New South Wales Auditor-General's Report
Financial Audit

Volume Ten 2016
Report on Planning and Environment

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 *Public Finance and Audit Act 1983*.

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

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

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

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

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

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Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Ten of my 2016 report.

Margaret Crawford
Auditor-General
6 December 2016

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Planning and Environment

Executive Summary

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| **Financial performance** | The Department should align financial performance and sustainability reporting across the cluster while implementing the Cluster Corporate Services model. |

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| **Certifying effectiveness of internal controls** | Agency CFOs need to certify the effectiveness of internal controls before agency heads sign the financial statements. |

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Conflicts of interest

Cluster agencies should:

- ensure contractors declare conflicts of interest on initial engagement, document safeguards to manage the conflict and have this approved
- require staff to disclose secondary employment arrangements, assess the impact on their primary employment and have the arrangement approved
- ensure a process is in place to update the declarations annually.

| **Local government reforms** | The Office of Local Government will play a lead role in supporting new councils. The Auditor-General will audit the financial statements of councils from 1 July 2016. |

Service delivery

| **Greater Sydney Commission** | The NSW Government set 24 priorities for the Greater Sydney Commission to achieve by October 2018. The Commission should develop targets and performance indicators to measure progress towards the achievement of outcomes. |

| **Container Deposit Scheme** | The Container Deposit Scheme will commence from 1 July 2017. The Environment Protection Authority should ensure appropriate governance and measures are in place to manage the Scheme. |

Financial performance and reporting

Unqualified audit opinions issued

Unqualified audit opinions were issued for 27 of 28 cluster agencies on their 2015–16 financial statements, with one audit incomplete. The number and size of monetary misstatements continues to decrease.

Early close procedures mostly completed but some room for improvement

Agencies substantially completed early close procedures, however most did not formally assess the impact of new and revised accounting standards effective in the current or future years. This needs to be assessed in a timely manner to reduce the risk of misstatements and disclosure deficiencies in financial statements.

Recommendation (repeat issue)

> Agencies should assess the impact of new accounting standards on a timely basis and ensure their assessment is documented.

Monitoring of financial performance and sustainability can improve

Aligning agency reporting on financial performance and sustainability to the Department will enhance financial monitoring and comparability of performance across cluster agencies.

Recommendation

> The Department should align financial performance and sustainability reporting across the cluster while implementing the Cluster Corporate Services model.

Financial controls

Agency heads signed financial statements before CFOs certified controls

Failure to complete this process before agency heads sign the financial statements increases the risk that key deficiencies in internal controls may not be brought to their attention prior to signing the financial statements. The CFO certification for four agencies was completed after the financial statements were signed by agency heads.

Recommendation

> Agency CFOs need to certify the effectiveness of internal controls before agency heads sign the financial statements.

Twenty-six of 88 internal control weaknesses were repeat issues

Internal control weaknesses increase the risk of fraud and error and, therefore, should be addressed in a timely manner. The 2015–16 audits identified 88 internal control issues that were reported to management. Twenty-six of these were unresolved issues from previous audits, 19 of which were considered a moderate level risk.

Recommendation (repeat issue)

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

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

Access security weaknesses to critical financial systems were identified increasing the risk of inappropriate access to information.

Recommendation (repeat issue)

> Management of user access over financial systems should be strengthened.

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Cluster agencies need to further improve contract management

The audits of several agencies found deficiencies in their processes for updating and maintaining their contracts register. Contract registers must be complete and accurate to provide effective oversight of contracts and commitments.

Recommendation (repeat issue)

> Agencies that did not self-assess their contract management processes against the Audit Office's 'Better Practice Contract Management Framework' in 2015–16, should do so. All agencies should address identified gaps in their frameworks promptly.

Department did not comply with the *Government Information (Public Access) Act 2009*

A review conducted by the Audit Office found that the Department did not fully comply with the *Government Information (Public Access) Act 2009.*

Recommendation

> Cluster agencies should review compliance with the *Government Information (Public Access) Act 2009* and report the results to their Audit and Risk Committees.

Governance

Cluster Corporate Services model has been implemented

The model intends to centralise various corporate services functions across 20 of the 28 agencies in the cluster. Service level agreements under this new model are yet to be implemented.

Risk management maturity varies across the cluster

Some agencies did not have a risk appetite statement or key risk indicators.

Recommendations

> Cluster agencies should develop:

> - a risk appetite statement to ensure risk tolerance levels are consistently designed and implemented
> - key risk indicators to drive risk monitoring and enable prompt escalation, action, reporting and feedback.

Agencies can do more to identify and manage conflicts of interest

Conflict of interest declarations and the monitoring of conflicts could be improved.

Recommendations

> Cluster agencies should:

> - ensure contractors declare conflicts of interest on initial engagement, document safeguards to manage the conflict and have this approved
> - require staff to disclose secondary employment arrangements, assess the impact on their primary employment and have the arrangement approved
> - ensure a process is in place to update the declarations annually.

Nine agencies did not require contractors to acknowledge the gifts and benefits policy

Effective oversight of gifts and benefits offered or received by contractors is important to ensure risks associated with undue influence are identified and mitigated.

Recommendation

> Cluster agencies should require contractors to report gifts and benefits offered or received and document this in the gifts and benefits register.

Deficiencies in fraud control frameworks

Half of the cluster agencies have outdated fraud investigation policies and only a few have voluntarily self-assessed their fraud control frameworks using the Audit Office's 'Fraud Control Improvement Tool Kit'.

Recommendation

> Cluster agencies should self-assess their fraud control frameworks against the Audit Office's 'Fraud Control Improvement Tool Kit' and regularly update their fraud policies and procedures.

The Office of Local Government will play a lead role in supporting new councils

The reforms have extended the Auditor-General's mandate to audit councils from 1 July 2016. The Audit Office has been working with key stakeholders on transitioning to the new mandate with minimum disruption.

Service delivery

The NSW Government set 24 priorities for the Greater Sydney Commission

The Commission is to deliver 24 key priorities over the period from its establishment in January 2016 to October 2018.

Recommendation

> The Greater Sydney Commission should develop targets and performance indicators to measure progress towards the achievement of outcomes.

The outcome of initiatives to tackle illegal dumping is not being measured

Illegal dumping can have a number of impacts, including causing harm to the environment, increasing the cost of waste clean-up and lost revenue from avoided waste levies.

Recommendation

> The Environment Protection Authority should develop measures and targets to assess the achievement of outcomes associated with illegal dumping initiatives.

The Container Deposit Scheme is a key initiative to reduce litter volume

The roll out of the Container Deposit Scheme on 1 July 2017 will play a key role in targeting drink containers, which make up 43 per cent of litter volume in NSW. Without appropriate governance arrangements, the effectiveness of the Scheme in reducing litter volumes and promoting resource recovery may be diminished.

Recommendation

> The Environment Protection Authority should ensure appropriate governance arrangements are in place over the Container Deposit Scheme to manage risks and measures are developed to monitor the performance of the Scheme.

Saving our Species program is implemented to conserve threatened species

The Office of Environment and Heritage (OEH) is responsible for the NSW Government Saving our Species (SoS) program to better manage threatened species in NSW. The NSW Government plans to invest $100 million over the next five years into the SoS program. OEH has developed a program-wide framework for monitoring and reporting on the outcomes of projects and actions for threatened species.

Introduction

This report sets out the results of the financial statement audits of NSW Government agencies in the Planning and Environment cluster for the year ended 30 June 2016. It provides Parliament and other users of the financial statements an analysis of the results and key observations in the following areas:

*   Financial Performance and Reporting
*   Financial Controls
*   Governance
*   Service Delivery.

