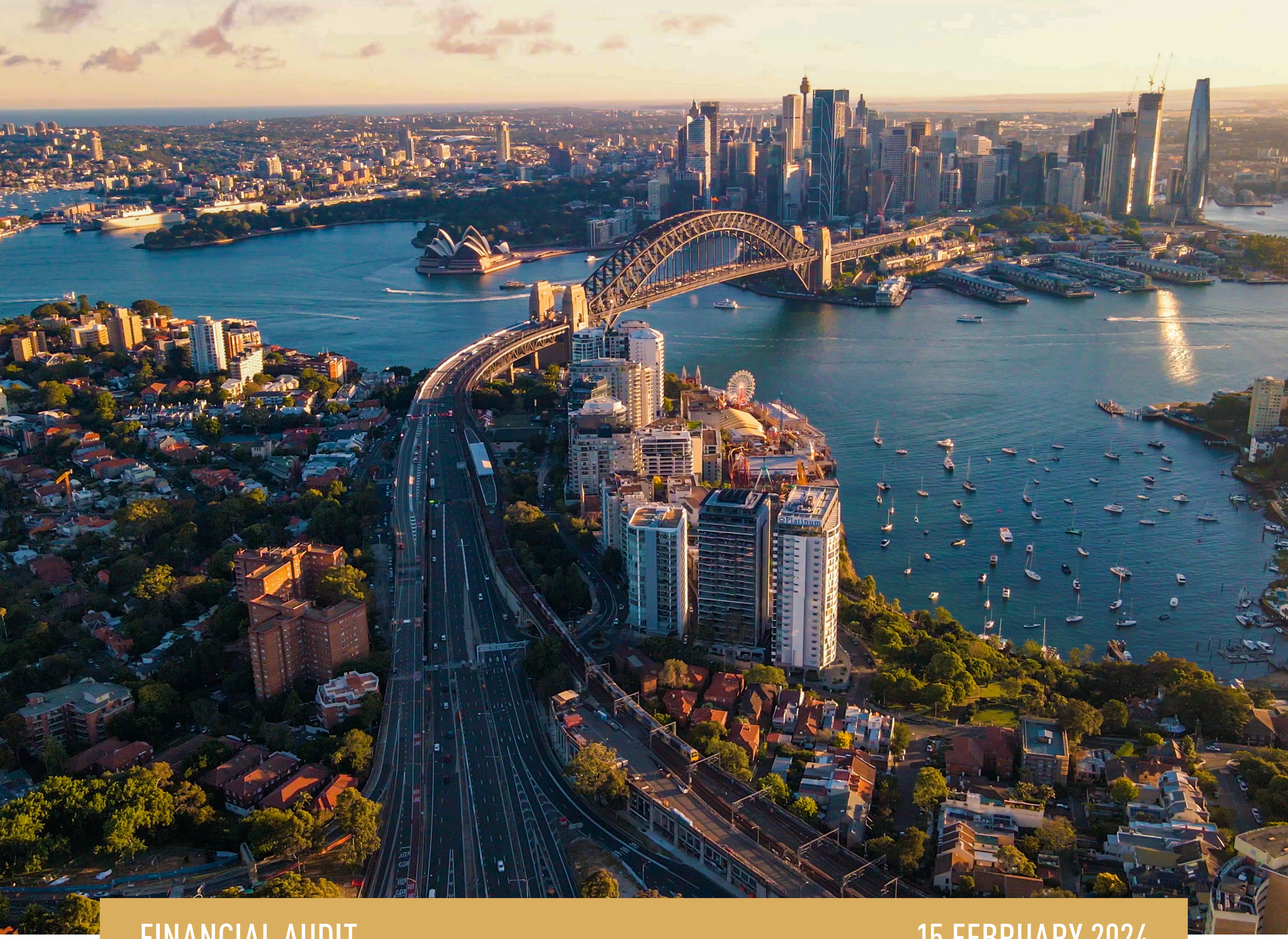

FINANCIAL AUDIT 15 FEBRUARY 2024

State Finances 2023

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

audit office
OF NEW SOUTH WALES

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Government Sector 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 Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, 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 internal controls and governance, and 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 assess whether the activities of government entities are being carried out effectively, economically, 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. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.

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 *Government Sector Audit Act 1983*, I present a report titled **'State Finances 2023'**.

Margaret Crawford PSM
Auditor-General for New South Wales
15 February 2024

RECONCILIATION COMMITMENT STATEMENT

The Audit Office of New South Wales pay our respect and recognise Aboriginal people as the traditional custodians of the land in NSW.

We recognise that Aboriginal people, as custodians, have a spiritual, social and cultural connection with their lands and waters, and have made and continue to make a rich, unique and lasting contribution to the State. We are committed to continue learning about Aboriginal and Torres Strait Islander peoples' history and culture.

We honour and thank the traditional owners of the land on which our office is located, the Gadigal people of the Eora nation, and the traditional owners of the lands on which our staff live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

auditoffice
OF NEW SOUTH WALES

Banner image: 'Yarning Circle' by Caitlin Liddle, Audit Office Indigenous Internship Program participant used with permission.

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Section one

State Finances 2023

This report analyses the results of our audits of the State Finances agencies for the year ended 30 June 2023.

1. Auditor-General's introduction

Pursuant to section 52A of the *Government Sector Audit Act 1983,* I am pleased to present my Report on State Finances, for the year ended 30 June 2023.

The report highlights the maturity of financial reporting across the sector, with most New South Wales (NSW) government agencies that consolidate into the whole-of-government accounts having unqualified audit reports.

This report also highlights important areas for improvement. Improving the timely completion of the NSW Government's consolidated financial statements, and resolving matters on the quality of the Total State Sector Accounts that have resulted in modifications to the independent audit opinion, should be a key focus.

Colleagues in NSW Treasury and key agencies, along with staff of the Audit Office, have worked extremely hard and collaboratively throughout the year to resolve significant accounting and audit matters, and address recommendations from past audits. I thank them for their diligence and commitment to ensuring the quality and timeliness of financial management and reporting in the NSW public sector.

This level of professionalism needs to be sustained in view of the significant challenges that lie ahead, including embedding sustainability reporting and the disclosure of climate-related financial information. The State and the Audit Office are well placed to meet these challenges.

As this is the last report I will present on State Finances during my term as Auditor-General, I would like to conclude by saying what an honour it has been to serve the Parliament of NSW in such an important role. A commitment to independent assurance and transparent reporting on the activities of government have been a hallmark of NSW for two centuries. We should all take pride in and protect this commitment to good government.

Margaret Crawford PSM
Auditor-General for New South Wales

2. Audit result

The Independent Auditor's report was qualified

The audit opinion on the Consolidated State Financial Statements of the New South Wales General Government Sector (GGS) and Total State Sector (TSS) for the year ended 30 June 2023 was qualified in relation to two issues and included an emphasis of matter. These matters are detailed below.

From here on, the Consolidated State Financial Statements are referred to as the Total State Sector Accounts (TSSA), in line with NSW Treasury's naming convention.

The audit opinion continued to be qualified due to a limitation on the scope of the audit relating to the Catholic Metropolitan Cemeteries Trust

The first qualification matter is a continuation of the prior year limitation of scope relating to the Catholic Metropolitan Cemeteries Trust (CMCT), who continued to deny access to its management, books and records for the purposes of a financial audit.

NSW Treasury's position remains that CMCT is a controlled entity of the State for financial reporting purposes. This means CMCT is a GSF agency and is obliged under Section 7.6 of the *Government Sector Finance Act 2018* (GSF Act) to prepare financial statements and give them to the Auditor-General for audit.

To date, CMCT has not met its statutory obligations under the GSF Act. CMCT has not submitted its financial statements to the Auditor-General for audit despite repeated requests and has not provided access to its books and records for the purposes of a financial audit. As a controlled entity, NSW Treasury is required by Australian Accounting Standards to consolidate the CMCT into the TSSA.

Consequently, the Audit Office was unable to obtain sufficient appropriate audit evidence on the carrying amount of assets and liabilities recognised in the TSS as at 30 June 2023 and of the amount of income and expenses for the year then ended. The value of the net assets of CMCT consolidated into the TSS is $321 million, and the total comprehensive income of CMCT consolidated into the TSS for the year is $25.8 million. The GGS financial statements for the year ended 30 June 2023 also recognised an equity investment in the net assets of CMCT ($321 million).

This limitation of scope resulted in a qualified audit opinion being issued on the TSS and the GGS.

Section 3 of this report titled 'Limitation of scope relating to CMCT' discusses this matter in further detail.

The audit opinion was qualified due to a limitation on the scope of the audit relating to the non-land assets, liabilities, income and expenses of controlled entities that manage crown land and associated assets and for which reliable financial information is not available

There are 579 Category 2 Statutory Land Managers and 119 Commons Trust entities controlled by the State.

A category 2 Statutory Land Manager (SLM) is a type of Crown Land Manager that is controlled by the State. It excludes other Crown Land Managers such as councils, metro cemeteries and Crown Holiday Parks land managers. Commons Trusts (CT) are responsible for the care, control and management of commons for which the trust is established. A common is a parcel of land that has been set aside by the Governor or the Minister for specific use in a certain locality, such as grazing, camping or bushwalking.

NSW Treasury has determined that SLMs and CTs are controlled entities of the State. Consequently these should be recognised in the TSSA as required by Australian Accounting Standards. However, the non-land assets, liabilities, income and expenses of SLMs and CTs have not been recognised in the TSSA.

Most of these entities have not prepared financial statements, upon which to consolidate the non-land assets, liabilities, income and expenses of SLMs and CTs into the TSSA. This is because they have either not complied with their financial reporting obligations under section 7.6 of the GSF Act, or they were not required to prepare financial statements as they met the prescribed reporting exemption criteria set out in the Government Sector Finance Regulation 2018.

In 2022–23 NSW Treasury reviewed available financial information to estimate the aggregate value of non-land assets, liabilities, income and expenses relating to SLMs and CTs that were not recognised in the TSSA.

NSW Treasury estimates the aggregate value of non-land assets not recognised in the TSSA to be in the range of $351.6 million to $382.4 million. However, there are significant limitations on the accuracy and reliability of financial information that support these estimates. Only 12 entities were supported by what NSW Treasury defined as ‘highly reliable financial data’. Two hundred and eighty-four entities provided self-reported information and 288 entities had not submitted any financial data. The balances of the remaining entities were supported by what NSW Treasury defined as ‘somewhat reliable financial data’. This included ‘lower-quality’ financial statements and assessments of asset values performed by the former Department of Planning and Environment (DPE).

Because of the limitations on the accuracy and reliability of financial information relating to SLMs and CTs, the Audit Office was unable to obtain sufficient appropriate audit evidence to determine the impact on the value of non-land assets and liabilities that should be recognised in the TSSA as at 30 June 2023 and of the amount of income and expenses that should be recognised in the TSSA for the year then ended.

Accordingly, this limitation of scope resulted in a qualified audit opinion being issued on the TSSA.

Section 4 of this report titled 'Limitation of scope relating to Category 2 Statutory Land Managers and Commons Trusts' discusses this matter in further detail.

The audit opinion included an emphasis of matter drawing attention to key decisions regarding the future of the Transport Asset Holding Entity of New South Wales (TAHE)

The Independent Auditor’s Report also includes an emphasis of matter, drawing attention to key decisions made by the government in August 2023 regarding the future of TAHE.

The decisions are likely to have a significant impact on TAHE's financial position and future operating model, including converting TAHE from a for-profit State Owned Corporation (SOC) to a non-commercial Public Non-Financial Corporation (PNFC).

These decisions may impact the future commercial agreements with the public rail operators and the future valuation of TAHE’s assets that are consolidated in the TSS. The decisions also mean that cash contributions made to TAHE are treated as grant expenses, rather than equity investments, the audit matter that has previously been reported.

Section 5 of this report titled 'Investment in TAHE' discusses this matter in further detail.

Other significant matters relating to the TSSA audit are covered in Section 6 titled 'Key audit findings'.

The number of identified errors increased in 2022–23

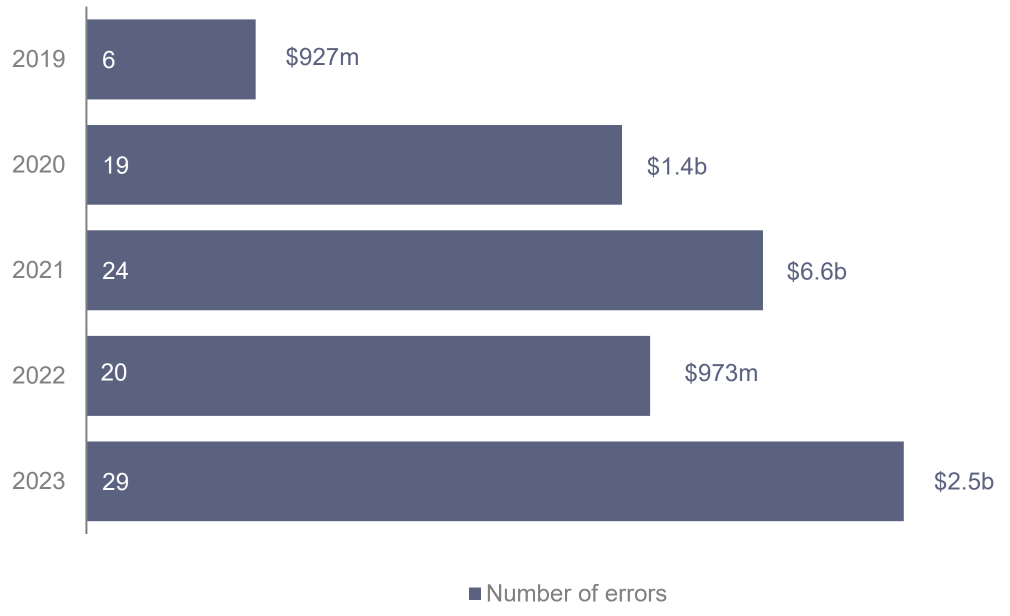
In 2022–23, agency financial statements presented for audit contained 29 errors, where each error exceeded $20 million (20 errors in 2021–22). The total value of these errors was $2.5 billion, an increase from the previous year ($973 million in 2021–22).

The following graph shows the number of reported errors (both corrected and uncorrected), exceeding $20 million over the past five years in agencies' financial statements presented for audit.

Most errors related to:

- the incorrect application of Australian Accounting Standards and NSW Treasury policies
- issues with the data, judgements and assumptions used when valuing non-current physical assets and liabilities
- non-recognition of provisions related to the enhanced paid parental leave scheme that became effective 1 October 2022.

Errors in agency financial statements exceeding $20 million (2019 to 2023)



Material prior period errors relating to asset revaluations and the consolidation of TCorp Investment Management Funds (TCorpIM Funds) were corrected retrospectively

The following prior period errors were corrected retrospectively in the State's 2022–23 financial statements:

Agency	**Description of prior year errors**
Department of Education (DOE)	Two errors were identified in DOE's valuation of its buildings: • removable furniture was incorrectly included in the replacement cost of buildings and improvements ($368.5 million) • the gross floor area used to calculate the replacement cost of building shells was overstated ($470.5 million). DOE decreased the value of buildings by $839 million at 1 July 2021.
TAFE Commission (TAFE)	The building gross floor areas applied in previous valuations were inaccurate, resulting in an understatement of building values. TAFE increased the value of land and buildings by $138.1 million.

Agency	Description of prior year errors
TCorpIM Funds	The following errors were identified in the prior year consolidation of State-controlled TCorpIM Funds: • certain TCorpIM Funds controlled by the State, have either control, joint control or significant influence over the entities in which they invest through managed investment funds and unit trusts. Accordingly, these investments held by TCorpIM Funds should have been consolidated, accounted for under the equity method of accounting or accounted for as an investment in a joint operation in the TSS, rather than presented as financial assets. This increased TSS financial assets and liabilities by $2.1 billion at 1 July 2021 and $5.1 billion at 30 June 2022, decreased the 2021–22 TSS net operating balance by $516 million and increased TSS other economic flows by the same amount. These adjustments did not have a net impact on the TSS 2021–22 comprehensive result and opening net worth at 1 July 2021 for both the GGS and TSS. • intra-government unrealised losses from certain investments in TCorpIM Funds were not eliminated in the TSSA in the prior year. The Statement of Comprehensive Income was restated to eliminate $398 million from other economic flows. • income and expenses of a State-controlled TCorpIM Fund were not consolidated. NSW Treasury restated the Statement of Comprehensive Income by increasing the prior year net operating balance by $339 million and decreasing other economic flows by the same amount. • some unlisted equity securities were incorrectly classified as 'financial assets at fair value' rather than 'other equity investments'. The impact of the reclassification on the Statement of Financial Position was $361 million at 1 July 2021 and $753 million at 30 June 2022. There was no impact on the Statement of Comprehensive Income.

