
Jenolan Caves Reserve Trust	20	22	3	3	11	10	11	10
Taronga Conservation Society Australia	553	499	50	47	129	106	110	106
Western Sydney Parklands Trust	843	773	18	17	27	17	10	9

	Total assets		Total liabilities		Total revenue		Total expense	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Parramatta Park Trust	64	60	1	1	6	11	4	4
Arts and Culture agencies								
Art Gallery of New South Wales Trust	1,665	1,631	9	12	86	72	52	46
Art Gallery of New South Wales Trust Staff Agency	3	3	3	3	25	24	25	24
The Australian Institute of Asian Culture and Visual Arts Limited	2	2	--	--	--	--	--	--
Australian Museum Trust	723	723	6	5	43	48	44	46
Australian Museum Trust Staff Agency	3	2	3	2	21	25	21	25
Library Council of New South Wales	3,494	3,471	13	13	97	96	90	92
Library Council of New South Wales Staff Agency	4	4	4	4	34	36	34	36
State Library of New South Wales Foundation	19	16	--	--	4	3	2	3
Sydney Opera House Trust	2,608	2,467	44	52	159	146	156	155
Sydney Opera House Trust Staff Agency	16	18	16	18	63	63	63	63
Trustees of the Museum of Applied Arts and Sciences	505	517	6	7	51	66	61	58
Trustees of the Museum of Applied Arts and Sciences Staff Agency	3	3	3	3	27	25	27	25
Historic Houses Trust of New South Wales	279	273	5	5	32	32	27	29
Foundation for the Historic Houses Trust of New South Wales	2	2	--	--	--	--	--	--
Foundation for the Historic Houses Trust of New South Wales Limited	--	--	--	--	--	--	--	--
Energy and Utilities agencies								
Essential Energy	8,399	8,283	6,041	5,995	1,534	1,552	1,462	1,560
Hunter Water Corporation	2,684	2,632	1,469	1,464	336	330	253	252

	Total assets		Total liabilities		Total revenue		Total expense	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Sydney Water Corporation	18,078	17,647	10,765	10,648	2,660	2,844	2,024	2,061
Coal Innovation Fund	83	85	1	--	1	2	4	2
Local Government agencies								
Office of Local Government	20	18	10	10	162	490	159	492
Lord Howe Island Board	65	68	2	2	10	14	13	10

* The audits of the six Boards of Managements' 2016–17 financial statements are still in progress at the date of this report.



Appendix five – Timeliness of financial reporting

Cluster agencies	Timeliness of financial reporting			Management Letter Findings			
Principal Department	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Repeat^
Department of Planning and Environment	✓	✓	✓	--	3	7	2
Planning agencies							
Corporation Sole 'Minister Administering the Environment Planning and Assessment Act 1979'	✓	✓	✓	--	1	3	2
Greater Sydney Commission	✓	✓	✓	--	--	1	--
Hunter Development Corporation	✓	✓	✓	--	--	--	--
Central Coast Regional Development Corporation	✓	✓	✓	--	--	--	--
Landcom trading as UrbanGrowth NSW	✓	✓	✓	--	--	5	1
Ministerial Development Corporation	na	✓	✓	--	1	--	--
Environment and Heritage agencies							
Office of the Environment and Heritage	✓	✓	✓	1	10	8	5
Corporation Sole 'Minister Administering the Heritage Act 1977'	✓	✓	✓	1	2	1	--
Environmental Trust	✓	✓	✓	1	1	1	--
Environment Protection Authority	✓	✓	✓	1	1	5	--
Environment Protection Authority Staff Agency	✓	✓	✓	--	--	--	--
Centennial Park and Moore Park Trust	✓	✓	✓	--	6	3	--
Royal Botanic Gardens and Domain Trust	✓	✓	✓	--	4	2	--
Jenolan Caves Reserve Trust	na	✓	!	--	15	3	5
Taronga Conservation Society Australia	✓	✓	✓	--	2	1	--