The commentary covers the following agencies in the Planning and Environment cluster:

Planning and Environment Cluster		
Minister for Planning	**Minister for Local Government**	**Minister for Environment and Minister for Heritage**
• Department of Planning and Environment • Landcom (trading as UrbanGrowth NSW) • Australian Technology Park Sydney Limited • Central Coast Regional Development Corporation • Corporation Sole, 'Minister Administering the *Environmental Planning and Assessment Act 1979*' • Hunter Development Corporation • UrbanGrowth NSW Development Corporation • Greater Sydney Commission • Ministerial Development Corporation	• Office of Local Government	• Office of Environment and Heritage • Boards of Management (six) • Centennial Park and Moore Park Trust • Corporation Sole, 'Minister Administering the *Heritage Act 1977*' • Environment Protection Authority • Environmental Trust • Historic Houses Trust of New South Wales • Jenolan Caves Reserve Trust • Lord Howe Island Board • Royal Botanic Gardens and Domain Trust • Parramatta Park Trust • Western Sydney Parklands Trust • Taronga Conservation Society Australia

Snapshot of the cluster

A snapshot of the financial results of the Planning and Environment cluster for the year ended 30 June 2016 and comparative period is shown below.

Planning and Environment Cluster				
	Total revenue	**Total expenses**	**Total surplus**	**Net assets**
2015-16	$4.7 billion	$4.4 billion	$352 million	$9.6 billion
2014-15	$4.0 billion	$3.8 billion	$321 million	$9.3 billion

Changes to the cluster

The Sydney Harbour Foreshore Authority, Luna Park Reserve Trust and the Building Professionals Board were transferred from the Planning and Environment cluster to the Finance, Services and Innovation cluster, effective 1 July 2015. These changes have no impact on the financial information for 2015–16 presented in this report.

The Greater Sydney Commission was established on 27 January 2016 under the *Greater Sydney Commission Act 2015* and forms part of the Planning and Environment cluster. It was established to:

• lead metropolitan planning for the Greater Sydney Region

• promote orderly development in the Greater Sydney Region

• promote the alignment of government infrastructure decision-making with land use planning

• promote the supply of housing, including affordable housing

• encourage development that is resilient and takes into account natural hazards

• support ongoing improvement in productivity, liveability and environmental quality.

Status of 2015 recommendations

Volume Nine of the 2015 Auditor-General's Report to Parliament on the Planning and Environment cluster included 14 recommendations for cluster agencies to improve financial management, internal controls and governance processes. The current status of each recommendation is shown below.

Recommendation	Current status
The Department of Planning and Environment should:	
🟠 Develop a cluster-wide compliance management framework.	Work to streamline compliance management and other governance processes across the cluster, where relevant, is underway. This includes the development of relevant cluster-wide policies as part of the Cluster Corporate Services model. Refer to the chapter on Governance for further details.
🟠 Finalise Service Partnership Agreements to ensure clarity over service levels, cost allocations, key performance indicators and service expectations.	The Service Partnership Agreement between the Department of Planning and Environment and the shared service provider was finalised. As part of the transition from the cluster shared services arrangement to a Cluster Corporate Services model, the Department plans to implement new service level agreements. Refer to the chapter on Governance for further details.
Cluster agencies should:	
🔴 Assess the impact of new accounting standards and resolve prior year audit issues and recommendations on a timely basis. (repeat issue)	Agencies substantially completed early close procedures, however did not formally assess the impact of new and revised standards effective in the current or future years as part of early close procedures. This has been raised as a repeat recommendation in the chapter on Financial Controls.

Recommendation	Current status
🔴 Ensure management of user access over financial systems is strengthened.	The audits of cluster agencies identified further issues in relation to the management of user access over key financial systems. This has been raised as a repeat recommendation in the chapter on Financial Controls.
🟠 Ensure management letter recommendations are actioned promptly.	There were 26 repeat recommendations in 2015–16 (32 in 2014–15). Whilst this has improved, addressing repeat management letter recommendations continues to be an issue. This has been raised as a repeat recommendation in the chapter on Financial Controls.
🟠 Evaluate the costs and benefits of risk management capability to achieve a desirable balance based on the size and complexity of their activities.	Cluster agencies can make further improvements to risk management processes. In 2015–16 we used the Audit Office's 'Risk Management Maturity Assessment Toolkit' to analyse the risk maturity of four agencies in the cluster. Refer to the chapter on Governance for further details.
🟢 Adopt a more robust and consistent approach to assessing financial performance and sustainability.	Cluster agencies have implemented additional measures to monitor financial sustainability and performance. Procedures are in place to monitor financial sustainability on a periodic basis.
🟢 Continue to review their budgeting processes to improve financial management.	Cluster agencies have implemented processes to periodically review budget to actuals performance and report on significant variances.
🟢 Further reduce employees' annual leave balances.	Cluster agencies have adopted some measures to reduce employee leave balances below the NSW Treasury target of 30 days. These include: • regular reporting of excess leave balances in executive or other governance committee meetings • incorporating the requirement into management key performance indicator's or individual performance agreements • communicating the requirement to staff through email or the intranet and developing resources to help staff manage their annual leave.
🟢 Ensure key person risk is addressed through formal staff knowledge transfer procedures, the cross skilling of staff and centralised recording of information technology (IT) information.	Cluster agencies have adopted some measures to address this recommendation, including: • restructuring IT support teams to reduce key person risks and to share knowledge across teams • implementing formal policies and procedures for knowledge transfer

Recommendation	Current status
	• back-filling key staff as appropriate for succession planning as well as operational requirements and cross-training employees
	• centralising the recording of IT information.
	The number of IT issues identified across cluster agencies reduced from 17 in 2014–15 to 11 in 2015–16 with only one of these issues being a repeat recommendation.

The Office of Local Government should:

Recommendation	Current status
🟢 Drive initiatives to ensure councils fulfil their financial reporting responsibilities.	The Office of Local Government engaged with councils that have previously submitted their financial reports late to ensure that they have implemented plans to improve on the timeliness and quality of financial reporting.

Smaller agencies should:

Recommendation	Current status
🟡 Have their CFOs attest to the effectiveness of internal controls over financial information in the financial statement approval process.	Most CFOs of smaller agencies voluntarily attested to the effectiveness of internal controls over financial information in 2015–16. Lord Howe Island Board and Jenolan Caves Reserve Trust will consider completing an attestation for 2016–17.

Some agencies should:

Recommendation	Current status
🔴 Self-assess their contract management processes against the Audit Office's 'Better Practice Contract Management Framework'. All agencies should address identified gaps in their frameworks promptly.	Self-assessments were not performed by all cluster agencies. Current year audits have highlighted: • not all agencies maintain centralised contract registers or the registers they maintain are not complete • non-compliance with the *Government Information (Public Access) Act 2009* • not all agencies have formal policies or procedures for contract management. This has been raised as a repeat recommendation in the chapter on Financial Controls.
🟡 Include the following in asset management plans: • whole-of-life asset costings • non-financial key performance indicators • systems for collecting and analysing asset management data.	The agencies advised that this recommendation had been implemented or is in the process of being implemented.

Status of 2015 recommendations		
🟢 Fully addressed	🟡 Partially addressed	🔴 Not addressed

Financial Performance and Reporting

Financial and performance reporting is imperative to good governance. Reliance in public sector decision making and transparency is enhanced when financial reporting is accurate and timely. Effective financial management and reporting by agencies helps key stakeholders, such as the NSW Government, form effective decisions and attain desired outcomes efficiently.