Delays in finalising the audit of the Total State Sector Accounts

The GSF Act requires the TSSA to be tabled in the Legislative Assembly by 30 November 2023.

The last several years has seen a pattern where the preparation and submission of the TSSA by NSW Treasury to the Auditor-General for audit has been significantly delayed, impacting statutory timelines. This is a matter that requires corrective attention.

The preparation of the 2022–23 TSSA by NSW Treasury was also delayed due to the deferred handing down of the NSW 2023–24 budget from June to September. As required by the GSF Act, the Legislative Assembly was informed that tabling the 2022–23 TSSA in Parliament would be delayed by up to three weeks due to the later than usual budget.

In mid-December 2023 the Treasurer determined that the signing of the TSSA would be deferred to mid-January 2024.

Status of 2022 report recommendations

Recommendation	Current status	
NSW Treasury should ensure when drafting position papers and concluding on accounting issues impacting the State, these are provided to audit on a timely basis and reflect a complete and accurate understanding of the key public sector issues being considered.	Accounting position papers and conclusions on accounting issues impacting the State were provided late in the reporting process. For example, an accounting position paper relating to the Statutory Land Managers and Commons Trusts was not finalised until November 2023, after the financial statements were submitted for audit.	!
NSW Treasury and the former Department of Planning and Environment should ensure the CMCT meets its statutory reporting obligations.	A repeat recommendation around NSW Treasury and the Department of Planning, Housing and Infrastructure ensuring CMCT meets its statutory reporting obligations is included in Section 3 of this report titled 'Limitation of scope relating to CMCT'. The State has consolidated the net assets and losses of CMCT for the year within the TSSA. A limitation of scope exists on these balances as CMCT continued to deny the NSW Government and the Auditor-General access to its management and books and records to conduct a financial audit as required by the *Government Sector Audit Act 1983*.	!
NSW Treasury and the former Department of Planning and Environment should ensure: • Category 2 SLMs and CTs meet their statutory reporting obligations • Category 2 SLMs finalise their reporting exemption assessments earlier to allow sufficient time for the non-exempted SLMs to prepare and submit annual financial statements by the statutory reporting deadline.	A repeat recommendation around NSW Treasury and the Department of Planning, Housing and Infrastructure ensuring Category 2 SLMs and CTs meet their statutory reporting obligations is included in Section 6 of this report titled 'Key audit findings'.	!
NSW Treasury and TAHE should continue to monitor the risk that control of TAHE assets could change in future reporting periods. TAHE must continue to demonstrate control of its assets; or the current accounting presentation would need to be reconsidered.	TAHE assessed that it maintains control of its assets as it has exercised authority and power over its assets during the year. Consistent with the prior year, the audit did not find evidence that the assets held by TAHE are not controlled by TAHE. NSW Treasury and TAHE should continue to monitor the risk that control of TAHE assets could change in future reporting periods based on the government's decision on TAHE's new operating model. Refer to Section 5 of the report.	✓
NSW Treasury should ensure that payments from the Electricity Retained Interest Corporation Fund – Ausgrid (ERIC-A Fund) and Electricity Retained Interest Corporation Fund – Endeavour (ERIC-E Fund) are allowable under section 34 of the *Electricity Retained Interest Corporations Act 2015.*	A qualified opinion was issued for the 2022–23 audit of the ERIC-A and ERIC-E Funds as certain payments were made from the funds that did not comply with section 34 of the *Electricity Retained Interest Corporations Act 2015.*	!

Recommendation	Current status	
The responsible managers for the relevant SDAs should ensure: • amounts appropriated under any Act or law for payment into the account are appropriately recorded • records and other information concerning the operation of the SDA are appropriately kept.	NSW Treasury, as the responsible manager for the Restart NSW Fund, did not always keep adequate records and other information concerning the operation of the SDA.	❗
To avoid delays in finalising agency audits and ultimately the TSSA, agencies can better plan by bringing to the auditors' attention key Cabinet records identifying references relating to accounting issues impacting the financial statements.	NSW Treasury and agencies provided the Audit Office with key Cabinet records impacting financial statements during the 2022–23 audits.	✓
NSW Treasury should update its guidance to agencies as a result of the legislative amendments to deemed appropriations, including guidance associated with: • calculation and disclosure of appropriation limits and compliance with these limits • authorisation of deemed appropriation moneys.	NSW Treasury updated its guidance to agencies on Appropriations and the Summary of Compliance for the new legislative amendments to deemed appropriations.	✓
NSW Treasury should ensure that payments from the Social and Affordable Housing fund are made in accordance with the terms and conditions of the Treasurer’s delegation under section 13 of the *Social and Affordable Housing Fund Act 2016*.	Based on a sample of payments from the Social and Affordable Housing fund for 2022–23, these were made in accordance with the terms and conditions of the Treasurer’s delegation under section 13 of the *Social and Affordable Housing Fund Act 2016*.	✓
NSW Treasury should develop guidelines that set out when agencies may require working accounts.	NSW Treasury has developed draft guidance for agencies on working accounts, but this has not yet been finalised and released at the date of this report.	⊖

Key ✓ **Fully addressed** ⊖ **Partially addressed** ❗ **Not addressed**

3. Limitation of scope relating to CMCT

CMCT continues to deny the NSW Government and the Auditor-General access to its management, books and records

NSW Treasury has reconfirmed the CMCT is a controlled entity of the State. The Audit Office accepts the position of NSW Treasury.

The reaffirmation of this position means CMCT is a GSF agency under the provisions of the GSF Act. Section 7.6 of the GSF Act places an obligation on CMCT to prepare financial statements and give them to the Auditor-General. Further, section 34 of the *Government Sector Audit Act 1983* (the GSA Act) requires the Auditor-General to furnish an audit report on these financial statements.

The Audit Office recommended in the 'State Finances 2022' report that NSW Treasury and DPE should ensure CMCT meets its statutory reporting obligations. CMCT continues to contest NSW Treasury's determination and asserts they are not a controlled entity of the NSW Government.

To date, CMCT has not met its statutory obligations to prepare financial statements under the GSF Act and provide them to the Auditor-General for audit. CMCT has not submitted their financial statements to the Auditor-General for audit despite repeated requests and has not provided access to its books and records for the purposes of a financial audit. There continued to be correspondence between the Audit Office of NSW, CMCT, NSW Treasury and DPE in 2022–23 regarding this matter.

Recommendation (repeat issue)

NSW Treasury and the Department of Planning, Housing and Infrastructure should ensure the Catholic Metropolitan Cemeteries Trust meets its statutory reporting obligations.

In December 2021, the then Minister for Water, Property and Housing wrote to the Auditor-General requesting a financial and performance audit be performed pursuant to section 27B(3)(c) of the GSA Act. The audit would cover the financial affairs of CMCT, including whether funds have been used for the proper purpose.

On 20 June 2023, the Auditor-General released a 'Special report into the financial affairs of CMCT' (the Special Report) in response to the request made under section 27B(3)(c) of the GSA Act. The Special Report stated the Audit Office was unable to conduct a performance audit in order to conclude on the financial affairs of CMCT. This was because the Audit Office was not provided access to the management, books and records of CMCT, nor been provided with information, explanation or assistance for the purposes of my performance audit. The Special Report summarises the correspondence the Audit Office sent to CMCT during 2022–23, which evidenced our repeated attempts to commence the performance audit.

In relation to the 30 June 2023 CMCT financial statements audit, the Audit Office requested the Chairperson of CMCT to provide documentation and access to management. The Auditor-General also wrote to the Minister of Lands and Property on 14 April 2023 requesting intervention to assist with progressing both the financial and performance audits.

In June and August 2023, NSW Treasury sent letters to CMCT re-affirming their view that CMCT is controlled by the State, in accordance with Australian Accounting Standards. On 16 August 2023, CMCT responded to NSW Treasury's letter declining to be audited. On 2 August 2023, the Auditor-General wrote to both the Chairperson of CMCT and the Minister for Lands and Property to advise that CMCT had not met its legislative obligation to provide financial statements to the Audit Office for audit.

Denying the Auditor-General access to CMCT management and its books and records for the purpose of conducting the statutory financial audit is not appropriate and should not be normalised by the NSW Government. It significantly impairs transparency and accountability and raises questions about the proper stewardship of resources.

The Total State Sector (TSS) audit opinion was qualified in relation to CMCT

The opinion in the TSS Independent Auditor’s Report was qualified due to the Auditor-General's inability to access the management and books and records of CMCT. This is a carry forward of the audit report modification first qualified for the year ending 30 June 2022.

This limitation was appropriately disclosed in Note 1 'Statement of Significant Accounting Policies' of the TSSA. The Statement of Compliance signed by the Secretary of NSW Treasury and the Treasurer on 18 January 2024 was also updated to acknowledge the disclosure in Note 1 regarding CMCT.

As a controlled entity of the State, Australian Accounting Standards require the consolidation of CMCT into the financial statements of the TSS. The Audit Office was unable to obtain sufficient appropriate audit evidence about the carrying amount of the net assets ($321 million) consolidated into the financial statements of the TSS as at 30 June 2023 and of the amount of comprehensive income ($25.8 million) for the year then ended. Accordingly, a qualified audit opinion was issued on the 2022–23 Consolidated Financial Statements of the TSS.

This limitation of scope also impacted the Consolidated Financial Statements of the General Government Sector (GGS)

As also disclosed in Note 11 'Equity Investments in Other Public Sector Entities' of the TSSA, the GGS held an interest in the Public Non-Financial Corporation (PNFC) and Public Financial Corporation (PFC) sectors at 30 June 2023. The interest in the PNFC and PFC sectors was accounted for as an equity investment based on the GGS' proportional share of the carrying amount of the net assets of those sectors. The net assets of CMCT, a non-commercial PNFC, recognised by the GGS as an equity investment was $321 million at 30 June 2023.

The Audit Office was unable to obtain sufficient appropriate audit evidence on the carrying amount of net assets recognised as an equity investment by the GGS as at 30 June 2023. Accordingly, a qualified audit opinion was issued on the 2022–23 GGS within the TSSA.

4. Limitation of scope relating to Category 2 Statutory Land Managers and Commons Trusts

Category 2 Statutory Land Managers and Commons Trusts should be consolidated in the TSSA

A category 2 Statutory Land Manager (SLM) is a type of Crown Land Manager that is controlled by the State. It excludes other Crown Land Managers such as councils, metro cemeteries and Crown Holiday Parks land managers. SLMs are persons or entities appointed by the Minister to be responsible for the care, control and management of Crown reserves on behalf of the people of New South Wales.

Commons Trusts (CTs) are responsible for the care, control and management of commons for which the trust is established. A common is a parcel of land that has been set aside by the Governor or the Minister for specific use in a certain locality, such as grazing, camping or bushwalking. CTs are considered to be controlled entities of the Minister who administers the *Commons Management Act 1989*. CTs are not SLMs.

Category 2 SLMs and CTs are controlled entities of the State and should be consolidated in the Total State Sector Accounts as required by Australian Accounting Standards.

Most of these entities have not prepared audited financial statements, upon which to consolidate the non-land assets, liabilities, income and expenses of SLMs and CTs into the Total State Sector Accounts. This is because they have either not complied with their financial reporting obligations under section 7.6 of the GSF Act or they were not required to prepare audited financial statements as they met the prescribed reporting exemption criteria set out in the Government Sector Finance Regulation 2018. Further information on this compliance matter is included in Section 6 of this report titled 'Key audit findings'.

Insufficient financial information is available to estimate the value of non-land assets, liabilities, revenues and expenses of SLMs and CTs that should be consolidated in the TSSA

In 2022–23, NSW Treasury reviewed the available financial information to estimate the aggregate value of assets, liabilities, income, and expenses relating to SLMs and CTs that should be consolidated in the TSSA.

Land managed by the SLMs and CTs is valued each year by the former Department of Planning and Environment (DPE) and included in the TSSA in aggregate ($466 million, 2021–22: $318 million). However, there were significant issues with the accuracy and reliability of financial information to support non-land assets, liabilities, income and expenses of SLMs and CTs.

NSW Treasury considered the financial statements of 30 of the largest SLMs and CTs, self-reported financial information for around 400 SLMs and CTs, asset valuations, aerial photography, review of business operations, risks, legal claims, insurance arrangements and limitations imposed due to the scale and bespoke nature of the operations. DPE facilitated further engagement with SLMs and CTs to identify additional information.

NSW Treasury estimates the aggregate value of non-land assets not recognised in the TSSA to be in the range of $351.6 million to $382.4 million. However, there are significant limitations on the accuracy and reliability of financial information that support these estimates. Only 12 entities were supported by what NSW Treasury defined as ‘highly reliable financial data’. Two hundred and eighty-four entities provided self-reported information and 288 entities had not submitted any financial data. The balances of the remaining entities were supported by what NSW Treasury defined as ‘somewhat reliable financial data’. This included ‘lower-quality’ financial statements and assessments of asset values performed by DPE.

Although the review provided some information about the SLMs and CTs, NSW Treasury concluded that there were significant limitations in the financial information available from the SLMs and CTs, and limited information to support compliance with accounting policies and relevant Treasurer’s directions.

The TSSA audit opinion was qualified in relation to SLMs and CTs

The opinion in the TSSA’s audit report was qualified due to the limitations on the accuracy and reliability of financial information relating to SLMs and CTs. This is a new audit qualification for 2022–23.

This limitation was appropriately disclosed in Note 1 'Statement of Significant Accounting Policies' of the TSSA. The Statement of Compliance signed by the Secretary of NSW Treasury and the Treasurer on 18 January 2024 was also updated to acknowledge the disclosure in Note 1 regarding SLMs and CTs.

Recommendation

NSW Treasury should ensure that accurate and reliable financial information is available to recognise the non-land assets, liabilities, revenues and expenses of SLMs and CTs in the Total State Sector Accounts.

5. Investment in Transport Asset Holding Entity (TAHE)

In September 2023, the NSW Government announced its intention to convert TAHE into a non-commercial PNFC.

TAHE's new operating model is expected to be implemented in three phases:

- Phase 1: the government expects to transition TAHE to not-for-profit status by taking administrative actions under the *State Owned Corporations Act 1989*.
- Phase 2: the government expects to introduce an initial wave of legislative changes to allow for the introduction of the new operating model.
- Phase 3: the government expects to introduce further legislative changes to remove TAHE's status as a SOC. The corporation is expected to be renamed.

Cash contributions from NSW Treasury to TAHE in 2022–23 have been expensed and are no longer treated as equity contributions

In prior years the cash transfers from NSW Treasury (an entity in the GGS) to TAHE, an entity controlled by the State that is classified in the PNFC sector, were treated as equity contributions.

The equity contributions were recognised on the basis there was a reasonable expectation to earn a sufficient rate of return of 2.5% (including recovering any holding losses) on the investment in TAHE. The exception to this treatment is if there is no reasonable expectation of a sufficient rate of return on the contribution, in which case, the transfer should be recorded as a capital transfer expense. Returns include dividends, income tax equivalents and holding gains or losses.

The accounting treatment of the cash contributions to TAHE has been an area of significant audit focus in previous years, and significant audit findings reported to Parliament. The significant uncertainty relating to the assumptions and estimates used to forecast a 2.5% return on GGS investments into TAHE, that supported the recognition of an equity contribution in the prior year, was reported as an emphasis of matter in the 2021–22 TSSA audit report.

In 2022–23 the government changed the intent and expectations in relation to the future operating model of TAHE. This change in direction meant the government will no longer account for cash contributions to TAHE as equity, but rather will treat such contributions as an expense. This is because the government is no longer demonstrating that there is a reasonable expectation of a sufficient rate of return on the contributions made by the GGS to TAHE.

As a result, from 1 July 2022, the capital funding of $1.6 billion provided to TAHE in 2022–23 has been recorded as a capital transfer expense in the GGS Statement of Comprehensive Income.

The emphasis of matter included in last year's TSSA audit report relating to the significant uncertainty relating to the assumptions and estimates used to forecast returns on GGS investments into TAHE is no longer relevant this year. However, the Audit Office have included a new emphasis of matter in the 2022–23 TSSA audit report, drawing attention to the key decisions made by the government in August 2023 regarding the future of TAHE.