Cluster agencies	Timeliness of financial reporting			Management Letter Findings			
Principal Department	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Repeat^
Western Sydney Parklands Trust	✔	✔	✔	--	--	--	--
Parramatta Park Trust	✔	✔	✔	--	--	--	--
Gaagal Wanggaan (South Beach) Board of Management*	Na	✔	!	#	#	#	#
Mutawintji Board of Management*	na	✔	!	#	#	#	#
Worimi Conservation Board of Management*	na	✔	!	#	#	#	#
Gulaga National Park Board of Management*	na	✔	!	#	#	#	#
Biamanga National Park Board of Management*	na	✔	!	#	#	#	#
Mt Grenfell Historic Site Board of Management*	na	✔	!	#	#	#	#
Arts and Culture agencies							
Art Gallery of New South Wales Trust	✔	✔	✔	--	2	4	1
Art Gallery of New South Wales Trust Staff Agency	✔	✔	✔	--	--	--	--
The Australian Institute of Asian Culture and Visual Arts Limited	✔	✔	✔	--	--	--	--
Australian Museum Trust	✔	✔	✔	1	5	--	2
Australian Museum Trust Staff Agency	✔	✔	✔	--	--	--	--
Library Council of New South Wales	✔	✔	✔	--	2	3	--
Library Council of New South Wales Staff Agency	✔	✔	✔	--	--	--	--
State Library of New South Wales Foundation	✔	✔	✔	--	--	--	--
Sydney Opera House Trust	✔	✔	✔	--	3	2	2
Sydney Opera House Trust Staff Agency	✔	✔	✔	--	--	--	--

Cluster agencies	Timeliness of financial reporting			Management Letter Findings			
Principal Department	Early close procedures	Financial statements	Audit report	High	Moderate	Low	Repeat [^]
Trustees of the Museum of Applied Arts and Sciences	✓	✓	✓	--	--	3	1
Trustees of the Museum of Applied Arts and Sciences Staff Agency	✓	✓	✓	--	--	--	--
Historic Houses Trust of New South Wales	✓	✓	✓	--	1	3	--
Foundation for the Historic Houses Trust of New South Wales	✓	✓	✓	--	--	--	--
Foundation for the Historic Houses Trust of New South Wales Limited	✓	✓	✓	--	--	--	--
Energy and Utilities agencies							
Essential Energy	✓	✓	✓	--	3	2	--
Hunter Water Corporation	✓	✓	✓	--	1	--	--
Sydney Water Corporation	✓	✓	✓	--	5	1	--
Coal Innovation Fund	na	✓	✓	--	--	--	--
Local Government agencies							
Office of Local Government	✓	✓	✓	--	--	2	1
Lord Howe Island Board	✓	✓	✓	--	1	2	1



Statutory financial reporting deadline was not met.



Statutory financial reporting deadline was met.

na Agency not required to complete early close procedures

Audit of 2016–17 financial statements still in progress at the date of this report

* OEH provided a proforma of the Boards' financial statements for audit review before year end.

^ Repeat issues are included in the High, Moderate or Low Management Letter Findings.



Appendix six – Financial indicators

Indicator	Formula	Description
Liquidity	Current assets / adjusted current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months. A ratio above one means there is more cash and current assets than short-term liabilities.</p> <p>Current liabilities exclude current annual leave and long service leave liabilities expected to be settled after 12 months.</p>
Gearing (%)	Debt / (Debt + Equity)	<p>This is a longer-term measure that compares all current and non-current interest-bearing borrowings to equity. It complements the current ratio which is a short-term measure.</p> <p>A low percentage indicates less reliance on debt to finance the capital structure of an organisation.</p>
Capital replacement (ratio)	Cash outflows for property, plant and equipment and intangibles / depreciation and amortisation	<p>Comparison of the rate of spending on infrastructure, property, plant and equipment and intangibles with their depreciation and amortisation. Ratios greater than one indicate that spending is greater than the rate of depreciation. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations, and borrowing is not an option. Cash outflows for infrastructure, property, plant and equipment and intangibles are taken from the cash flow statement. Depreciation and amortisation is taken from the comprehensive operating statement.</p>

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.

Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

PHONE +61 2 9275 7100

FAX +61 2 9275 7200

mail@audit.nsw.gov.au

Office hours: 8.30am-5.00pm,
Monday to Friday.