This chapter summarises audit observations, conclusions and recommendations about financial and performance reporting of the Planning and Environment cluster agencies for 2015–16.

Financial reporting	
Observation	**Conclusion or recommendation**
The Audit Office issued unqualified audit opinions for 27 of 28 cluster agencies with one audit incomplete.	The quality of financial reporting across cluster agencies has shown continuous and significant improvement.
Most reported misstatements were corrected by agencies. The number and size of reported misstatements continued to fall.	
Agencies substantially completed early close procedures, however most did not formally assess the impact of new and revised standards as part of early close procedures.	**Recommendation (repeat issue):** Agencies should assess the impact of new accounting standards on a timely basis and ensure their assessment is documented.

Financial performance	
Observation	**Conclusion or recommendation**
Monitoring of financial performance and sustainability has improved.	**Recommendation:** The Department should align financial performance and sustainability reporting across the cluster while implementing the Cluster Corporate Services model.
There are opportunities to align agency reporting on financial performance and sustainability to the Department's reporting through the implementation of the Cluster Corporate Services model.	

Quality of financial reporting

Unqualified audit opinions issued for 27 cluster agencies

Unqualified audit opinions were issued for 27 of 28 cluster agencies' 2015–16 financial statements. Further details regarding the incomplete audit of Worimi Conservation Lands Board of Management are included under 'Timeliness of financial reporting'.

Agencies corrected most identified monetary misstatements

Cluster agencies corrected 82 per cent (92 per cent in 2014–15) of monetary misstatements identified during the 2015–16 audits. Some misstatements greater than $1.0 million remained uncorrected in the financial statements.

Number of misstatements						
Year ended 30 June	2016		2015		2014	
	Corrected	Uncorrected	Corrected	Uncorrected	Corrected	Uncorrected
Less than $50,000	7	1	9	--	8	9
$50,000 - $250,000	3	1	6	1	9	4
$250,001 - $1,000,000	4	--	1	1	5	--
$1,000,001 - $5,000,000	2	2	5	--	2	1
Greater than $5,000,000	1	--	3	--	4	--
Total number of misstatements	**18**	**4**	**24**	**2**	**28**	**14**

Source: Statutory Audit Reports issued by the Audit Office of New South Wales.

The misstatements that were not corrected by management in the 2015–16 audits were not considered material enough to impact the audit opinion.

A material misstatement relates to an incorrect amount, classification, presentation or disclosure in the financial statements that could reasonably be expected to influence the economic decisions of users. Larger misstatements have a greater potential to impact the reliability of financial statements.

Number and size of monetary misstatements continues to decrease

The number of monetary misstatements reported across cluster agencies fell by about 48 per cent from 42 in 2013–14 to 22 in 2015–16. The number of misstatements larger than $5.0 million has reduced from four in 2013–14 to one in 2015–16. This is largely attributed to the early resolution of accounting issues through continued co-operation between audit teams and the agencies as a result of early close procedures.

Timeliness of financial reporting

Four audits were not completed by the statutory due date

The audit of Worimi Conservation Lands Board of Management's 2014–15 financial statements is not complete. The delay is due to the late resolution of an accounting irregularity requiring investigation by the Office of Environment and Heritage and a delay receiving the signed financial statements. This has also delayed completion of the 2015–16 audit, which also remains incomplete.

Early close procedures mostly completed but some room for improvement

> ### Recommendation (repeat issue)
>
> **Agencies should assess the impact of new accounting standards on a timely basis and ensure their assessment is documented.**

Agencies substantially completed early close procedures, however most did not formally assess the impact of new and revised accounting standards effective in the current or future years. Some changes in accounting standards could significantly impact cluster agencies' financial statements in the future, including changes to revenue recognition, leasing and the extension of related party disclosure requirements to not-for-profit agencies. Where the impacts of these standards are not adequately considered, agencies may not have systems or processes in place to manage the change and this could lead to misstatements or disclosure deficiencies in the financial statements.

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

Hard close procedures piloted in the cluster identified areas for improvement

The Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979'* participated in NSW Treasury's hard close pilot. While the audit opinion was signed earlier than the previous year, management did not fully address revaluation issues identified by the audit team during the hard close. This resulted in corrected misstatements in the year-end financial statements.

NSW Treasury ran a hard close pilot with nine agencies in 2015–16 to determine if hard close procedures should be adopted on a wider basis across the NSW public sector. If issues and recommendations are not addressed on a timely basis, the risk of error increases. Also the benefits of implementing hard close procedures may not be achieved.

Financial sustainability

Monitoring of financial performance and sustainability can improve

> ### Recommendation
>
> **The Department should align financial performance and sustainability reporting across the cluster while implementing the Cluster Corporate Services model.**

There are opportunities to align agency reporting on financial performance and sustainability to the Department's reporting through the implementation of the Cluster Corporate Services (CCS) model. Currently, the Department prepares a 'Finance and Business Metrics Report', which includes financial sustainability and key performance indicators that align with its objectives. Implementing similar, but customised reporting across relevant cluster agencies will help:

- ensure better alignment to achieve cluster targets and objectives
- enhance financial monitoring and comparability of performance across cluster agencies.

Details on the implementation of the CCS model are included in the Governance Chapter of this report.

All agencies have healthy current ratios

Cluster agencies had sufficient working capital with current ratios of one or above at 30 June 2016.

The Department adopts an industry accepted current ratio benchmark of one. A current ratio of more than one generally indicates sufficient resources are available to settle short-term debt obligations when they fall due.

Most self-funded agencies continue to remain sustainable

The table below summarises the performance of cluster agencies that are predominately funded from their own revenue sources against some relevant financial indicators in 2015–16.

Year Ended 30 June Cluster agencies	Surplus/ (Deficit) $'000	Operating margin %	Current ratio* 	Expense growth rate %	Revenue growth rate %***
State owned corporation					
Landcom (trading as UrbanGrowth NSW)	161,240	23.7	2.8	(9.2)	0.5
Other bodies					
Australian Technology Park Sydney Limited**	(1,319)	(15.3)	1.5	32.9	8.4
Central Coast Regional Development Corporation	(1,577)	(118.2)	4.2	(13.2)	(18.1)
Hunter Development Corporation	2,079	3.6	9.5	(35.6)	(32.9)
Jenolan Caves Reserve Trust	45	0.4	5.5	(6.3)	2.5

*   The calculation of current ratio excludes current employee provisions expected to be settled after more than 12 months and revenue received in advance.

**   The calculated ratios for Australian Technology Park Sydney Limited exclude the impact of discontinued operations resulting from the sale of the site comprising the Australian Technology Park. The surplus/ (deficit) for 2015–16 including discontinued operations was nil.

*** The calculation of revenue growth rate excludes the impact of capital grants.

Note: Refer to Appendix Two for a definition of the ratios.

Source: Financial statements (audited).

Landcom recorded a surplus of $161 million

Landcom is the only for-profit agency in the cluster and made a profit after tax of $161 million in 2015–16 ($127 million in 2014–15), generating revenue of $658 million during the year ($647 million in 2014–15). Its sales revenue is predominately from land development projects. It is gradually transitioning out of retail land development to focus on major urban transformation projects and infill programs, such as the redevelopment of the Bays Precinct. This change in direction will impact on its sources of revenue and how it funds its projects in the future.