'Emphasis of matter' paragraphs are included in an agency's Independent Auditor's Report for matters that have been presented or disclosed by the agency in its certified financial statements. Whilst they do not constitute an audit qualification, they do highlight matters that are, in our judgment, relevant to the users' understanding of the financial statements.

Further information on last year's audit of the government's investment in TAHE can be found in our 'State Finances 2022' report.

Valuation of TAHE assets in TAHE's accounts

At 30 June 2023, TAHE reported $16.5 billion in property, plant and equipment and related intangibles within the cash generating units (CGUs) – a $2.8 billion or 15% decrease from the same time last year (2021–22: $19.3 billion). The fair value of these assets at balance date is determined using the income approach – appropriate for TAHE given its current for-profit status. Such an approach is reliant on, and is sensitive to TAHE's judgements, estimates and assumptions.

The reduction in the carrying value of reported assets was largely driven by the uncertainty of TAHE's future operating model under the new government, which increased the risk and discount rates applied to the valuation model.

Given the uncertainty over the future of TAHE, NSW Treasury and TAHE will need to assess whether the income approach remains an appropriate basis of valuation going forward.

Control of TAHE assets

TAHE's position on control of assets for the current year was accepted

TAHE assessed that it maintains control of its assets as it has exercised authority and power over its assets during the year, as well as continuing to operate as an independent SOC.

Consistent with the prior year, the audit did not find evidence that the assets held by TAHE are not controlled by TAHE. However, given the constraints that can be imposed through the operating licence, there is a risk that limitations could be placed on the operations or functions of TAHE. Future limitations to the degree of control TAHE, and its board, can exercise over its functions may impact the degree of control TAHE has over its assets going forward. The current operating licence issued by the Minister for Transport expires on 30 June 2024.

Furthermore, the government's decision to change the operating model for TAHE in future years could impact the control TAHE has over its assets. The control of these assets by TAHE will be a continued area of audit focus.

Recommendation

NSW Treasury and TAHE should continue to monitor the risk that control of TAHE assets could change in future reporting periods based on the government's decision on TAHE's new operating model.

TAHE must continue to demonstrate control of its assets; or the current accounting presentation would need to be reconsidered.

Performance audit on the design and implementation of TAHE

In January 2023, the Auditor-General tabled a performance audit on the 'Design and implementation of the Transport Asset Holding Entity', which assessed the effectiveness of NSW government agencies' design and implementation of TAHE. The audit included TAHE, Transport for NSW and NSW Treasury.

The audit found the design and implementation of TAHE, which spanned seven years, was not effective.

The process was not cohesive or transparent. It delivered an outcome that is unnecessarily complex in order to support an accounting treatment to meet the NSW Government's short-term Budget objectives, while creating an obligation for future governments.

The budget benefits of TAHE were claimed in the 2015–16 NSW Budget before the enabling legislation was passed by Parliament in 2017. This committed the agencies to implement a solution that justified the 2015–16 Budget impacts, regardless of any challenges that arose.

Rail safety arrangements were a priority throughout TAHE's design and implementation, and risks were raised and addressed.

Agencies relied heavily on consultants on matters related to the creation of TAHE, but failed to effectively manage these engagements. Agencies failed to ensure that consultancies delivered independent advice as an input to decision-making. A small number of firms were used repeatedly to provide advice on the same topic. The final cost of TAHE-related consultancies was $22.6 million compared to the initial estimated cost of $12.9 million.

6. Key audit findings

6.1 Financial reporting matters

Financial reporting for GSF agencies

NSW Treasury required reporting GSF agencies to submit their financial statements by 1 August 2023

In June 2023, NSW Treasury issued a suite of Treasurer's Directions and Treasury Policy and Guidelines for 2022–23 financial reporting requirements and timelines. Reporting GSF agencies were required to submit their financial statements to Treasury by 1 August 2023.

Ten agencies (seven in 2021–22) obtained NSW Treasury's approval to extend submission of their 30 June 2023 financial statements:

Agencies	Revised deadline	Reason
Office of Sport	21 August 2023	Due primarily to the impacts of: • the transition to a new accounting and financial reporting system • machinery of government changes • state budget deliverables • the transition of the Penrith Whitewater operations lease from the Planning Ministerial Corporation to the Office of Sport.
Combat Sports Authority	21 August 2023	Due primarily to the impacts of: • the transition to a new accounting and financial reporting system • machinery of government changes • state budget deliverables.
State Sporting Venues Authority	21 August 2023	Due primarily to the impacts of: • the transition to a new accounting and financial reporting system • machinery of government changes • state budget deliverables.
Local Land Services (LLS)	22 August 2023	The financial statements submitted on the due date of 1 August 2023 did not include the valuation results of Travelling Stock Reserve (TSR) land. LLS did not complete its review of the mass valuation of TSR land as the assumptions used in the mass valuation were not considered appropriate by LLS.
NSW Biodiversity Conservation Trust	22 August 2023	The financial statements submitted on 1 August 2023 did not reflect the updated developers' payment provision based on the revised interpretations provided by the Crown Solicitor's Office.

Agencies	Revised deadline	Reason
Department of Transport (DOT)	23 August 2023	DOT starts preparing its consolidated financial statements after its controlled entities have submitted their financial statements. The controlled entities submitted their financial statements on 1 August 2023.
TAHE	29 September 2023	There were uncertainties over TAHE’s operating and financial model following the change of government.
Home Purchase Assistance Fund (HPAF)	30 November 2023	Evidence to support the carrying values of HPAF's investments has not been provided for 30 June 2022 and 30 June 2023.
First Australian Mortgage Acceptance Corporation Pooled Super Trust (the Super Trust) First Australian Mortgage Acceptance Corporation Master Trust (the Master Trust)	30 November 2023	The Government Sector Finance Regulation 2018 prescribed the Trustee for the Super and Master Trusts (the trusts) as GSF agencies and as a result, they became subject to the financial reporting provisions of the GSF Act. From 1 July 2020 the Trustee was obliged to prepare general purpose financial statements for the trusts and present them for audit by the Auditor-General. Draft financial statements for the trusts covering the reporting periods were provided in September 2023. The audits of these financial statements are ongoing.

144 GSF agencies self-assessed as being exempt from financial reporting

Part 3A, Division 2 of the GSF Regulation prescribes certain kinds of GSF agencies not to be a reporting GSF agency. NSW Treasury requires agencies to self-assess against the exemption framework included in the GSF regulation. The exemption framework is limited to:

- special purpose staff agencies
- small agencies
- certain crown land managers and commons trusts
- retained state interest bodies.

The Audit Office has noted instances where the self-assessment against the exemption criteria is being performed after the financial statement submission deadline or not at all. This creates confusion around whether these agencies are exempt or not and if they have met their obligations to prepare and provide financial statements to the Auditor-General.

Recommendation

NSW Treasury should require agencies intending to rely on the reporting exemption criteria to perform a self-assessment against this exemption criteria prior to the statutory deadline to prepare financial statements.

The self-assessments should be provided to NSW Treasury for review.

Some small agencies are not complying with legislative obligations to prepare financial statements

Recent advice from NSW Treasury on the interpretation of the exemption criteria has identified an issue relating to agencies applying the 'small agencies' exemption criteria, meaning they have not complied with their legislative obligation to prepare financial statements.

An agency that receives no income would not meet the third criteria in clause 9D of the GSF Regulation that 'at least 95% of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies'. Therefore, these agencies are required to prepare financial statements under section 7.6 of the GSF Act.

NSW Treasury has advised it intends to correct this matter through a change to the GSF Regulation.

698 GSF agencies did not perform self-assessments against the exemptions criteria, nor did they prepare financial statements and submit them for audit

There are 579 Category 2 Statutory Land Managers (SLMs) and 119 Commons Trusts (CTs) that did not prepare financial statements for 2022–23.

Category 2 SLMs did not prepare self-assessments of financial reporting requirements against the reporting exemptions criteria by the statutory reporting deadline for 2022–23. Similarly, all 119 CTs did not self-assess against the reporting exemption criteria for 2022–23. None of these entities prepared financial statements for audit.

NSW Treasury had established specific reporting exemption criteria in the GSF Regulation for Category 2 SLMs, which has been in place since the commencement of the GSF Regulation, but specific reporting exemption criteria was not in place in previous years for CTs. Despite this, none of the CTs had prepared financial statements for audit as required by the GSF Act.

The Department of Planning, Housing and Infrastructure is working with NSW Treasury to address these matters.

During 2022–23, NSW Treasury updated the GSF regulation to include a specific exemption criterion for CTs, in section 9EA of the GSF Regulation. However, NSW Treasury did not conduct a proper risk assessment to support the new exemption criteria introduced in 2022–23. The implication is that entities that previously did not comply with their reporting obligations, are now exempt from financial reporting without a proper risk assessment to support the exemption.

Recommendation (repeat issue)

NSW Treasury should work with the Department of Planning, Housing and Infrastructure to ensure Category 2 Statutory Land Managers and Commons Trusts meet their statutory reporting obligations.

Reporting exemption assessments should be completed earlier to allow sufficient time for the non-exempted Statutory Land Managers and Commons Trusts to prepare and submit annual financial statements by the statutory reporting deadline.

A review of the financial reporting exemption framework is required

The government's financial reporting framework should balance the costs of preparing financial statements with the benefits to the public of those financial statements being prepared, and the risks of inadequate financial management oversight.

The Audit Office notes that any reporting exemption framework should be informed by a documented, evidence-based risk assessment process. In development of the current reporting exemption framework, it is not clear what consideration of the risks posed by these agencies has been completed by NSW Treasury, particularly where an agency collects money from the public and/or has stewardship of government assets. This means Treasury has limited visibility as to the:

- existence of assets and their condition
- extent of liabilities and contingent liabilities
- amount of revenue collected from the public
- adequacy of controls to safeguard public assets.

There are other alternative options that could reduce the cost of financial reporting that NSW Treasury has not explored, such as applying the simplified disclosure regime.

Recommendation

NSW Treasury needs to conduct a broader review of the financial reporting exemption framework, which is informed by documented, evidence-based risk assessment processes.

As part of the review NSW Treasury should consider:

- **the risks posed by agencies that collect money from the public and/or has stewardship of government assets**
- **other alternative options that could reduce the cost of financial reporting such as applying the simplified disclosure regime.**

6.2 Accounting matters

Paid parental leave entitlements

On 27 September 2022 the former Department of Premier and Cabinet issued a determination that provided for a change to the paid parental leave scheme (the scheme) for all NSW government employees with children born on or after 1 October 2022. This change expanded on previous parental leave entitlements and provided greater access to paid parental leave to eligible public sector employees, regardless of gender. These changes created a new legal obligation for agencies, which needed to be assessed and recorded within their financial statements.

Notwithstanding that the new parental leave policy impacted a significant number of agencies, NSW Treasury did not provide timely guidance to the sector on the financial reporting impacts of the new policy. This caused late accounting assessments across all portfolios to assess whether the impact was material.

Impacted agencies had not evaluated the change to the scheme for any financial-statement related impacts prior to financial statements being submitted for audit.

Given the accumulating nature of the entitlement, the state's collective liability of $226.4 million relating to the paid parental leave scheme was recorded in the TSSA, of which the Ministry of Health accounted for $116.7 million.

Recommendation

NSW Treasury should provide timely guidance to the sector relating to legislative or policy changes that impact financial reporting.

Bid cost contributions

Over $300 million of reimbursed unsuccessful tender bid costs have been capitalised by transport agencies

At 30 June 2023, transport agencies have capitalised costs that were reimbursed to unsuccessful tenderers totalling $333 million in their assets under construction. These costs relate to expenses incurred during the tender phase of a project – up to the appointment of the preferred bidder. These reimbursed costs include, but are not limited to:

- design
- technical modelling
- legal advice
- specialist reports required to develop a conforming bid.

The partial reimbursement of costs incurred by unsuccessful bidders is consistent with the NSW Treasury's Bid Cost Contributions Policy, which sets out the arrangements for when and how it will make a financial contribution to unsuccessful bidders to partially reduce the cost of bidding for construction and infrastructure projects in New South Wales. While the policy provides clarity on the reimbursement of unsuccessful bidders' costs, it does not contemplate how these costs should be recognised in agency's financial statements, including whether they should be capitalised or expensed.

Recommendation

NSW Treasury should develop an accounting policy for the bid cost contributions, to ensure consistent application across the NSW government agencies.

Accounting for the program to replace flammable cladding

The State did not consolidate a controlled entity created to replace flammable cladding

The Department of Customer Service (DCS) is overseeing a program to replace flammable cladding for eligible residential apartment buildings. This program is termed 'Project Remediate'. Under the program, DCS provides financial support and quality assurance and program management services to eligible owners corporations (EOCs).

A special purpose trust was created to facilitate borrowing from a capital provider to fund loans to EOCs. This entity is called the Finance Co Trust (Fin Co).

Considering together the intent, legal form, and substance, NSW Treasury and DCS initially determined that Fin Co was not a controlled entity of State. After considering the requirements of AASB 10 'Consolidated Financial Statements' and assessing the key activities of Fin Co, both DCS and NSW Treasury acknowledged that Fin Co is a controlled entity of DCS and the State, and therefore should be consolidated in the DCS financial statements and the TSSA.

However, Fin Co was not consolidated in the DCS financial statements or the TSSA for the year ending 30 June 2023, as DCS and NSW Treasury determined that the transactions of Fin Co were immaterial. Fin Co may be material in future years.

Finance Co Trust has not complied with the requirements of the GSF Act

Under section 2.4 of the GSF Act, Fin Co becomes a GSF agency as it is a controlled entity of DCS. The relevant provisions of the GSF Act that Fin Co has not complied with in 2022–23 include:

- notification to the Treasurer and the Auditor-General of the new GSF agency (section 2.8) to ensure the new entity is audited
- borrowings to be obtained from NSW Treasury Corporation (section 6.24)
- financial reporting (section 7.6) that requires annual financial statements to be prepared and submitted to the Auditor-General
- annual reporting information for reporting GSF agencies (section 7.11) that requires annual reports to be tabled in Parliament.

Recommendation

Fin Co should be consolidated into the DCS financial statements and the Total State Sector Accounts.

NSW Treasury should ensure the Accountable Authorities of GSF agencies meet their legislative requirements under the GSF Act.

NSW Electricity Infrastructure Roadmap

The Roadmap is the State’s ten-year plan to coordinate private investment in renewable energy infrastructure

The NSW Electricity Infrastructure Roadmap (the Roadmap) was released by the NSW Government in November 2020. It is the State’s ten-year plan to coordinate private investment in renewable energy infrastructure to replace NSW’s existing coalfired energy generators.

The Roadmap is enabled by the *Electricity Infrastructure Investment Act 2020* (the EII Act) and has the following objectives:

- improving the affordability, reliability, security and sustainability of electricity supply
- coordinating investment in new generation, storage, network and related infrastructure
- encouraging investment in new generation, storage, network and related infrastructure by reducing risk for investors.

The EII Act establishes a Scheme Financial Vehicle (SFV) to administer the Electricity Infrastructure Fund (the Fund) that has several statutory functions including:

- entering into Long Term Energy Service Agreements
- entering into risk management contracts which are consistent with the Risk Management Framework established by the Consumer Trustee and approved by the Australian Energy Regulator (the Regulator)
- collecting amounts payable into the Fund in accordance with the EII Act, including fees by participants in an access scheme
- paying amounts from the Fund in accordance with the EII Act, including to Network Operators in accordance with revenue determinations of the Regulator.

The question of whether the State controls the SFV control is a matter of significant judgement because the EII Act as it was passed placed no limits on the Minister's powers

NSW Treasury determined that the State did not control the SFV, and therefore would not be consolidated into the TSSA.

The question of control can be a matter of significant judgement, namely because of the role multiple parties play in making decisions related to the SFV's key activities. A key judgement related to the Minister's power to amend the Risk Management Framework under section 51(7) of the EII Act. In particular, whether the Minister's power was substantive or protective in nature.

The Audit Office, while acknowledging the Minister must exercise powers relating to the Risk Management Framework in a manner consistent with the objects of the EII Act, could not identify limits on this power, appearing as a substantive power. NSW Treasury's view was the intent of the EII Act was that this power would only be exercised in limited and exceptional circumstances and dealing with improbable events. However, this intent was assumed as it is not set out in the EII Act, or in the reading speeches supporting the implementation of the Act.

To address this issue, the EII Act was amended to only allow the Minister to direct a change to the Risk Management Framework that is consistent with a recommendation of the Regulator. The Regulator is not subject to the control and direction of the Minister (or any other minister). This ensures that the Minister's powers are protective in nature and supports NSW Treasury's determination that the SFV is not controlled by the State.

Non-current asset valuations

The State recorded a $34.8 billion net revaluation increase in 2022–23 on its non-current physical assets

The value of the State's physical non-current assets increased by $52.7 billion to $489 billion in 2022–23 ($46.7 billion increase in 2021–22), of which $34.8 billion related to net revaluation increments.

Physical non-current assets comprise a significant proportion of NSW public sector assets. These assets are used to meet government objectives and desired outcomes through the delivery of goods and services. These assets include property, plant and equipment, service concession assets and investment property.

At each balance date, agencies are required to assert that the carrying value of such assets reflects fair value under AASB 13 'Fair Value Measurement'. For public sector entities which apply the revaluation model under AASB 116 'Property, Plant and Equipment', this is achieved through regular comprehensive revaluations.

In the intervening years, where there is no comprehensive revaluation, agencies assess the carrying values of their assets against relevant industry/market indexation (together with an assessment of changes in the assets' condition) to determine whether the movement in carrying values is materially different.

The specialised and unique nature of many of the State's assets impacts the judgement and complexities in applying the requirements of AASB 13.

Many of the state's assets are valued using a replacement cost method, which reflects the amount that would be required currently to replace the 'service capacity' of an asset. The sensitivity of fair value to changes in key assumptions increases in a high inflationary environment.

Details of the largest agencies contributing to the net $34.8 billion revaluation increment are included in Section 9 of this report.

$1.9 billion of errors relating to non-current asset valuations were corrected in 2022–23

The valuation of non-financial assets continues to be an area of audit focus, given the financial significance of the balances to the TSSA and the extent of significant management judgements underpinning key assumptions used in the valuation process.

$1.9 billion of errors were corrected during the audit of the valuation of the State's non-financial assets at 30 June 2023. The Audit Office identified issues with the:

- accuracy and completeness of assets included in the revaluation
- reasonableness of key assumptions and sensitivity of the conclusions to changes in those assumptions
- sufficiency and appropriateness of the valuation methodologies and fair value
- comprehensive revaluations and fair value assessments not being performed timely
- evidence of management's quality review of the valuation process, including approval and signoff of the valuation and fair value assessments outcomes
- timely capitalisation, componentisation and valuation of capital project costs in work in progress.

$1.1 billion of prior period errors relating to non-current asset valuations were corrected retrospectively in 2022–23

Errors with a gross value of $1.1 billion were identified in 2022–23 relating to the previous comprehensive valuation of non-current assets. These errors were identified in 2022–23, related to prior years and were adjusted retrospectively to 1 July 2021 in the impacted agencies' financial statements.

The largest prior period errors corrected in the TSSA related to the valuations at the Department of Education ($839 million overstatement) and the TAFE Commission ($138.1 million understatement).

The Department of Education valuation process found the department incorrectly included removable furniture in the replacement cost of buildings and improvements in the previous comprehensive valuation in 2017–18. Removable furniture is not a directly attributable cost to the buildings and improvements and should be separately classified as plant and equipment. The error overstated the value of buildings and improvements by $368.5 million at 1 July 2021.

The valuer also provided rates for the gross floor area (GFA) when calculating the replacement cost of building shells. The department incorrectly applied the GFA rates on the gross building area. This overstated the value of buildings and improvements assets by $470.5 million at 1 July 2021.

The TAFE Commission identified inaccuracies in the building gross floor areas used in previous valuations. This understated the value of building assets by $138.1 million at 1 July 2021.

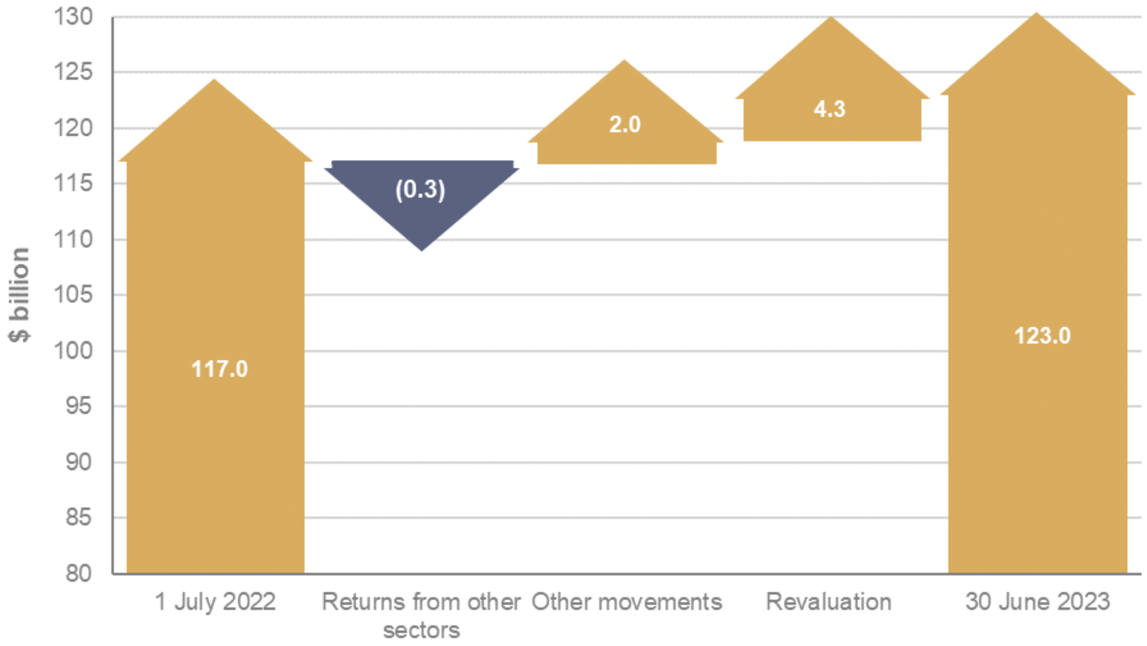
The General Government Sector investment in other sector entities increased

The GGS' interest in the Public Non-Financial Corporations (PNFC) and Public Financial Corporations (PFC) are recognised on its balance sheet. As at 30 June 2023, the GGS recognised $123 billion in investments in other public sector entities ($117 billion at 30 June 2022).

The GGS accounts for these interests based on the net assets of those sectors, in accordance with AASB 1049 'Whole-of-Government and General Government Sector Financial Reporting'. The exception is the GGS' investments in TCorpIM Funds controlled by the State, which are presented on the balance sheet as financial assets at Fair Value through Profit or Loss. TCorpIM Funds are classified as PFCs.

Movements in the carrying amount of the GGS' interests in other public sector entities, including gains and losses, are taken through other economic flows – other comprehensive income. This is because the State has designated these investments under AASB 9 'Financial Instruments' as Fair Value through Other Comprehensive Income. The basis of this designation is that the State intends to hold these investments over a medium to long-term period.

The movements of these investments over the past year are summarised in the graph below:



GGS investment in PNFC/PFC sectors cumulative change in value from 2022–2023

The graph shows a $6 billion net increase in the value of the GGS investment in the PFC and PNFC sectors in 2022–23. This increase was made up of:

- other movements of $2 billion relating to consolidation adjustments arising from the different accounting policies applied to the valuation of loans issued by NSW Treasury Corporation (TCorp) in the PFC sector, to agencies in the GGS sector. In the PFC sector loans are measured at market value, while in the GGS sector agency borrowings are measured at amortised cost
- a net revaluation increase of $4.2 billion across agencies in the PFC and PNFC sectors. The largest movement relates to a $2.3 billion valuation uplift in NSW Land and Housing Corporation residential properties, offset by a revaluation decrement of $1.3 billion in the value of TAHE's assets
- negative returns from other sectors of $0.3 billion which offset the above increases.

A description of the GGS, PNFC and PFC sectors and a list of all entities within each of the sectors are included in Appendix two of this report.

6.3 Internal control and governance related audit findings

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. Deficiencies in internal controls, matters of governance interest and unresolved issues were reported to NSW Treasury and those charged with governance of the TSSA.

Seven high risk matters were reported to NSW Treasury in 2022–23

The table below describes the issues identified during the 2022–23 TSSA audit by category and risk rating.

Risk rating	Repeat/new finding	Finding
Information technology		
⊖ Moderate	Partial repeat finding	**High privileged user activity monitoring** There is no formal periodic process to monitor the system activities of administrator and superuser accounts for the PRIME information system.
✓ Low	New	**No disaster recovery plan for PRIME** There is currently no formal consolidated disaster recovery plan for the PRIME system.
✓ Low	New	**Outdated information technology policies and standards** Several IT policies and standards were in the process of being reviewed and approved.
Financial reporting		
! High	Repeat	**Access to management, books and records not provided by CMCT** CMCT has not provided access to its management, books and records for the purposes of a financial audit, despite numerous requests. Consequently, the NSW Government and the Audit Office were unable to obtain sufficient appropriate audit evidence that the transactions and balances reported within the TSSA for CMCT were materially correct. Refer to Section 3 for further information.
! High	Repeat	**Financial reporting by Category 2 SLMs and CTs** Because of the limitations on the accuracy and reliability of financial information relating to SLMs and CTs, the NSW Government and the Audit Office was unable to determine whether any adjustments to the TSSA might have been necessary in respect of the unrecorded non land assets, liabilities, income, and expenses relating to SLMs and CTs. Refer to Section 4 for further information.
! High	Repeat	**Timeliness of accounting papers provided to audit** Important accounting position papers should have been completed earlier. For example, the Audit Office received the position paper relating to the SLMs and CTs issue in November 2023.

Risk rating	Repeat/new finding	Finding
❗ High	New	**Accounting for the State's investments in TCorpIM Funds** Material prior period errors were identified in the consolidation of the underlying investments of certain TCorpIM Funds. As detailed in Section 2, these were corrected retrospectively by NSW Treasury. When accounting for the State's investments in TCorpIM Funds, NSW Treasury should ensure the: • assessment of control, joint control or significant influence enables the identification of the lowest level of underlying investment • completeness of funds subject to assessment • underlying investment balances are adequately supported • completeness and accuracy of the inter fund eliminations covering cross holdings, distributions, realised and unrealised gains.
❗ High	New	**Control of TAHE assets** In August 2023, the Government announced that it will convert TAHE into a non-commercial PNFC. It is anticipated that TAHE will no longer be a for-profit State-Owned Corporation (SOC). The implementation of the new operating model may change the assessment of control over TAHE's assets and operations. Refer to Section 5 for further information.
❗ High	New	**Accounting policy for reimbursed unsuccessful tender bid costs** At 30 June 2023, Transport agencies capitalised unsuccessful tender bid cost contributions totalling $333 million in their assets under construction. NSW Treasury should develop an accounting policy for the bid cost contributions, to ensure they are recorded in accordance with relevant accounting standards and there is consistency of application across NSW government agencies. Refer to Section 6.2 for further information.
⊖ Moderate	New	**Delays in the financial statement preparation process** The GSF Act requires the TSSA to be tabled in the Legislative Assembly by 30 November 2023. The last several years has seen a pattern where the preparation and submission of the TSSA by NSW Treasury to the Auditor-General for audit has been significantly delayed, impacting statutory timelines. This is a matter that requires corrective attention. Refer to Section 2 for further information.

Risk rating	Repeat/new finding	Finding
⊖ Moderate	New	**Paid parental leave entitlements** NSW Treasury should ensure any changes to employee entitlements are assessed for their potential financial statements impact under the relevant Australian Accounting Standards. Timely guidance should be provided to the sector. Refer to Section 6.2 for further information.
Governance and oversight		
! High	New	**Financial reporting for GSF agencies** NSW Treasury should conduct a review of the financial reporting exemption framework, which is informed by documented, evidence-based risk assessment processes. NSW Treasury should also ensure that all agencies are meeting their financial reporting obligations. Refer to Section 6.1 for further information.

Key ✓ **Low** ⊖ **Moderate** ! **High**

NSW Treasury should prioritise and action recommendations to address internal control deficiencies. Focus should be given to addressing high risk and repeat issues.

7. General Government Sector budget result

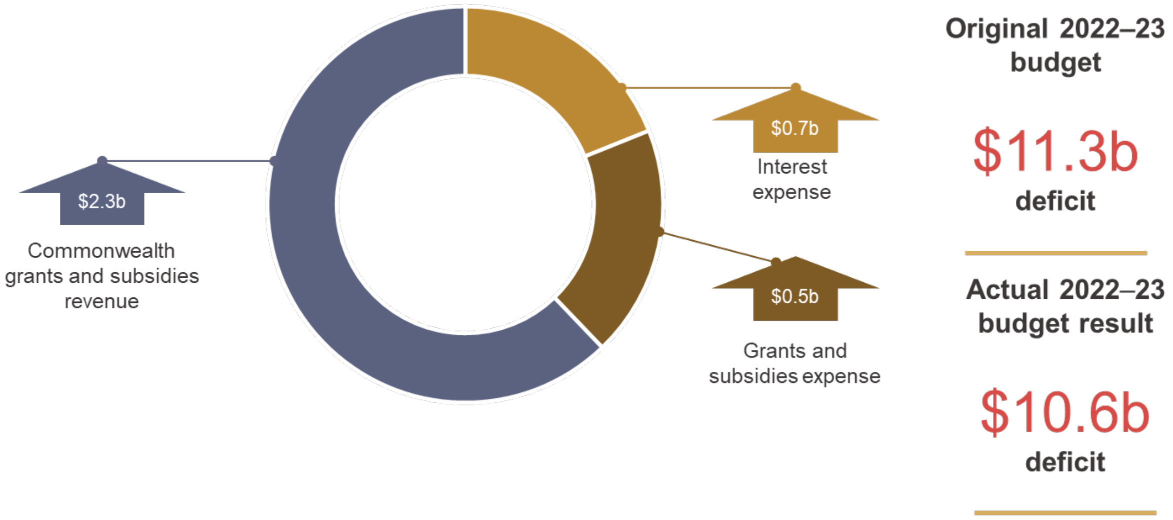
Deficit of $10.6 billion compared with a budgeted deficit of $11.3 billion

The General Government Sector (GGS) comprises of 210 entities and provides public services or carries out policy or regulatory functions. Agencies in this sector are funded centrally by the State.

A principal measure of the government's overall activity and policies is its net operating balance (budget result). This is the difference between the cost of general government service delivery and the revenue earned to fund these sectors.

Outside the GGS, a further 104 government-controlled entities are included within the TSSA. These entities form part of the PNFC (32) and PFC (72) sectors, and generally provide goods and services for which consumers pay for directly (including water and electricity).

The GGS's budget result for the 2022–23 financial year was a deficit of $10.6 billion compared to an original forecast of a budget deficit of $11.3 billion.



Figures in the arrows reflect dollar variance between actual result in 2022–23 compared to original budget for the same period. Increase in actual revenue/expenses compared to budget are reflected as an upward arrow.

The key driver of the change in result was driven by revenue being $2.3 billion higher than budgeted. This was predominately due to a $2.3 billion increase in grant revenue from the Commonwealth National Partnership Payments. This was paid across a range of programs, including natural disaster relief.

The increase in revenue was offset by $1.6 billion of higher than budgeted expenses. This was largely due to:

- interest expenses increasing by $0.7 billion due to higher interest rates and borrowings than originally budgeted
- budgeted grants and subsidies expenses increasing by $0.5 billion, mainly due to an increased spend on grant programs relating to natural disaster events in 2022–23 by the NSW Reconstruction Authority on flood relief.

8. The State's revenues and expenses

Revenues increased $6.6 billion to $113.2 billion

The State’s total revenues increased $6.6 billion to $113.2 billion, an increase of 6.2% compared to the previous year. Total revenue growth in 2021–22 was 18.2%. The State's increase in revenue was mostly from $2 billion in sale of goods and services, $1.5 billion in fines, regulatory fees and other revenue, and $1.4 billion in interest.

Sale of goods and services increased by 14.8%

Sale of goods and services revenue increased by $2 billion, mainly due to the return of the State's operations and services post the COVID-19 pandemic, including the:

- return of elective surgery, increased patient services and sale of high-cost drugs under the Pharmaceutical Benefits Scheme co-payment for Section 100 Highly Specialised Drugs for both private and public patients
- increased user demand for public transport
- re-opening of schools contributing to higher revenue from student fees, sports and extracurricular activities.