Central Coast Regional Development Corporation recorded deficits for four years

It is uncertain whether the Central Coast Regional Development Corporation (the Corporation) can remain sustainable into the future. The Corporation is charged with accelerating growth, private investment and development in the Central Coast region of New South Wales. It had a negative operating margin for the last four years and continued to incur expenses to operate and maintain its assets, which exceeded the revenue generated from leasing its assets.

Over the longer term, it expects to break even through a part sale of the Mt. Penang development area, which is expected to finalise in 2016–17. It has a $6.1 million undrawn debt facility to meet its obligations in the short term.

The future of Australian Technology Park Sydney Limited (ATP) is under review

The site comprising the Australian Technology Park, Sydney was sold on 22 April 2016 to a private consortium for $263 million. The future direction of ATP is currently under review. Its conference centre business continues as a tenant of the park, but will cease operation on 30 June 2017 when its lease expires. Management advised it expected ATP to continue post June 2017 with operations being funded from investment income.

Key financial information

### The combined net surplus across the cluster was $352 million

The combined net surplus mainly comprises:

• Landcom recording a profit after tax of $161 million (refer details above)

• UrbanGrowth NSW Development Corporation recording a net surplus of $82.9 million, predominately due to the $71.5 million gain on disposal from the sale of the Australian Technology Park

- the Department recording a net surplus of $54.8 million, primarily attributed to the receipt of revenue for restricted purposes, which was not spent during the year
- the Office of Environment and Heritage and Royal Botanical Gardens and Domain Trust recording a net surplus of $34.5 million and $18.7 million respectively, which is primarily attributed to the recognition of a bequest and certain assets for the first time.

Major revenue streams

Sources of Revenue across the Cluster in 2015-16
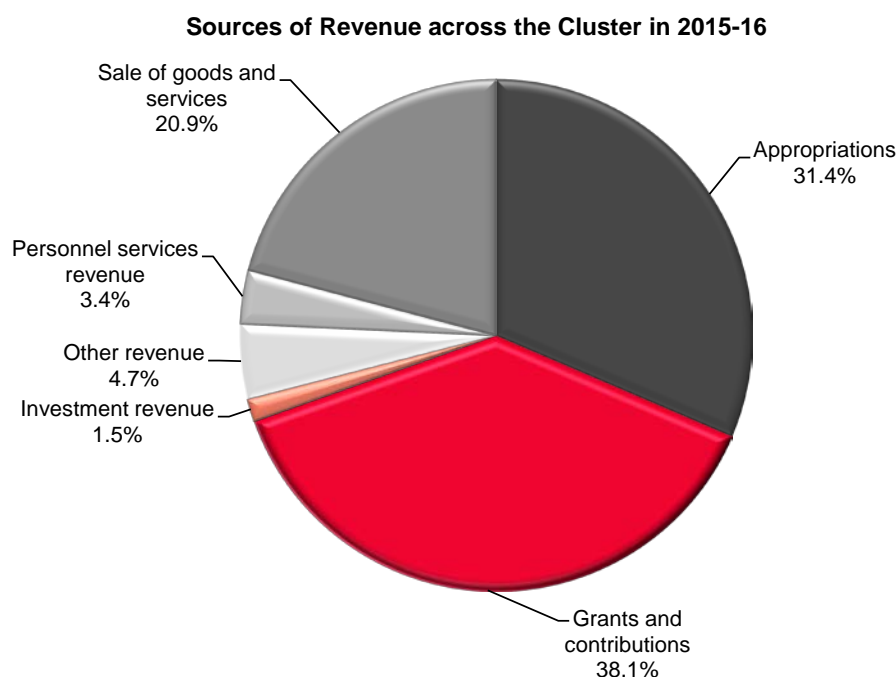
Source: Financial statements (audited).

Appropriations increased by 25 per cent

An increase in appropriations by $295 million or 25 per cent in 2015–16 was mostly due to funding provided to the Office of Local Government for local government reforms. The only agency that receives appropriations is the Department. It drew down $1.5 billion from the Consolidated Fund during the year and provided $1.4 billion in grants and contributions to 12 cluster agencies to fund their recurrent and capital budgets. The Office of Environment and Heritage and Office of Local Government received most of the grant funding for the cluster during the year at $905 million and $478 million respectively.

Revenue from the sale of goods and services increased by five per cent

Revenue from the sale of goods and services increased by $47.6 million during the year to $919 million. Landcom earned most of the cluster's sale of goods and services revenue at $658 million in 2015–16 ($647 million in 2014–15). The increase of $47.6 million across the cluster was mainly attributable to:

- an increase of $11.1 million in Landcom's revenue from the sale of land driven by the sustained demand for housing and continued upward trend in house and land prices
- an increase of $9.3 million in the Department's revenue from development applications and planning reform fund revenue from councils associated with increased development activity
- an increase of $14.6 million in the Office of Environment and Heritage's sale of goods and services, mainly due to fees from cluster entities for the provision of corporate and specialist support under cluster shared service arrangements.

Major expenditure streams

Sources of Expenditure across the Cluster in 2015-16
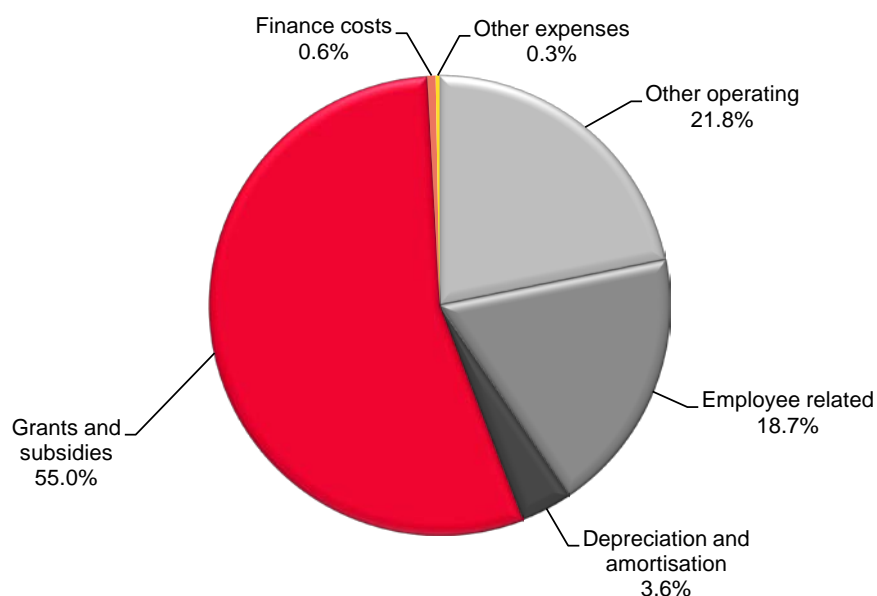
Source: Financial statements (audited).

Grants and subsidies make up 55 per cent of expenditure

Grants and subsidies expense increased by $676 million in 2015–16 compared to the previous year, largely reflecting the funding provided for the local government reforms. The Department and the Office of Local Government are the largest contributors of grants and subsidies, contributing $1.4 billion and $456 million respectively.

Cluster agencies make grant and subsidy payments to local councils, other state government agencies, non-government organisations and private sector bodies.

Employee and personnel services expenses grew by four per cent

Employee related expenses increased by $34.0 million compared to the previous year, totalling $806 million. The Office of Environment and Heritage incurred $474 million in employee related expenses during 2015–16 while the Department incurred expenses of $90.8 million. These two agencies have the most employees in the cluster and provide personnel services to other cluster agencies.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of agency policies. They are essential to enable quality and timely decision making to achieve desired outcomes. This chapter summarises observations, conclusions and recommendations related to financial controls of agencies in the Planning and Environment cluster for 2015–16.