Fines, regulatory fees and other revenue increased by 19.8%

Fines, regulatory fees and other revenue increased by $1.5 billion, mainly due to higher mining royalties collected by the State of $949 million. Extracted volume and weight of coal, gold and copper increased in 2022–23, as the COVID-19 pandemic lockdown restrictions eased, increasing the demand for export commodities.

Interest revenue increased by 137.6%

Interest revenue increased by $1.5 billion because of the strong interest rate environment and increases in the cash rate impacting securities, investment deposits and government agencies. As a result, this is passed on to new client loans as TCorp’s own borrowing costs increase.

$	106.6b	6.2%	113.2b	Total revenue

Key revenues include:

	2021–22 $	Change %	2022–23 $	
	1.0b	137.6	2.5b	Interest
	7.4b	19.8	8.9b	Fines, regulatory fees and other revenue
	13.4b	14.8	15.4b	Sales of goods and services

Expenses decreased $2.4 billion to $121.2 billion

The State's total expenses decreased 1.9% compared to last year. Most of the decrease was due to a significant reduction in grants and subsidies expenses of $8.7 billion, offset by increases in employee expenses (including superannuation) of $3.6 billion and interest expense of $2.4 billion.

Grants and subsidies expenses decreased $8.7 billion to $20 billion

The decrease in grants and subsidies expenses of $8.7 billion was mainly driven by a reduction of various COVID-19 pandemic stimulus programs totalling $6.6 billion. These include the JobSaver Scheme, Small Business Hardship Grants, Micro-business Grants and Small Business Support Grants.

Employee expenses, including superannuation, increased $3.6 billion to $51.4 billion

The increase in employee expenses (including superannuation) of $3.6 billion was mainly driven by:

- overall CPI growth in salaries and wages of 3%
- increases to teachers award rates of 3.25% throughout the year (in addition to the 3% CPI growth)
- increase in full-time equivalent (FTE) employees of 4,476 at the Department of Education
- change in payroll tax rate from 4.85% to 5.45%
- a change in the discount rate used to value the superannuation liability.

Interest expenses increased 71.1% to $5.8 billion

Interest expenses increased by $2.4 billion to $5.8 billion in 2022–23 as borrowings (including derivative liabilities) rose by $29.1 billion to $171.7 billion at 30 June 2023 and higher interest rates.

Health costs remain the State's highest expense

Total expenses of the State were $121.2 billion ($123.6 billion in 2021–22). In 2022–23, Health remained the highest contributor of expenses for the State with $29.2 billion ($29.4 billion in 2021–22). Education remained the second highest contributor, reporting expenses of $21.6 billion in 2022–23 ($19.7 billion in 2021–22).

Key expenses include:

2021–22 $	Change %	2022–23 $	
47.8b	▲ 7.4	51.4b	Employee expenses
33.9b	▼ 1.8	33.3b	Operating costs
28.7b	▼ 30.3	20.0b	Grants and subsidies
9.7b	▲ 10.3	10.7b	Depreciation
3.4b	▲ 71.1	5.8b	Interest

9. The State's assets and liabilities

Assets grew by $75.1 billion to $651 billion

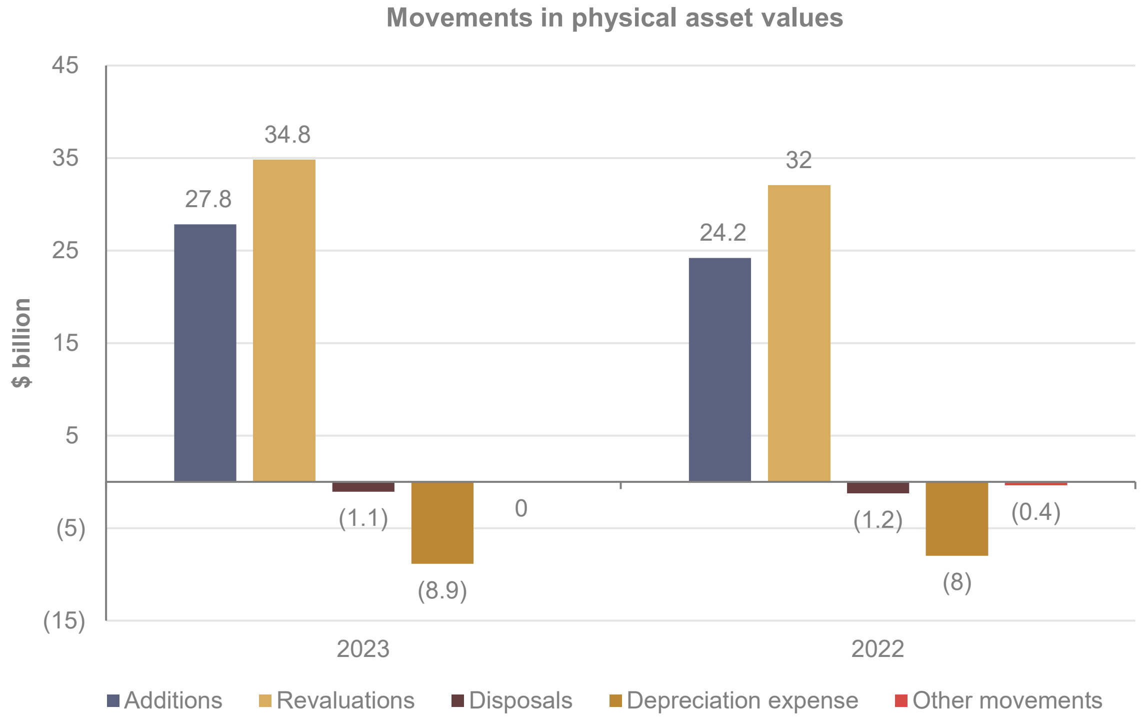
The State’s assets include physical assets such as land, buildings and infrastructure systems, and financial assets such as cash, and other financial instruments and equity investments. The value of total assets increased by $75.1 billion or 13.1% to $651 billion. The increase was largely due to increases in the carrying value of land, buildings and infrastructure systems.

Valuing the State’s physical assets

The State’s physical assets were valued at $489 billion

The value of the State’s physical assets increased by $52.6 billion to $489 billion in 2022–23 ($46.7 billion increase in 2021–22). The State’s physical assets include land and buildings ($214 billion), infrastructure systems ($256 billion) and plant and equipment ($19.4 billion).

The movement in physical asset values between years includes additions, disposals, depreciation and valuation adjustments. Other movements include assets reclassified to held for sale.



The movement in the carrying value of the State’s physical assets was mainly due to current year additions of $27.8 billion and net revaluation increments of $34.8 billion.

The top four agencies contributing to the $34.8 billion net revaluation increment includes:

- Transport for NSW – $20.2 billion increase after completing a comprehensive revaluation of infrastructure systems comprising roads, bridges and tunnels in March 2023
- the former Department of Planning and Environment – $5.0 billion increase mainly due to increases in the value of Crown land
- Sydney Metro – $2.3 billion increase in the fair value of infrastructure systems associated with rail systems and rolling stock plant and equipment (including those currently under construction)
- Land and Housing Corporation – $2.3 billion increase, mainly due to increases in the value of residential and community purpose built properties.

In 2022–23, asset additions totalled $27.8 billion ($24.2 billion in 2021–22), which includes the following major capital projects:

- Sydney Metro West – $3 billion
- Sydney Metro City and Southwest – $2.7 billion
- Sydney Metro-Western Sydney Airport (State and Commonwealth funded) – $1.7 billion
- M6 Extension Stage 1 – $0.7 billion
- Sydney Gateway – $0.7 billion
- Western Harbour Tunnel – $0.6 billion
- More Trains, More Services – $0.5 billion.

$	575b	13.1%	651b	Total assets

Key assets include:

Physical assets

2021–22 $	Change %	2022–23 $	
221b	15.7	256b	Infrastructure
198b	8.1	214b	Land and buildings

Several major capital projects were completed in 2022–23, including life to date capital expenditure on the:

- redevelopment of the State's hospitals, including:
  - Hornsby Ku-rin-gai Hospital – $407 million
  - Lismore Base Hospital – $313 million
- Department of Education's lighting upgrade across schools – $158 million
- TAFE Commission's Institute of Applied Technology for Digital Technology – $129 million.

Valuing the State's financial assets

The State’s financial assets were valued at $140 billion

The value of the State’s financial assets increased by $22.7 billion to $140 billion at 30 June 2023. Over the year:

- investments and placements (comprising financial assets carried at fair value including interest bearing securities and managed funds) increased by $3.9 billion mainly driven by increases in the value of securities held in the State's investments in the TCorpIM funds
- cash and cash equivalents increased $4.3 billion mainly due to improved State revenues and additional borrowings from TCorp
- receivables increased $7.9 billion largely due to increases in the amounts due from brokers for unsettled investment sales from the State's managed investment funds at year-end
- equity investments increased by $6.8 billion largely due to a $4.7 billion increase in equity investments held in the State’s investments in the TCorpIM funds and a $1.7 billion increase in the valuation of the State’s residual interest in Ausgrid.

Financial assets

$	117b	19.4%	140b	Total financial assets

2021–22 $	Change %	2022–23 $	
33.3b	20.3	40.1b	Equity investments
12.9b	33.4	17.2b	Cash and cash equivalents
13.8b	57.0	21.7b	Receivables
56.4b	7.0	60.3b	Investments and placements

Liabilities increased by $39 billion to $329 billion

The State increased its debt borrowing to fund recurrent and capital expenditures

The State’s total borrowings (including derivative liabilities) rose by $29.1 billion to $171.7 billion at 30 June 2023.

The value of TCorp bonds on issue increased by $25.9 billion in fair value terms to $146.8 billion. Borrowings are used to fund liquidity mismatches in the State's recurrent and capital cash outflows against inflows derived from revenues and existing cash balances.

TCorp bonds are traded in financial markets and are guaranteed by the NSW Government. TCorp continued issuing long-term debt throughout the year via its Benchmark Bond program and also through new issuance of floating rate notes.

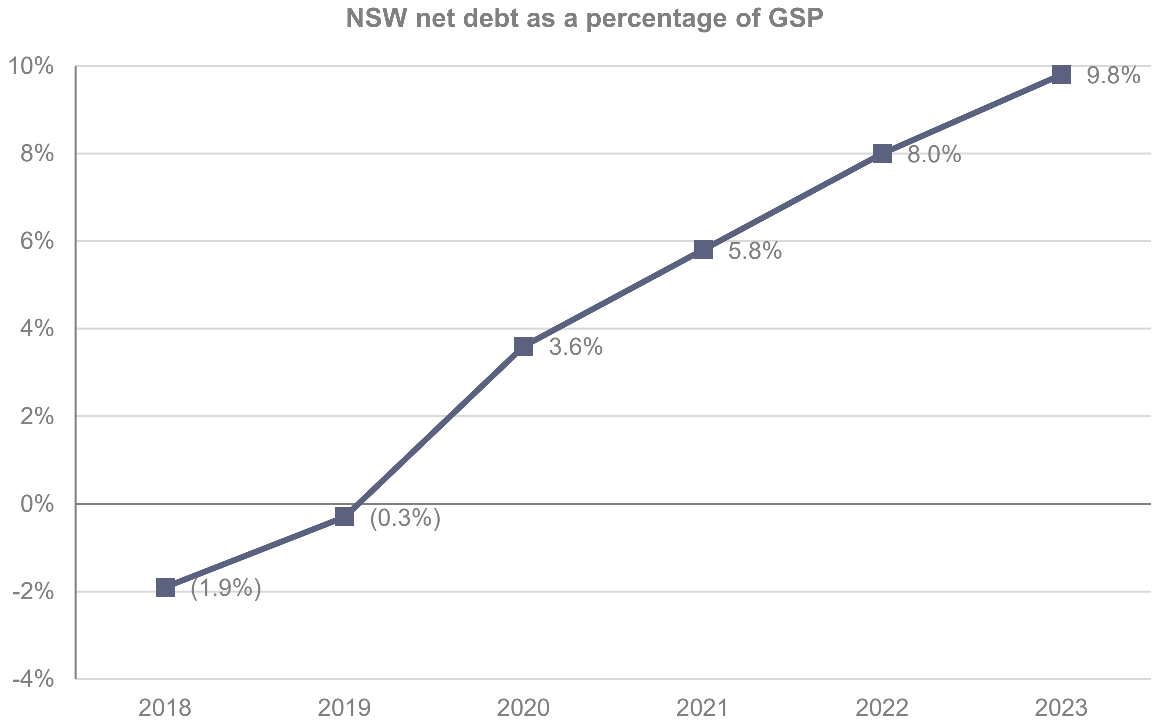
The 2023–24 Budget Papers introduced two key fiscal principles to guide the State:

- returning to, and then maintaining, a sustainable operating position
- stabilising and then maintaining a sustainable debt position.

Based on latest projections, the Budget is projected to return to surplus in 2024–25 and forecast net debt peaking at 12.6% of Gross State Product (GSP) by June 2027.

GSP measures the value of all goods and services produced within the State, while net debt represents the sum of deposits held, government securities, loans payable and other borrowings, less the sum of cash and deposits, advances paid and investments, loans receivable and placements.

The chart below shows the trend in GGS net debt to GSP for New South Wales over the past six years. The trend in New South Wales shows an increase in net debt since 2018, which was mainly driven by additional borrowings to deliver the State's infrastructure program and fund stimulus measures implemented in response to the COVID-19 pandemic and natural disasters.



Source: NSW 2024 Budget Paper No. 01, Australian Bureau of Statistics (ABS).

$ 290b ▲ 13.5% 329b **Total liabilities**

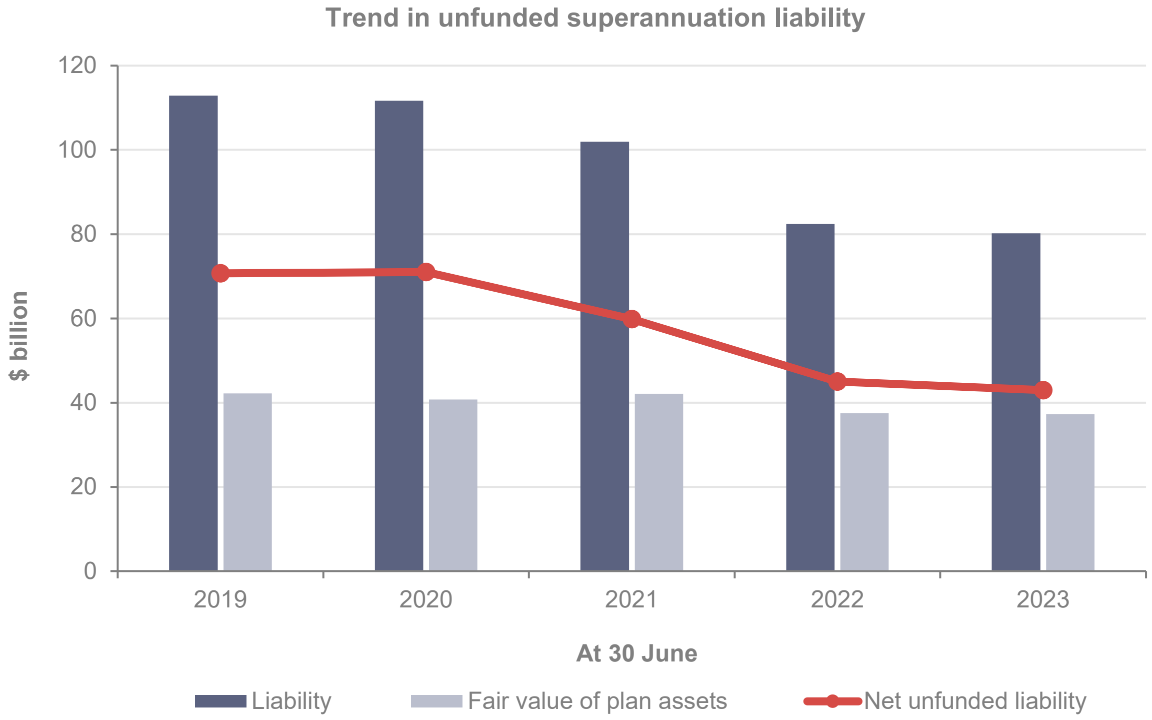
Key liabilities include:

2021–22 $	Change %	2022–23 $	
142.6b	▲ 20.4	171.7b	Borrowings (including derivative liabilities)
45.0b	▼ 4.5	43.0b	Unfunded superannuation
39.6b	▼ 3.5	38.2b	Other liabilities (including Service Concession liabilities and non-controlled interests in the TCorpIM Funds)
24.9b	▲ 9.7	27.3b	Other employee benefits

Nearly 21.4% of the State’s liabilities relate to public sector employees. These include unfunded superannuation and employee benefits, such as long service and recreation leave.