Financial controls	
Observation	**Conclusion or recommendation**
Some agency heads signed the financial statements without the Chief Financial Officer (CFO) certification.	**Recommendation:** Agency CFOs need to certify the effectiveness of internal controls before agency heads sign the financial statements.
The 2015–16 financial audits reported 88 internal control issues to management, 26 were repeat issues. Compliance and corporate governance matters were the most commonly reported theme.	**Recommendation (repeat issue):** Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.
Integrity and security of financial data in financial systems continues to be a risk.	**Recommendation (repeat issue):** Management of user access over financial systems should be strengthened.
A self-assessment was performed by seven cluster agencies against key better practice criteria for grants administration.	The assessment found: • most agencies had grant selection and evaluation processes • some agencies did not monitor the cost of administering grant programs • agencies can improve mechanisms to monitor grant programs.
Cluster agencies need to further improve contract mangement	**Recommendation (repeat issue):** Agencies that did not self-assess contract management processes against the Audit Office's 'Better Practice Contract Management Framework' in 2015–16, should do so. All agencies should address identified gaps in their frameworks promptly.
Instances of non-compliance with the *Government Information (Public Access) Act 2009* were identified.	**Recommendation:** Cluster agencies should review compliance with the *Government Information (Public Access) Act 2009* and report the results to their Audit and Risk Committees.

Effectiveness of internal controls over financial information

Agency heads signed financial statements before CFOs certified controls

> ## Recommendation
>
> **Agency CFOs need to certify the effectiveness of internal controls before agency heads sign the financial statements.**

The CFO certification for the Department, the Office of Local Government, Central Coast Regional Development Corporation and Corporation Sole 'Minister Administering the *Environment Planning and Assessment Act 1979'*, was completed after the agency heads signed the financial statements. As a result, key deficiencies in internal controls or other concerns raised by management may not be brought to the attention of the agency heads prior to their signing and the benefits of the certification process may not be achieved.

The CFO certification required by Treasury Policy Paper 14–05 'Certifying the Effectiveness of Controls over Financial Information' provides assurance to the agency head that the agency has an effective system of internal control in place to ensure the agency's financial information presents a true and fair view, in all material respects, the financial position and financial performance of the agency. It is only mandatory for material entities identified in the NSW Government Budget Papers.

In Volume Nine of the 2015 Auditor-General's Report to Parliament, we recommended smaller agencies also attested to the effectiveness of internal controls as a matter of better practice. While the CFOs of smaller agencies are not required to attest the effectiveness of internal controls over financial information, most of them voluntarily attested for 2015–16. Lord Howe Island Board and Jenolan Caves Reserve Trust will consider completing an attestation for 2016–17.

Twenty-six of 88 identified internal control weaknesses were repeat issues

> ## Recommendation (repeat issue)
>
> **Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.**

The 2015–16 audits of cluster agencies identified 88 internal control issues (105 in 2014–15) that were reported to management with recommendations to address them. Twenty-six (32 in 2014–15) of these were repeat issues from previous audits, 13 of which were identified and reported before the 2014–15 audit.

Management of the relevant agencies responded to these findings and have agreed to implement additional controls to address the deficiencies identified.

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

The internal control weaknesses identified and key themes are summarised below.

**Management Letter Recommendations by Theme
for the Year Ended 30 June 2016**
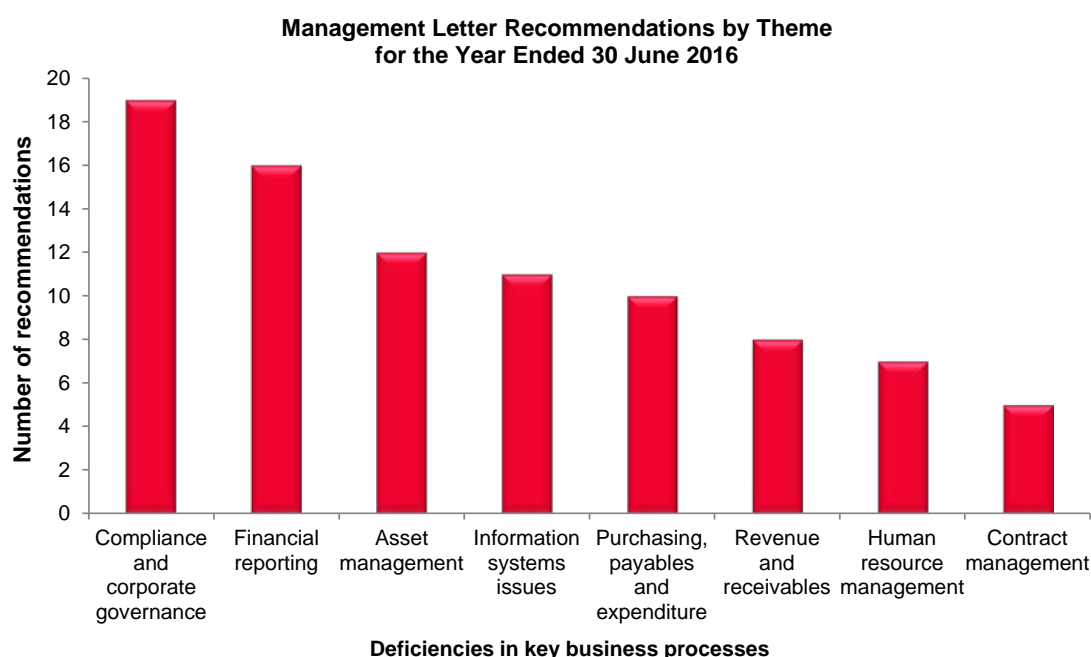
Note: Allocation of management letter recommendations to categories is on best fit. A finding and associated recommendation might cross over more than one category, but is only counted once.

Most control deficiencies were in compliance and corporate governance

Nineteen issues identified in the category of compliance and corporate governance included:

• 		missing or outdated legislative compliance frameworks

• 		not operating an internal audit function for part of the year

• 		outdated fraud and corruption policies and strategy

• 		not maintaining a conflict of interest register.

A risk management maturity assessment also identified areas where agencies can improve risk management processes (further detail is included in the Governance chapter).

The financial reporting deficiencies identified mainly related to:

• 		classification of transactions and mapping of balances between the trial balance and financial statements

• 		inadequate support for presentations and disclosures in the financial statements.

Issues related to asset management included:

• 		fully depreciated assets in the fixed asset register and inadequate review of assets' useful lives

• 		no register of contaminated land maintained

• 		no stock take of portable or attractive items performed

• 		assets managed and maintained by other parties under un-executed management agreements.

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

> ### Recommendation (repeat issue)
>
> **Management of user access over financial systems should be strengthened.**

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

Seven (six in 2014–15) out of the 11 (17 in 2014–15) internal control issues identified in information systems were related to the creation, modification, deletion and review of user access to financial systems.

Grants administration

Significant discretionary grants awarded to local councils

Total expenditure across seven cluster agencies with significant discretionary grant programs was $799 million in 2015–16. Of this, $672 million was paid to local council grant programs, such as the Local Infrastructure Growth Scheme managed by the Department and the New Council Implementation Fund and the Stronger Communities Fund managed by the Office of Local Government. The percentage of discretionary grants paid by category is detailed below.

Spread of One-off and Recurrent Discretionary Grants

Other non-government organisations including private sector organisations 5.7%

Federal government agencies 0.2%

Other state government agencies 9.9%

Local government 84.2%
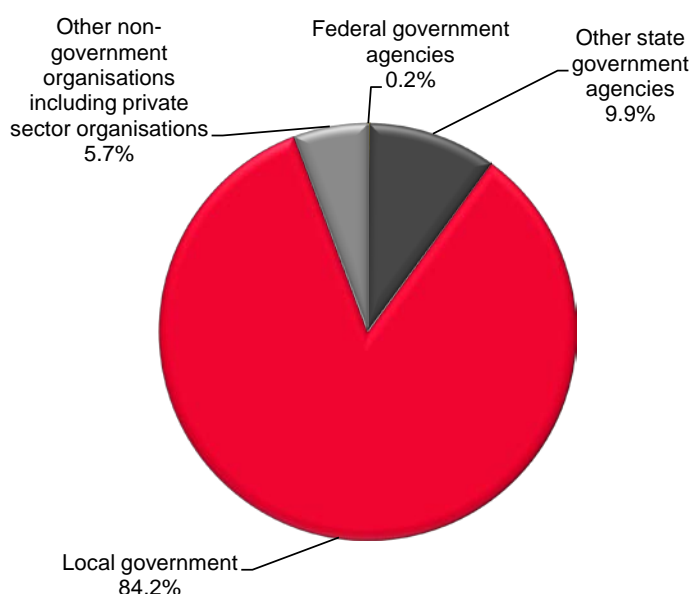
Note: Based on financial information provided by cluster agencies related to their discretionary grant programs only and may not reconcile to the audited financial statements.

Self-assessment against better practice criteria

A robust grants administration process is important to ensure:

- all parties meet their obligations
- intended outcomes are well managed
- value for money is achieved
- deliverables meet the required standards and agreed timeframes.

The need for agencies to appropriately balance accountability, transparency and value for money is important in achieving objectives.

Seven cluster agencies with significant discretionary grant programs self-assessed themselves against the Department of Premier and Cabinet's 'Good Practice Guide to Grants Administration'. The key principles used for the assessment are detailed below.

Selection process
Documented policies and guidelines for grant programs
Use of checklists and other tools to ensure consistency in the grants assessment process
Grants selection process is competitive and transparent
Risk assessment incorporated into selection process
Adequate promotion of grant program and sufficient time during which grant is open/advertised
Awarding
Grants agreements signed for all grants awarded prior to payments being made
Monitor and acquit
Performance measures and targets established for financial and non-financial outcomes
Grantees required to regularly acquit expenditure
Ability to recover monies if there is evidence of non-performance of grant obligations/non-compliance with funding objectives
Evaluate
Regular review of the overall effectiveness of the grant program
Tracking of administrative costs to balance level of accountability with level of funding provided
Review of the effectiveness of monitoring activities
Use of technology to manage grants (for example: to assess outstanding acquittals, maintain a centralised grants database)

Source: Department of Premier and Cabinet's 'Good Practice Guide to Grants Administration'.

Most agencies had grant selection and evaluation processes

The seven agencies reported that:

• documented policies and guidelines have been established for managing grants

• checklists are used by the agencies to assess applicants against the established grant criteria

• staff or independent experts engaged to perform the evaluation are required to declare conflicts of interest

• grants are awarded through a competitive process, unless a competitive process is not required, such as funding to councils under the Local Infrastructure Growth Scheme.

Robust grant selection and evaluation processes are an important aspect of grant management. Failure to implement such processes may:

• create a perception that the process lacks transparency and probity

• cause a misalignment between the priorities and objectives of the agency and the actual outcomes that the grant program achieves.

Some agencies have not been monitoring the cost of administering grant programs

The Department and Office of Local Government reported that they did not monitor the costs of administering their grant programs. Determining and tracking administration costs allows an agency to identify and adopt cost-effective processes for managing grants and report this against targets.

The 'Good Practice Guide to Grants Administration' suggests agencies should identify the unit cost of processing grants and utilise benchmark costs to test the overall performance of the

administration of their grant programs. It provides examples of how the costs of administering grant programs can be reduced through: adopting standardised processes and terminology across the agency and sector; setting targets for administration costs as a percentage of grant program value; use of automated systems; and adopting administratively efficient paths in the grants planning process.

Agencies can improve mechanisms to monitor grant programs

The selected agencies reported that they entered into grant funding agreements for awarded grants. The funding agreement sets out the grant conditions and the arrangements by which the grant is provided, managed and acquitted.

The following are examples of monitoring processes used by some agencies:

*   regular acquittal of expenditure, including progress/milestone reporting and review
*   use of financial and non-financial criteria to assess outcomes
*   maintaining a tracking register of outstanding acquittals
*   payment of grants only on achievement of milestones and submission of all relevant documentation.

The absence of appropriate processes to monitor and acquit expenditure increases the risk that the grant funds will be spent incorrectly and that the objectives of the grant program will not be achieved.

However, some agencies reported that:

*   set performance outcomes and criteria are not included within the grant agreements to provide a basis by which recipients have to acquit their expenditure
*   a centralised database of grants awarded is not maintained to facilitate the monitoring process
*   a risk based approach to monitor the achievement of grant outcomes has not been adopted.

Adopting a risk based approach to grant monitoring can help reduce the overall costs of administering grant programs. The Environmental Trust's risk based monitoring methods can be considered as a better practice example for other agencies to consider. The Environmental Trust advised that, depending on the level of risk, monitoring processes may involve:

*   desktop reviews by administration staff
*   placing conditions in grant agreements, such as cost benefit analyses and periodic performance and financial reporting
*   oversight by technical experts or technical subcommittees, independent reviews and/or audits.

The Environmental Trust advised it had recently implemented a risk rating framework to objectively determine the level of risk associated with each grantee, based on past performance.

Contract management

Cluster agencies need to further improve contract management

> **Recommendation (repeat issue)**
>
> **Agencies that did not self-assess their contract management processes against the Audit Office's 'Better Practice Contract Management Framework' in 2015–16, should do so. All agencies should address identified gaps in their frameworks promptly.**

The audits of cluster agencies identified the following issues associated with contract management processes:

- the Department did not comply with *Government Information (Public Access) Act 2009* (further details below) and its internal contracts register omitted some key information
- certain contracts managed by the Office of Environment and Heritage were not recorded in the internal contracts register within its contract management system
- certain contracts managed by the Office of Local Government were not recorded in the internal contract register, but were on the register of government contracts on its website and vice versa. The internal contract register omitted key information and there is no policy and procedure to govern the maintenance of the register
- Landcom's contract register omitted some key information, did not serve as a resource to monitor contractual commitments and was not supported by a policy and procedure to govern the maintenance of the register.

Contract registers must be complete and accurate to provide effective oversight of contracts and commitments. Weaknesses in contract management processes increase the risk that contract benefits will not be realised and/or non-compliance with key contract terms. This can lead to disputes and additional costs.

Not all cluster agencies self-assessed their contract management processes against the 'Better Practice Contract Management Framework' in 2015–16 as recommended in the 2015 Auditor-General's Report to Parliament.

Department did not comply with the *Government Information (Public Access) Act 2009*

> **Recommendation**
>
> **Cluster agencies should review compliance with the *Government Information (Public Access) Act 2009* and report the results to their Audit and Risk Committees.**

The Department was one of 13 agencies selected to participate in a review to provide limited assurance whether, in all material respects they complied with Part 3 Division 5 of the *Government Information (Public Access) Act 2009.*

Our review found the government contracts register published on the Department's website on 12 May 2016:

- did not record all contracts valued at $150,000 or more
- included contracts that were entered into the register more than 45 days after the contracts became effective.