Valuing these obligations involves complex estimation techniques and significant judgements. Small changes in assumptions and other variables, such as changes to discount rates, can materially impact the valuation of liability balances in the financial statements.

The State’s unfunded superannuation liability fell $2 billion from $45 billion to $43 billion at 30 June 2023. This was mainly due to changes in financial assumptions such as the discount rate used to value the unfunded superannuation liability. The discount rate based on the Commonwealth bond yield (which reflects market expectations of future cash rates) was 4.1% at 30 June 2023 (3.7% in 2021–22). A higher discount rate can reduce the superannuation liability valuation. The State’s unfunded superannuation liability represents the value of its obligations to past and present employees, less the value of assets set aside to fund those obligations.


Trend in unfunded superannuation liability
$ billion
120
100
80
60
40
20
0
2019
2020
2021
2022
2023
At 30 June
Liability
Fair value of plan assets
Net unfunded liability

10. Fiscal responsibility, Restart NSW Fund and looking forward

10.1 Fiscal responsibility

The State maintained its triple-A credit rating with Moody's and Fitch Ratings and AA+ credit rating by S&P Global Ratings

The object of the *Fiscal Responsibility Act 2012* is to maintain the State's AAA credit rating

The government manages New South Wales' finances in accordance with the *Fiscal Responsibility Act 2012* (the FR Act).

The FR Act establishes the framework for fiscal responsibility and the strategy to achieve a AAA credit rating and maintain service delivery to the people of New South Wales.

The legislation sets out targets and principles for financial management to achieve this. The fiscal targets are:

- general government annual expenditure growth should be lower than long-term average revenue growth
- to eliminate unfunded superannuation liabilities by 2030.

Credit ratings are a measure of how risky a borrower is (the borrower's expected willingness and capacity to repay any debt on time). Higher credit ratings may lower the cost of borrowing and assist an entity when accessing financial markets.

In October 2023, the State's triple-A credit ratings were reaffirmed by Moody's and Fitch Ratings, while S&P Global reaffirmed the State's double-A plus credit rating in November 2023. The 2023–24 Budget Statement noted that S&P Global have indicated that NSW is unlikely to regain a triple-A rating until the second half of the decade and with the State required to reduce debt levels.

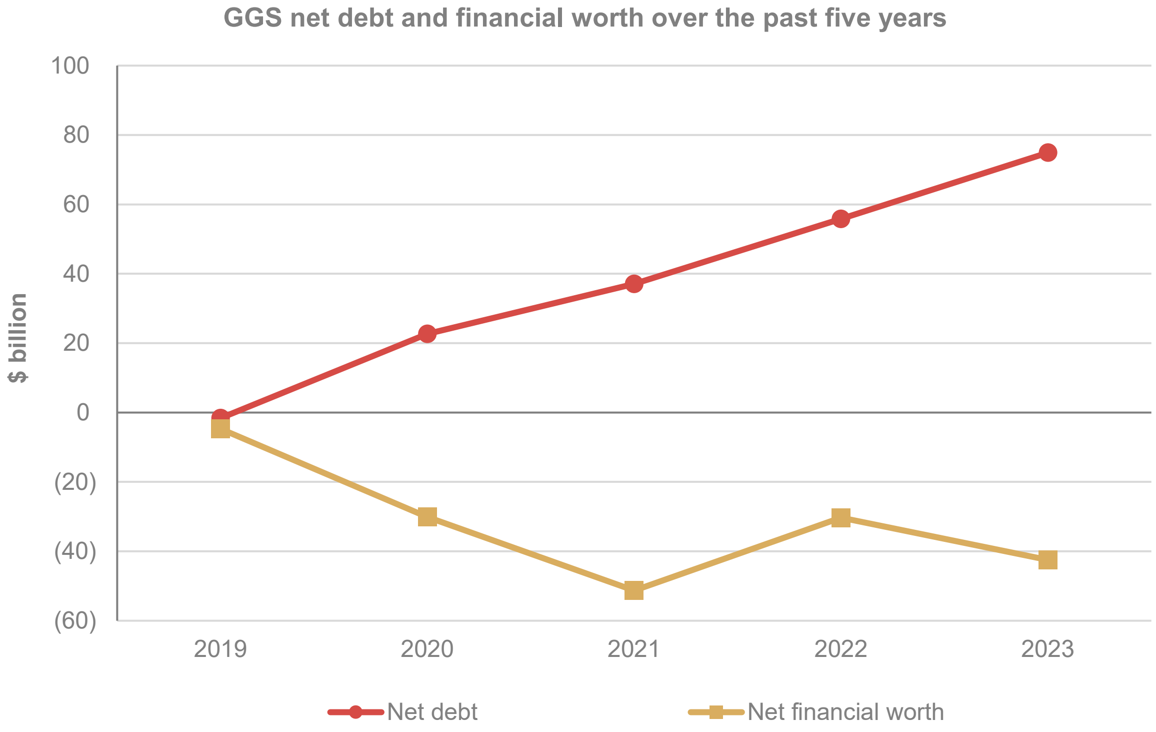
The table below shows the General Government Sector's (GGS) net debt and financial worth over the past five years.

	2023	2022	2021	2020	2019
Net debt[1] ($m)	74,873	55,781	37,076	22,732	(1,603)
Net debt as a percentage of GSP	9.8	8.0	5.8	3.6	(0.3)
Annual change in net debt ($m)	19,092	18,705	14,344	24,333	9,593
Net financial worth[2] ($m)	(42,462)	(30,315)	(51,298)	(30,102)	(4,710)

[1] Net debt equals the sum of selected financial liabilities; deposits held, borrowings and derivatives and advances received less the sum of financial assets; cash and deposits, advances paid and investments, loans and placements.

[2] Net financial worth is calculated as financial assets less liabilities. It includes unfunded superannuation liabilities and investments in other sectors, and excludes non-financial assets such as land, buildings, equipment and infrastructure.

Source: NSW 2024 Budget Paper No. 01.



Net debt increased by a further $19.1 billion over the past year as the State borrowed additional funds to support its infrastructure programs.

Net financial worth has decreased compared to last year by $12.1 billion mainly due to an increase of $25.3 billion in the borrowings from TCorp primarily to fund the State's infrastructure program. This movement was partially offset by an increase in the State's investments in other public sector entities, associates and joint ventures of $7.7 billion, an increase in investment in financial assets at fair value of $3.8 billion and a decrease in the superannuation liability of $1.9 billion.

Other public sector entities include agencies within the PNFC and PFC sector. Collectively these sectors reported $4.2 billion in revaluation gains, mainly relating to increases in the fair value of non-current physical asset values. More than $2 billion of this increase related to revaluation increments of NSW Land and Housing Corporation's land and building values. Superannuation liabilities decreased due to a higher ten-year government bond rate at 30 June 2023 compared to last year.

General Government annual expenditure growth is lower than long-term average revenue growth

In 2022–23, general government expenditure decreased from $118.8 billion to $116.5 billion. This represents a 2% decrease compared to last year (25% increase in 2021–22) and is lower than the long-term revenue growth rate of 5.6%.

Grants and subsidies expenses decreased by $7.2 billion in 2022–23 ($14.5 billion increase in 2021–22) mainly because COVID-19 fiscal support programs ended in 2022–23.

This movement was partially offset by increases in employee costs (including superannuation) and interest expenses. Employee costs (including superannuation) increased by $2.3 billion mainly due to CPI and salary wage uplift in 2022–23. Interest expenses increased by $1.7 billion partially due to higher interest rates in 2022–23.

Aligned to the approach taken by the previous Government, the State plans to fully fund superannuation liabilities by 2040

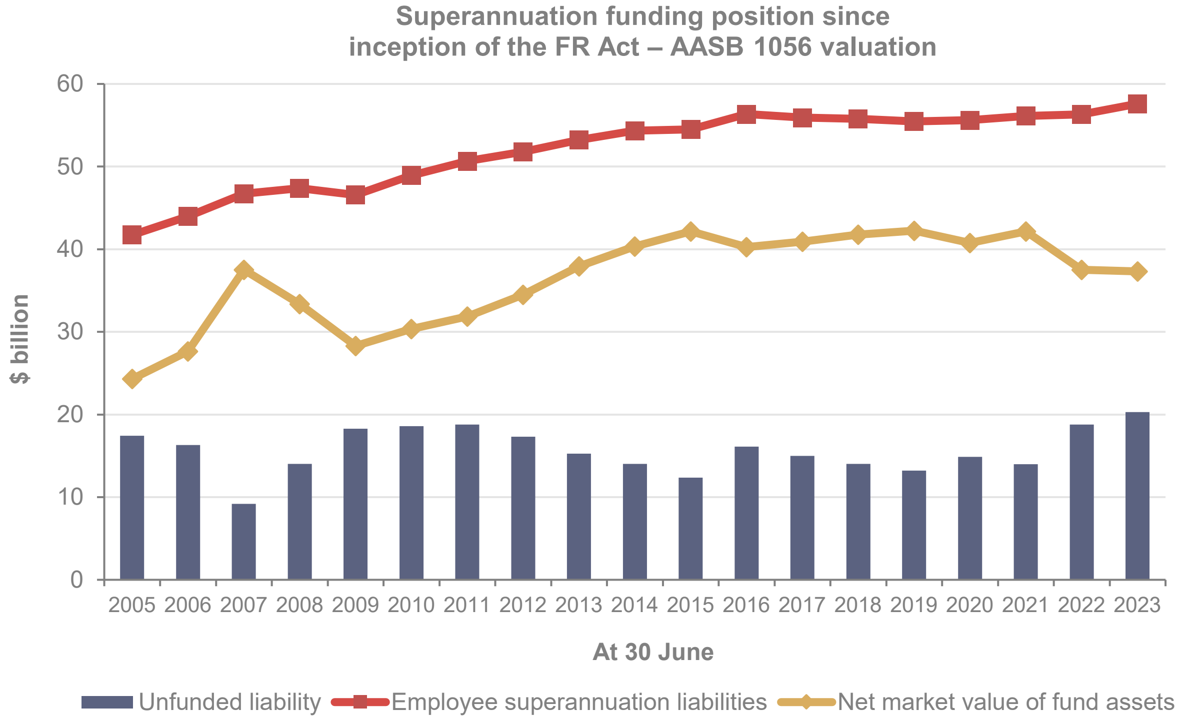
The FR Act sets a target to eliminate unfunded superannuation liabilities by 2030. The former government in its 2020–21 Budget announced plans to amend the FR Act to change the target for superannuation liabilities to be fully funded from 2030 to 2040. The announcement attributed the proposed amendment was in response to the fiscal pressures the COVID-19 pandemic placed on the State's finances.

The current government’s 2023–24 Budget reports:

- the State is contributing an additional $1.7 billion over the next four years to 2026–27
- this will ensure unfunded superannuation liabilities are fully funded by 2040.

However, to date, the FR Act has not been amended to reflect a revised target of 2040, meaning current budget settings will not ensure compliance with the FR Act.

For fiscal responsibility purposes, the State uses Australian Accounting Standard AASB 1056 'Superannuation Entities'. Under this accounting standard, the State’s unfunded superannuation liability was $20.3 billion at 30 June 2023 ($18.8 billion at 30 June 2022).



The State’s financial statements record an unfunded superannuation liability of $43 billion at 30 June 2023

For financial statement purposes, the State must apply Australian Accounting Standard AASB 119 'Employee Benefits' (AASB 119) to calculate its $43 billion ($45 billion in 2021–22) superannuation liability. The funds themselves apply AASB 1056 'Superannuation Entities' (AASB 1056) to calculate their liabilities to fund members. The two standards use different bases to measure the liability.

AASB 119 requires entities to discount employee liabilities (including unfunded superannuation) using the long-term Australian Government bond rate of 4.1%, while AASB 1056 discounts the liability using the long-term expected rate of return from the assets backing the liability, currently 6.1% to 7% (5.3% to 7% in 2021–22).

The liability to fund members calculated under AASB 1056 is $20.3 billion ($18.8 billion in 2021–22). This is lower than the $43 billion liability of the State when calculated under AASB 119.

AASB 119 produces a higher liability because of the lower government bond rate compared with the expected return on assets backing the liability and the impact this has on discount rates.

	As recorded in the State's financial statements **AASB 119 'Employee Benefits'**	**Fiscal reporting and as reported in the superannuation entities' financial statements** **AASB 1056 'Superannuation Entities'**
Purpose	Financial statements for employer	Financial statements of the superannuation funds
State's superannuation unfunded liability ($b)	43	20.3
Discount rate (%)	4.1	6.1–7
Discount rate used	Government bond rate	Expected return on assets backing the liability (long-term earnings rate)

10.2 Restart NSW Fund

Restart NSW Fund

The Restart NSW Fund (the Fund) was established in 2011 under the *Restart NSW Fund Act 2011* (the Restart Act) to invest in new infrastructure, which is funded primarily from the government's asset recycling program. The Fund had a balance of $8.3 billion at 30 June 2023 ($9.2 billion in 2021–22). The Fund's monies are invested in the NSW Infrastructure Future Fund (NIFF), which is an investment vehicle managed by TCorp.

Section 6 of the Restart Act states that the purpose of the Fund is to fund major infrastructure projects that will improve public transport, roads, infrastructure required for the economic competitiveness of the State, local infrastructure in regional areas that are affected by mining operations, hospital and other health facilities and services, and workplaces for law and justice officers, teachers, nurses and other staff providing services to the public.

The Fund remains, and is forecast to remain, below its legislated target of 30% of payments towards rural and regional projects for the life of the Fund

The Fund directed 42.4% of its payments towards rural and regional infrastructure projects in 2022–23. Section 9(2) of the Restart Act requires the Fund's annual report to include information on the total amount of payments made from the Fund for infrastructure projects in rural and regional areas outside the metropolitan areas of Sydney, Newcastle and Wollongong, and whether it represents at least 30% of the total payments from the Fund on infrastructure projects.

Since the Fund's commencement, 24.5% of total payments went towards rural and regional infrastructure projects. Current projections for the life of the Fund indicate 28% of funding will be spent on rural and regional projects, which is below the target of 30% for the life of the Fund.

	Billions ($)
Cash and investments as at 30 June 2023	8.3
Life to date payments as at 30 June 2023	28.6
Life to date payments made to regional or rural projects as at 30 June 2023	7.0
Life to date payments made to regional or rural projects as at 30 June 2023 as a percentage of all payments	24.5%

The Restart NSW Fund Amendment (Rural and Regional Infrastructure Funding) Bill 2020, introduced in Parliament in 2020, proposed to amend the Restart Act by requiring at least 30% of the total payments each financial year and for the life of the Restart NSW Fund be made on infrastructure projects in rural and regional areas. This Bill lapsed in February 2023.

10.3 Looking forward

Climate related reporting

The Australian Accounting Standards Board (AASB) is currently developing climate-focused Australian Sustainability Reporting Standards

In June 2023 the International Sustainability Standards Board (ISSB) released its inaugural standards IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures'. These two standards establish a comprehensive and consistent global baseline for sustainability reporting.

The AASB is currently developing climate-focused Australian Sustainability Reporting Standards, using the ISSB standards as a baseline. In October 2023 the AASB released its exposure draft ED SR1 'Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information' for comment.

NSW Treasury is developing policy guidance to support the planned implementation of entity level climate-related disclosures in 2024–25

The Audit Office has been engaging with NSW Treasury on the implementation of climate related reporting at both whole-of-government and agency levels.

In August 2023, NSW Treasury issued sector-wide correspondence that advised mandatory climate disclosures at the entity level would apply from the financial year 2024–25.

NSW Treasury is consulting with the sector to help inform their development of policy guidance on the implementation of climate-related disclosures and a risk-based framework to support any reporting exemptions available to agencies.