As a result, the Auditor-General issued a qualified compliance review report on 7 September 2016. For further details refer to the 2016 Auditor-General's Special Report on 'Agency compliance with the GIPA Act'.

Governance

This chapter outlines audit observations, conclusions and recommendations related to the governance of agencies in the Planning and Environment cluster for 2015–16.

Governance	
Observation	**Conclusion or recommendation**
The Department-led cluster shared services arrangements were transformed into a Cluster Corporate Services (CCS) model in July 2016.	Service level agreements under the new CCS model are yet to be implemented. Cluster wide governance and risk arrangements are still in the design phase.
Risk management maturity levels vary across the cluster and some agencies had not developed a risk appetite statement or key risk indicators.	**Recommendations:** Cluster agencies should: • develop a risk appetite statement to ensure risk tolerance levels are consistently designed and managed • develop key risk indicators to drive risk monitoring and enable prompt escalation, action, reporting and feedback.
Whilst most cluster agencies have a conflicts of interest policy, agencies can improve the process of identifying and managing conflicts of interest.	**Recommendations:** Cluster agencies should: • ensure contractors declare conflicts of interest on initial engagement, document safeguards to manage the conflict and have this approved • require staff to disclose secondary employment arrangements, assess the impact on their primary employment and have the arrangement approved • ensure a process is in place to update the declarations annually.
Nine agencies did not require contractors to acknowledge their gifts and benefits policy.	**Recommendations:** Cluster agencies should: • require contractors to report gifts and benefits offered or received, document this in the gifts and benefits register and assess whether appropriate action has been taken in accordance with the agencies' gifts and benefits policy • incorporate regular reporting of breaches or potential breaches identified to their executive.
Most agencies have not assessed their fraud control frameworks against the Audit Office's 'Fraud Control Improvement Tool Kit'.	**Recommendation:** Cluster agencies should self-assess their fraud control frameworks against the Audit Office's 'Fraud Control Improvement Tool Kit' and regularly update their fraud policies and procedures.
The Office of Local Government will play a lead role in supporting new councils. The Auditor-General will audit the financial statements of councils from 1 July 2016.	The Audit Office has been working with the Office of Local Government and other stakeholders on transitioning to the new mandate with minimum disruption.

Cluster corporate services

Service level agreements are yet to be implemented

The Department-led cluster shared services arrangements were transformed into a Cluster Corporate Services (CCS) model in July 2016. The model uses a 'business partnering' approach, with representatives from various cluster agencies forming part of the project board and/or the project control group.

Cross cluster cooperation and buy in by agencies is critical to the success of the new arrangements. Whilst service level agreements under this new CCS model have not yet been implemented, the Department advises these arrangements will be put in place. Failure to implement service level agreements increases the risk of disputes over the scope, cost, quality, timeliness and benefit realisation of the services provided.

The model intends to centralise professional and administrative services including governance and risk, human resources, finance, procurement, and information and communication technology across 20 of the 28 agencies in the cluster.

The diagram below illustrates which agencies will be subject to the new CCS model.

In scope

- Department of Planning and Environment
- Office of Environment and Heritage
- Environment Protection Authority
- Royal Botanic Gardens and Domain Trust
- Centennial Park and Moore Park Trust
- Office of Local Government
- Central Coast Regional Development Corporation
- Hunter Development Corporation
- Western Sydney Parklands Trust
- Parramatta Park Trust
- Greater Sydney Commission
- Corporation Sole, 'Minister Administering the *Environmental Planning and Assessment Act 1979'*
- Corporation Sole, 'Minister Administering the *Heritage Act 1977'*
- Boards of management (six)
- Ministerial Development Corporation

Out of scope

- Landcom (trading as UrbanGrowth NSW)
- Environmental Trust
- UrbanGrowth NSW Development Corporation
- Australian Technology Park Sydney Limited
- Lord Howe Island Board
- Taronga Conservation Society
- Historic Houses Trust of NSW
- Jenolan Caves Reserve Trust

Source: Department of Planning and Environment (unaudited).

The Department advised further agencies were likely to be brought within the scope of the CCS model in the future. It advised the CCS model was expected to bring the following benefits:

- provide greater transparency over the cluster and reduce complex administrative arrangements
- create greater accountability and consistency through development of cluster-wide policies and procedures and integration and alignment of business services
- deliver better information management and decision support services

- increase efficiencies and reduce costs.

Last year's Auditor-General's Report to Parliament commented on the previous shared services arrangement, which came into effect on 4 November 2015. It highlighted the need to establish appropriate service level agreements that outline service levels, pricing and key performance indicators. This was replaced with the new Cluster Corporate Services model in July 2016.

Cluster-wide governance and risk arrangements are in the design phase

The Department identified the need to reduce duplicated governance functions, improve efficiencies, and ensure strategic oversight and consistency in risk management approaches across the cluster.

Cluster-wide governance is complex as it brings together independent entities with different enabling legislation and risk profiles. Each agency has its own unique organisational structure, objectives, risks and compliance obligations. For example, the Office of Environment and Heritage (OEH) is one of the largest agencies in the cluster with its own independent Audit and Risk Committee, internal audit function and maturing risk management framework. OEH manages over $4.4 billion in assets across over 850 national parks and reserves and four world heritage listed sites and generates $1.2 billion in revenue. It also has significant compliance obligations that it is required to manage, such as obligations under the *National Parks and Wildlife Act 1974.*

As part of designing the arrangements, the Department will need to carefully consider the complexities and differences in the governance and risk profiles of agencies. Cluster centralised governance arrangements are expected to take effect from December 2016.

A process to certify the effectiveness of internal controls will need to be implemented

As certain key corporate functions are centralised, the Department will need to ensure that an appropriate internal control framework is designed, implemented and operating effectively to support the accuracy and completeness of cluster agencies' financial information and to support the written certification required by Treasury Policy Paper TPP14–05 'Certifying the Effectiveness of Internal Controls over Financial Information'.

Ineffective internal controls could significantly impact on the quality and timeliness of agency financial statements and without such certification, cluster agencies will:

- be in breach of TPP14–05
- not have an appropriate level of comfort to support the agency heads sign off on the financial statements.

This is particularly important given the scale and complexity of agencies receiving these corporate services, such as OEH and the Environment Protection Authority.

Risk management

Risk management maturity varies across the cluster

The 2015 Auditor-General's Report to Parliament reported that risk management maturity was at varying levels across agencies in the cluster based on agencies' self-assessment. During the 2015–16 audits, the Audit Office's Risk Management Maturity Assessment Tool was used to analyse the risk maturity of four large agencies in the cluster across the following key areas:

- Strategy and Governance
- Monitoring and Review
- Process
- Systems and Intelligence
- Culture.