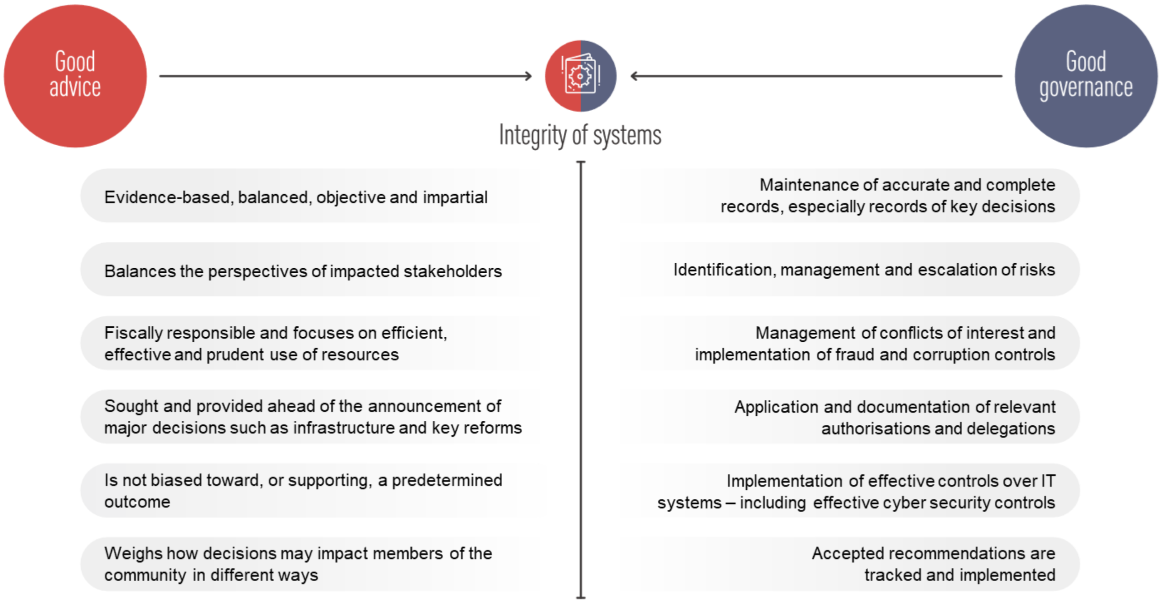
The Audit Office is discussing the nature and scope of the independent public sector assurance over future climate-related disclosures at both a whole-of-government and agency level with NSW Treasury.

The Audit Office's work program for 2023–26

The integrity of systems and processes remains a key focus of the Audit Office's 2023–26 work program

Focus on integrity

The Audit Office of New South Wales has a fundamental role in helping the Parliament hold government accountable for the use of public resources. In doing so, the Audit Office examines whether government systems and processes are effective in supporting integrity, accountability and transparency. The aspects of integrity that the Audit Office expects to see in these systems and processes – such as in grant program administration, major project delivery and application of controls and governance is set out on the next page. The Audit Office will assess these elements in the conduct of our financial and performance audits over the next three years. These focus areas arise from the collation of key findings and recommendations from the Audit Office's past reports, which are set out in further detail in the Audit Office report on Audit Insights 2018–2022.



Good advice

- Evidence-based, balanced, objective and impartial
- Balances the perspectives of impacted stakeholders
- Fiscally responsible and focuses on efficient, effective and prudent use of resources
- Sought and provided ahead of the announcement of major decisions such as infrastructure and key reforms
- Is not biased toward, or supporting, a predetermined outcome
- Weighs how decisions may impact members of the community in different ways

Good governance

- Maintenance of accurate and complete records, especially records of key decisions
- Identification, management and escalation of risks
- Management of conflicts of interest and implementation of fraud and corruption controls
- Application and documentation of relevant authorisations and delegations
- Implementation of effective controls over IT systems – including effective cyber security controls
- Accepted recommendations are tracked and implemented

This program will continue our focus on cyber security and cyber resilience in view of the growing risk this presents

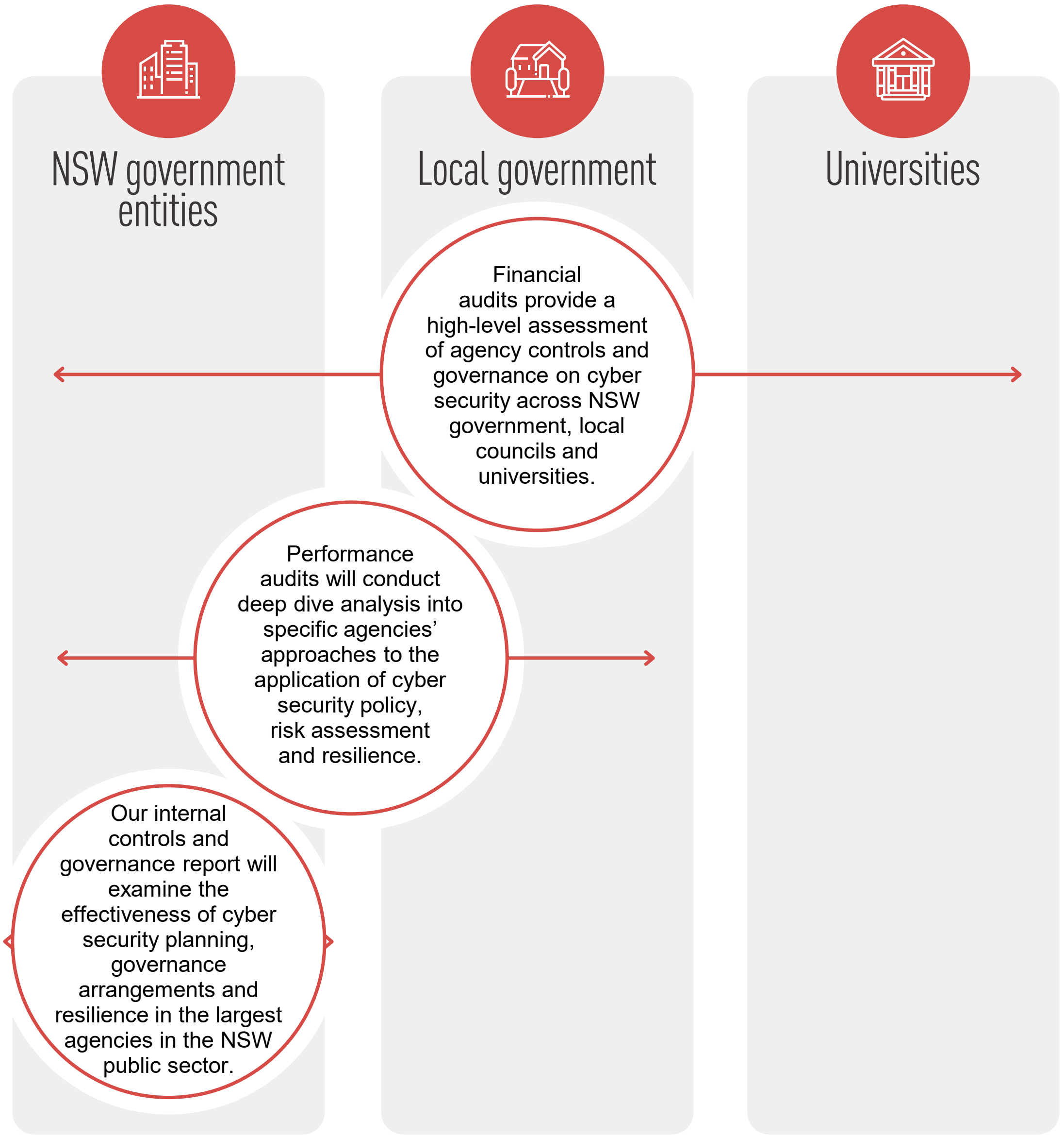
Cyber security and resilience continues to be an area of focus for the work of the Audit Office. The pervasive reliance on information technology in modern government in addition to the global interconnectivity between computer networks has dramatically increased the risk of cyber security incidents. Such incidents can harm government service delivery and may include the theft of information, breaches of private information, denial of access to critical technology, or even the hijacking of systems for profit or malicious intent. These outcomes can harm trust in government.

More broadly, outdated and 'legacy' IT systems, changing functional responsibilities between agencies, risks with third and fourth party service providers, and workforce capability present risks to government. Agencies need to be alert to the need to update and replace legacy systems, identify security implications in functional changes, and regularly train and upskill staff in their use of IT and to be cyber risk-aware.

The Audit Office’s approach to auditing cyber security and resilience across state entities, local councils and universities involves:

- considering how agencies are responding to the risks associated with cyber security in our financial audits across the NSW public sector
- examining the effectiveness of cyber security planning and governance arrangements for large NSW State government agencies for our Internal Controls and Governance report
- conducting deep dive performance audits of the effectiveness of specific agency activities in preparing for, responding to, and recovering from cybersecurity risks.

Our focus on cyber security and resilience in our Annual Work Program aims to provide insight into how well agencies are implementing Cyber NSW guidance, and how well agencies are mitigating key cyber security challenges faced by government.



Financial audits provide a high-level assessment of agency controls and governance on cyber security across NSW government, local councils and universities.

Performance audits will conduct deep dive analysis into specific agencies' approaches to the application of cyber security policy, risk assessment and resilience.

Our internal controls and governance report will examine the effectiveness of cyber security planning, governance arrangements and resilience in the largest agencies in the NSW public sector.

The Audit Office is using its 'follow the dollar' powers

The amendments to the *Government Sector Audit Act 1983* and the *Local Government Act 1993* gave the Auditor-General powers to include relevant, non-government entities in the scope of performance audits. A 'relevant entity' is a non-public sector entity that has received money or other government resources for a particular purpose and agrees to use that money or resources for the State purpose or has entered into a contract that relates to the State purpose.

These new powers are sometimes referred to as 'follow the dollar'. With increasing reliance on non-government sectors to deliver outcomes on behalf of government, these changes improve the ability of the Audit Office to ensure that public money is spent efficiently, effectively, economically and in compliance with relevant law.

Two performance audits using the 'follow the dollar' powers are currently underway in the NSW child protection system. The audits (Oversight of the child protection system and Safeguarding the rights of Aboriginal children in the child protection system) are examining the performance of the Department of Communities and Justice and five selected non-government providers of child protection services and will table in the first half of 2024.

Section two

Appendices

Appendix one – Prescribed entities

Section 45 of the *Government Sector Audit Act 1983* (GSA Act) requires the Auditor-General to perform audits of the financial statements of entities, funds or accounts prescribed for the purposes of that section. Prescribed audits are generally made at the request of a Treasurer, a responsible minister, or a prescribed requestor. The Auditor-General is required to inspect and audit the financial report and the books and records relating to an entity or fund or account under the control of an entity. Section 45(3) of the GSA Act requires the Auditor-General to include a reference to any prescribed audit conducted in this report. The following were prescribed entities as at 30 June 2023.

Entity/fund	Latest financial statements audited	Type of audit opinion issued
AustLII Foundation Limited	31 December 2022	Unmodified
Belgenny Farm Agricultural Heritage Centre Trust	30 June 2023	Unmodified
The Brett Whiteley Foundation	30 June 2023	Unmodified
City West Housing Pty Limited	30 June 2023	Unmodified
Cowra Japanese Garden Maintenance Foundation Limited	31 March 2023	Unmodified
Cowra Japanese Garden Trust	31 March 2023	Unmodified
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	30 June 2023	Unmodified
Eif Pty Limited	30 June 2023	Unmodified
Energy Investment Fund	20 June 2023	Unmodified, with an emphasis of matter
Central Coast Council Water Supply Authority (formerly Gosford City and Wyong City Council Water Supply Authorities)	30 June 2023	Unmodified
Home Building Compensation Fund	30 June 2023	Unmodified
The funds for the time being under the management of the NSW Treasury Corporation, as trustee	30 June 2023	Unmodified
Macquarie University Professorial Superannuation Scheme	30 June 2023	Unmodified
National Art School	31 December 2022	Unmodified
NSW Fire Brigades Superannuation Pty Limited	30 June 2023	Unmodified
Parliamentary Contributory Superannuation Fund	30 June 2023	Unmodified
Sydney Educational Broadcasting Limited	31 December 2022	Unmodified
The trustees for the time being of each superannuation scheme established by a trust deed as referred to in section 127 of the *Superannuation Administration Act 1996*	30 June 2023	Unmodified
The Art Gallery of New South Wales Foundation	30 June 2023	Unmodified
Trustees of the Farrer Memorial Research Scholarship Fund	31 December 2022	Unmodified
United States Studies Centre	31 December 2022	Unmodified

Entity/fund	Latest financial statements audited	Type of audit opinion issued
Universities Admissions Centre (NSW and ACT) Pty Limited	30 June 2023	Unmodified
University of Sydney Professorial Superannuation System	31 December 2022	Unmodified

Appendix two – TSS sectors and entities

Based on ABS classification, the New South Wales Total State Sector (TSS) include 210 entities within the General Government Sector (GGS) and 104 government-controlled businesses in the Public Financial Corporations (PFC) sector and the Public Non-Financial Corporations (PNFC) sector.

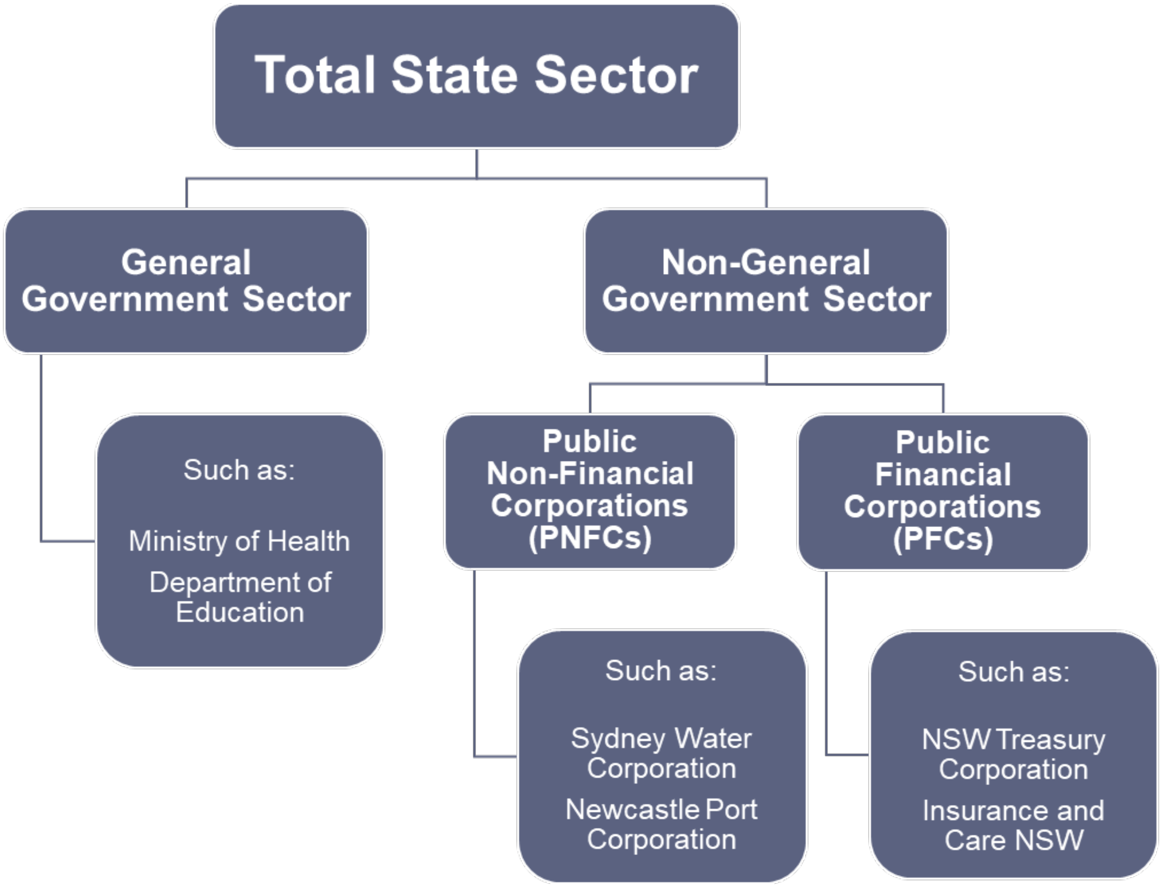
The PFC and PNFC sectors combined form the Non-General Government Sector (Non-GGS). The businesses in Non-GGS generally provide goods and services, such as water, electricity and financial services for which consumers pay for directly.

GGS entities are agencies that provide public services (such as health, education and police) or carry out policy or perform regulatory functions. General government agencies are directly or indirectly funded in the main by taxation.

As defined by the ABS, PFC entities have one or more of the following functions:

a) that of a central bank
b) the acceptance of demand, time or savings deposits
c) the authority to incur liabilities (such as insurance) and acquire financial assets in the market on their own account.

PNFC sector includes agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation.



Controlled entities of the State of New South Wales

General Government Sector controlled entities$^{(a)}$

- Aboriginal Housing Office
  - Dunghutti Aboriginal Elders Tribal Council Trust
- Aboriginal Languages Trust Board$^{(*)}$
- Alpha Distribution Ministerial Holding Corporation
- Art Gallery of New South Wales Trust
  - Art Gallery of New South Wales Trust Staff Agency
- Audit Office of New South Wales
- Australian Museum Trust
  - Australian Museum Trust Staff Agency
- Belgenny Farm Agricultural Heritage Centre Trust$^{(*)}$
- Biamanga National Park Board of Management$^{(b)}$ $^{(*)}$
- Biodiversity Conservation Trust of New South Wales Border Fence Maintenance Board$^{(*)}$
- C.B. Alexander Foundation$^{(*)}$
- Cemeteries and Crematoria NSW$^{(*)}$
- Centennial Park and Moore Park Trust
- Combat Sports Authority of New South Wales$^{(*)}$
- Corporation Sole 'Minister Administering the Heritage Act, 1977'$^{(*)}$
- Crown Reserves Improvement Fund
- Crown Solicitor's Office
- Dams Safety NSW$^{(*)}$
- Department of Communities and Justice
  - John Williams Memorial Charitable Trust
- Department of Customer Service
  - Safe Work NSW
- Department of Education
  - Advocate for Children and Young People
- Department of Enterprise, Investment and Trade
- Department of Planning and Environment
  - Heritage Council of New South Wales
- Department of Premier and Cabinet
- Department of Regional NSW
  - Aboriginal Fishing Trust Fund
  - Agricultural Scientific Collections Trust
  - Aquaculture Trust Fund
  - Charter Fishing Trust Fund
  - Coal Innovation Fund
  - Commercial Fishing Trust Fund
  - Fish Conservation Trust Fund
  - Game and Pest Management Trust Fund
  - Recreational Fishing (Fresh) Trust Fund
  - Recreational Fishing (Salt) Trust Fund
- Department of Transport
  - Transport for NSW
  - Transport Service of New South Wales
- Destination NSW
  - Destination NSW Staff Agency
- Electricity Assets Ministerial Holding Corporation
- Electricity Retained Interest Corporation (ERIC-A)
- Electricity Retained Interest Corporation (ERIC-E)
- Electricity Transmission Ministerial Holding Corporation
- Energy Corporation of New South Wales
- Environment Protection Authority
  - Environment Protection Authority Staff Agency
- Environmental Trust
- Epsilon Distribution Ministerial Holding Corporation
- Fire and Rescue NSW
- Gaagal Wanggaan (South Beach) National Park Board of Management$^{(b)}$ $^{(*)}$
- Generator Property Management Pty Ltd$^{(*)}$
- Greater Cities Commission
  - Greater Cities Commission Staff Agency
- Greater Sydney Parklands Trust$^{(d)}$
- Greyhound Welfare and Integrity Commission$^{(*)}$
- Office of the Greyhound Welfare and Integrity Commission
- Gulaga National Park Board of Management$^{(b)}$ $^{(*)}$
- Health Care Complaints Commission
  - Health Care Complaints Commission Staff Agency
  - Hamilton Rouse Hill Trust
  - Rouse Hill Hamilton Collection Pty Limited
- Home Purchase Assistance Fund
- Hunter and Central Coast Development Corporation
- Independent Commission Against Corruption
- Independent Liquor and Gaming Authority
  - Independent Liquor and Gaming Authority Staff Agency

General Government Sector controlled entities(a)

- Independent Planning Commission
  - Office of the Independent Planning Commission
- Independent Pricing and Regulatory Tribunal
  - Independent Pricing and Regulatory Tribunal Staff Agency
- Information and Privacy Commission
- Infrastructure NSW
  - Infrastructure NSW Staff Agency
- Jobs for NSW Fund
- Judicial Commission of New South Wales
- Lands Administration Ministerial Corporation
- Law Enforcement Conduct Commission
  - Office of the Law Enforcement Conduct Commission
- Legal Aid Commission of New South Wales
  - Legal Aid Commission Staff Agency
- Liability Management Ministerial Corporation
- Library Council of New South Wales
  - Library Council of New South Wales Staff Agency
  - State Library of New South Wales Foundation
- Local Land Services
  - Local Land Services Staff Agency
- Long Service Corporation
- Lord Howe Island Board(*)
- Luna Park Reserve Trust
- Mental Health Commission of New South Wales Mental Health Commission Staff Agency
- Ministerial Holding Corporation(*)
- Ministry of Health(g)
  - Agency for Clinical Innovation Albury Base Hospital
  - Albury Wodonga Health Employment Division Bureau of Health Information
  - Cancer Institute (NSW)
  - Central Coast Local Health District
  - Clinical Excellence Commission
  - Far West Local Health District
  - Graythwaite Trust
  - Health Administration Corporation
  - Health Education and Training Institute
  - Health Professional Councils Authority Office
  - Hunter New England Local Health District
  - Illawarra Shoalhaven Local Health District
  - Justice Health and Forensic Mental Health Network
  - Mid North Coast Local Health District
  - Murrumbidgee Local Health District
  - Nepean Blue Mountains Local Health District
  - Northern NSW Local Health District
  - Northern Sydney Local Health District
  - South Eastern Sydney Local Health District
  - South Western Sydney Local Health District
  - Southern NSW Local Health District
  - Sydney Local Health District
  - The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
  - Western NSW Local Health District
  - Western Sydney Local Health District
- Mt Grenfell Historic Site Board of Management(b) (*)
- Museums of History NSW(e)
  - Museums of History NSW and State Records Authority NSW Staff Agency(h)
- Multicultural NSW
  - Multicultural NSW Staff Agency
- Mutawintji Board of Management(b) (*)
- National Art School(*)
- Natural Resources Access Regulator
- Natural Resources Commission
  - Natural Resources Commission Staff Agency
- New South Wales Crime Commission
  - New South Wales Crime Commission Staff Agency
- New South Wales Electoral Commission
  - New South Wales Electoral Commission Staff Agency
- New South Wales Government Telecommunications Authority
- New South Wales Institute of Sport(*)
  - Institute of Sport Staff Agency
- New South Wales Rural Assistance Authority
  - NSW Ovine Johne's Disease Transaction Based Contribution Scheme
- Northern Rivers Reconstruction Corporation(j)
- NSW Crown Holiday Parks Trust(*)
- NSW Education Standards Authority
  - NSW Education Standards Authority Staff Agency
- NSW Food Authority
- NSW Health Foundation(*)

General Government Sector controlled entities[(a)]

- NSW Independent Casino Commission[(j)]
  - NSW Independent Casino Commission Staff Agency
- NSW Police Force
- NSW Reconstruction Authority[(k)]
  - NSW Reconstruction Authority Staff Agency[(k)]
- NSW Self Insurance Corporation
- NSW Skills Board[(*)]
- New South Wales Technical and Further Education Commission
  - TAFE Commission (Senior Executives) Staff Agency
- NSW Trustee and Guardian
- Office of Ageing and Disability Commissioner[(*)]
- Office of Sport
- Office of the Inspector of the Law Enforcement Conduct Commission
- Office of the Children's Guardian
- Office of the Director of Public Prosecutions
- Office of the Independent Review Officer
- Office of the NSW Rural Fire Service
- Office of the NSW State Emergency Services
- Office of Transport Safety Investigations
- Ombudsman's Office
- Parliamentary Counsel's Office
- Parramatta Park Trust[(*)]
- Planning Ministerial Corporation
- Port of Newcastle Lessor Ministerial Holding Corporation
- Port Botany Lessor Ministerial Holding Corporation
- Port Kembla Lessor Ministerial Holding Corporation
- Ports Assets Ministerial Holding Corporation
- Property NSW
- Public Service Commission
- Regional Growth NSW Development Corporation Rental Bond Board
- Responsible Gambling Fund[(*)]
- Royal Botanic Gardens and Domain Trust Service NSW
- Sporting Injuries Compensation Authority[(*)]
- State Insurance Regulatory Authority
- State Rail Authority Residual Holding Corporation[(*)]
- State Records Authority NSW[(e)]
  - Museums of History NSW and State Records Authority NSW Staff Agency[(h)]
- State Rescue Board of New South Wales[(*)]
- Statutory Land Managers (numerous Trust Boards managing Crown Land Reserves) [(*)]
- Sydney Metro
- Sydney Olympic Park Authority
- Technical Education Trust Fund[(*)]
- The Legislature
- The Treasury
- Trustees of the Anzac Memorial Building[(*)]
- Trustees of the Museum of Applied Arts and Sciences
  - Trustees of the Museum of Applied Arts and Sciences Staff Agency
- Water Administration Ministerial Corporation
- Water Investment Trust Fund
- Western Parkland City Authority
  - Western Parkland City Authority Staff Agency
- Western Sydney Parklands Trust
- Worimi Board of Management[(b)] [(*)]
- Workers' Compensation (Dust Diseases) Authority

Public Financial Corporations

- First Australian Mortgage Acceptance Corporation (FANMAC) Master Trust
- First Australian Mortgage Acceptance Corporation (FANMAC) Pooled Super Trust
- Insurance and Care NSW
- Insurers' Guarantee Fund Investment Trust
- Lifetime Care and Support Authority of New South Wales
- Motor Accident Injuries Treatment and Care Benefits Fund
- Long Service Corporation Investment Fund
- NSW Generations (Debt Retirement) Fund
- NSW Infrastructure Future Fund
- NSW Treasury Corporation
- SAS Trustee Corporation
  - SAS Trustee Corporation Staff Agency
- Snowy Hydro Legacy Fund Investment Trust(i)
- Social and Affordable Housing NSW Fund Investment Trust
- TCorpIM Australian Bond Fund
- TCorpIM Australian Inflation Linked Bond Fund
- TCorpIM Australian Share Fund
- TCorpIM Bank Loan Fund
  - ICG Australia Fund
  - KKR Senior Floating Rate Income Fund
  - PineBridge Senior Floating Rate Income Fund
- TCorpIM Core Alternatives Fund
  - Fulcrum Discretionary Macro Fund SPV
  - GMO Systematic Global Macro Trust
  - K2 Advisors Alpha Strategies Ltd
- TCorpIM Defensive Alternatives Fund
  - K2 Advisors Defensive Strategies
  - PIMCO Defensive Strategies Fund
- TCorpIM Developed Market Property Fund
- TCorpIM Developed Market Equities (Hedged) Fund
- TCorpIM Developed Market Equities (Sovereign Investor – Hedged) Fund
- TCorpIM Direct Infrastructure Fund A
  - Hermes Infrastructure (Alaska) L.P.
- TCorpIM Direct Investment Fund B
- TCorpIM Direct Investment Fund C
  - LOGOS Australia Logistics Portfolio Trust
- TCorpIM Direct Investment Fund D
- TCorpIM Direct Investment Fund E
- TCorpIM Direct Investment Fund F
  - WaterGen Australia Holdings Pty Ltd
  - WaterGen Canada Holdings Inc
- TCorpIM Direct Investment Fund G
- TCorpIM Direct Investment Fund K
- TCorpIM Direct Investment Fund M
- TCorpIM Direct Investment Fund N
  - Waratah Holding Limited
  - Waratah Property S.à r.l.
- TCorpIM Emerging Market Debt Fund
- TCorpIM Emerging Market Share Fund
- TCorpIM Global Credit Fund(q)
- TCorpIM High Yield Fund
- TCorpIM Liquidity Cash Fund
- TCorpIM Long Term Growth Fund
- TCorpIM Medium Term Growth Fund
- TCorpIM Middle Market Bank Loan Fund(r)
  - T Series Middle Market Loan Fund LLC
- TCorpIM Middle Market Bank Loan Fund B(s)
  - Phillip Street Middle Market Lending Fund LLC
- TCorpIM Opportunistic Fund A
- TCorpIM Opportunistic Fund B
  - Tailored Opportunistic Credit Fund
- TCorpIM Opportunistic Fund C
- TCorpIM Opportunistic Fund E
- TCorpIM Opportunistic Fund F (t)
- TCorpIM Opportunistic Liquidity Fund (u)
  - PIMCO Liquidity Provision Strategy Fund
- TCorpIM Short Term Income Asset Class Fund(v)
- TCorpIM Short Term Income Fund
- TCorpIM Sustainable Development (Infrastructure) Fund
- TCorpIM Unlisted Infrastructure Fund
- TCorpIM Unlisted Property Fund
- Treasury Managed Fund Investment Portfolio

Public Non-Financial Corporations

- Catholic Metropolitan Cemeteries Trust
- Cobar Water Board(*)
- Essential Energy
    - Intium Pty Limited
- Forestry Corporation of New South Wales
- Hunter Water Corporation
- Jenolan Caves Reserves Trust
- Landcom
- Newcastle Port Corporation
- NSW Land and Housing Corporation
- Northern Metropolitan Cemeteries Land Manager
- NSW Trains
- Place Management NSW
- Rookwood General Cemeteries Reserve Land Manager
- Rookwood Necropolis Land Manager(*)
- Southern Metropolitan Cemeteries Land Manager(*)
- State Sporting Venues Authority
- State Transit Authority of New South Wales(m)
- Sydney Ferries
- Sydney Opera House Trust
    - Sydney Opera House Trust Staff Agency
- Sydney Trains
- Sydney Water Corporation
- Teacher Housing Authority of New South Wales
- Transport Asset Holding Entity of New South Wales
- Venues NSW
    - Venues NSW Staff Agency
- Waste Assets Management Corporation
- Water NSW
    - Water NSW Infrastructure Pty Ltd
- Wentworth Park Sporting Complex Trust(*)
- Zoological Parks Board of New South Wales

(a) In addition to the entities below, there are 579 Crown Land Managers and 119 Commons Trusts controlled by the State.

(b) National Park Boards of Management as per the *National Parks and Wildlife Act 1974*.

(c) Legislation is being prepared to dissolve the corporation during 2023–24.

(d) Agency was established 1 July 2022 under the *Greater Sydney Parklands Trust Act 2022* No 9.

(e) Agency was established 31 December 2022 as the Museums of History NSW and State Records Authority NSW from Historic Houses Trust and State Archives and Records Authority of New South Wales under the *Museums of History NSW Act 2022* No 42.

(g) The special purpose service entities of the local health districts have not been listed.

(h) Agency was renamed on 31 December 2022 as the Museums of History NSW and State Records Authority NSW Staff Agency from State Archives and Records Authority Staff Agency under the Administrative Arrangements (Administrative Changes—Miscellaneous) Order 2022 (No 10).

(i) Agency was established under the Growth Centres (Development Corporations) Amendment (Northern Rivers Reconstruction Corporation) Order 2022 on 13 May 2022, effective 1 July 2022.

(j) Agency was established 5 September 2022 under the *Casino Legislation Amendment Act 2022* No 36.

(k) Agency was abolished 16 December 2022 and functions transferred to the NSW Reconstruction Authority under the Administrative Arrangements (Administrative Changes—Miscellaneous) Order 2022 (No 10).

(m) State Transit Authority ceased operations on 3 April 2022. The State Transit Authority will continue to exist as a legal entity until dissolved by Parliament.

(n) There were 45 TCorpIM Funds controlled by the State as of 30 June 2023 (40 TCorpIM Funds as of 30 June 2022). Out of this number, 27 TCorpIM Funds (23 TCorpIM Funds as of 30 June 2022) had unitholders not controlled by the State such as universities, local government authorities, and the Workers Compensation Nominal Insurer. The State's economic interest in the controlled TCorpIM Funds varied from 35% to 100% over 2022–23 (2021–22: 34% to 100%), while the State's voting rights percentage was either equal to its economic interest or higher since some non-State unitholders transfer their voting rights to the State through TCorp.

(q) The Fund was controlled and not controlled (under AASB 10) by the State during 2021–22 and 2022–23. The Fund was controlled as at 30 June 2022 and was not controlled as at 30 June 2023.

(r) The Fund was controlled and not controlled (under AASB 10) by the State during 2022–23 (2021–22: not controlled). The Fund was controlled as at 30 June 2023.

(s) Fund was established 27 October 2022.

(t) Fund was established 24 May 2023.

(u) Fund was established 31 May 2023.

(v) Fund was established 11 October 2022.

(*) These agencies are not considered material for whole-of-government reporting, so are excluded from individual agency budget reporting in Budget Paper 4. These agencies are however controlled and included in the consolidated financial statements of the State.

OUR VISION

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

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

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Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

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