The results of the assessment against each of the criteria are detailed below:

Risk Management Maturity Assessment Results
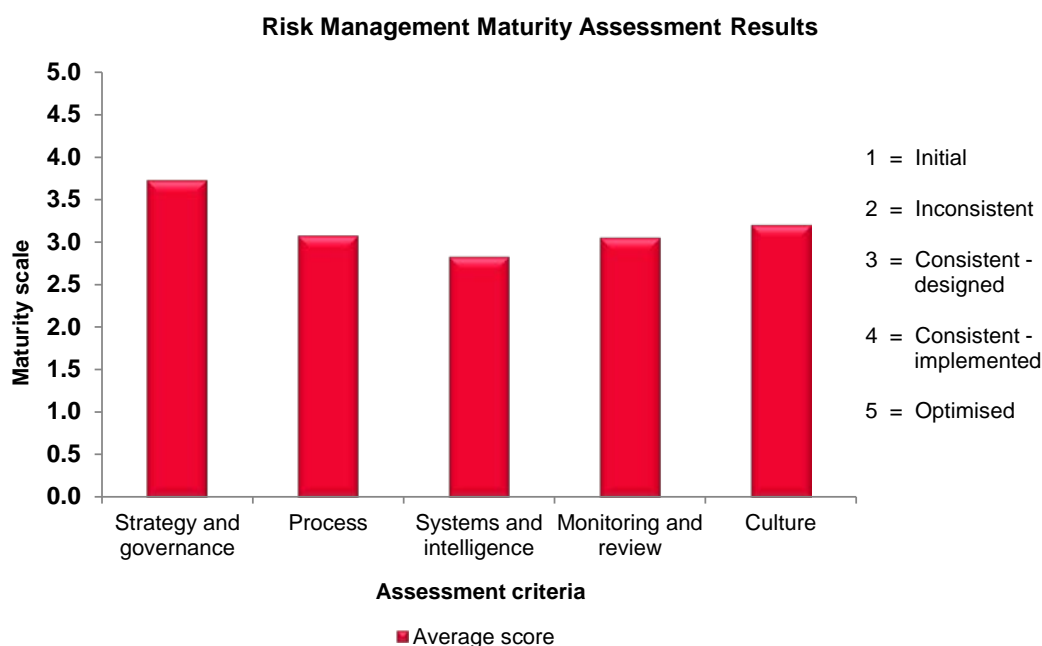
Source: Audit Office of New South Wales.

The results of the assessment across the five criteria varied across the four agencies, as each has its own risk management framework and process. The results indicate that the four agencies have, on average, achieved a consistent-designed (level three) risk maturity level.

The Department has established draft target levels for cluster-wide risk management maturity. The target level of risk maturity for process, systems and intelligence and monitoring and review is consistent-implemented (level four) and the target for strategy and governance and culture is consistent-designed (level three). The Department should consider targeting a higher level of risk maturity for these two areas, as they are critical foundations to support achieving the desired level of maturity in the other three criteria.

Department is centralising cluster-wide risk management

At a cluster-wide level, the Department is planning to centralise risk management as part of the CCS model and has developed a 'Cluster Risk Management Roadmap', which will help raise the level of risk management maturity across the cluster and drive consistency. Such an approach would:

• allow the Department, as cluster lead, to gain oversight and monitor those risks that could impact on cluster-wide objectives

• standardise risk management processes, including risk reporting across the cluster and support knowledge sharing

• reduce cost and gain efficiencies for smaller cluster agencies in implementing an effective 'fit for purpose' risk management framework.

Agencies in the cluster will need to ensure that centralised risk management is 'fit for purpose' and is adaptable to their strategic objectives, operating environment, risk appetite and desired risk management maturity level. There is significant diversity in cluster agency risks and how these risks are managed. For example, OEH is required to manage risks associated with severe natural events, such as fire and flood at national parks, whilst the Department is required to manage risks associated with inadequate planning outcomes and the assessment and collection of development contributions. Implementing a centralised approach to managing agency specific risks may be a challenge.

A mature risk management process should align strategic and business decision making processes with risk management activities, foster an embedded risk aware culture, improve

resilience in dealing with adversity and increase agility in pursuing new business opportunities.

Some agencies had not developed a risk appetite statement or key risk indicators

Recommendations

Cluster agencies should:

- **develop a risk appetite statement to ensure risk tolerance levels are consistently designed and implemented**
- **develop key risk indicators to drive risk monitoring and enable prompt escalation, action, reporting and feedback.**

A risk appetite statement sets the level of risk an agency is willing to accept to meet its strategic objectives, whilst key risk indicators can help an agency monitor its risks within established risk tolerance levels. Failure to establish a risk appetite or key risk indicators impacts on the effectiveness of decision making, and the ability to monitor and treat risks that are outside tolerance levels.

Three of the four agencies assessed did not have a risk appetite statement and none had developed key risk indicators.

Other findings from the assessment of the four agencies' risk management maturity include:

- risk management frameworks and policies and procedures have been implemented and adequate governance frameworks exist to support risk management
- formal processes do not exist to capture risk incidents and document lessons learnt
- risk awareness is generally strong at senior management levels, however, this can be strengthened across business units through clearly defining risk management roles, responsibilities and training.

Conflicts of interest and gifts and benefits

Conflicts of interest

Conflicts of interest can involve pecuniary or non-pecuniary interests. They can involve the interests of public officials, members of the official's immediate family or relatives, business partners or associates, or friends.

Employees are required to bring to notice any circumstances that could result in a third party reasonably perceiving a conflict of interest to exist.

Actual conflict	Private interests **directly influence** decisions when doing your job
Perceived conflict	Private interests **appear to influence** decisions when doing your job
Potential conflict	Private interests **may influence** decisions in the future

Source: Independent Commission against Corruption report on 'Identifying and managing conflicts of interest in the public sector'.

Most cluster agencies have a conflicts of interest policy but processes can improve

Most cluster agencies have established a conflicts of interest policy and register to record matters declared. However, opportunities exist to deliver more training to staff and contractors to make them aware of their responsibility to identify, disclose and effectively manage conflicts of interest.

The table below details other findings from the audits in 2015–16.

Conflicts of interest - snapshot	
Conflicts of interest - employees	**%**
Agencies that have a standard template for employees to report	59
Agencies that provide regular training and support to employees to maintain awareness	59
Agencies that require staff to disclose secondary employment	59
Conflicts of interest - contractors	
Agencies that require contractors to declare conflicts of interest prior to engagement	44
Board and committees	
Agencies that require conflicts of interest to be declared at the start of Board, Audit and risk committee and other senior management meetings	100
Agencies that have charters or terms of reference to direct committee members on requirements to declare conflicts of interest	100
Internal investigations	
Agencies that have internal investigations policies	63
Agencies that conducted internal investigations on known or alleged issues during the year	15

Source: Audit Office of New South Wales.

Agencies can do more to identify and manage conflicts of interest

> ### Recommendations
>
> **Cluster agencies should:**
>
> - **ensure contractors declare conflicts of interest on initial engagement, document safeguards to manage the conflict and have this approved**
> - **require staff to disclose secondary employment arrangements, assess the impact on their primary employment and have the arrangement approved**
> - **ensure a process is in place to update the declarations annually.**

Conflicts of interest declarations and monitoring of conflicts needs to be extended to all employees, including contractors. Only 44 per cent of agencies require contractors to declare conflicts of interest prior to engagement and only 59 per cent of agencies require staff to declare secondary employment arrangements. With an increasingly commercialised public sector that works closely with the private sector and independent contractors, there is a potential for new forms of conflict between the individual private interests of public officials and their public duties. Contractors may not be aware of their obligations and this may undermine integrity, credibility and negatively impact the public perception of the agencies.

Three issues were referred to the Independent Commission Against Corruption

A large cluster agency reported three issues to the Independent Commission Against Corruption during 2015–16 in relation to conflicts of interest and secondary employment. The majority of these issues were identified as a result of internal public interest disclosures. This further highlights the need to ensure appropriate processes are implemented to identify and manage conflicts of interest.

Gifts and benefits

Relevant agencies met the minimum standards to manage gifts and benefits

Five cluster agencies were required to implement the Public Service Commission's minimum standards by 1 September 2015, for managing gifts and benefits. These agencies were also directed to ensure all employees comply with these minimum standards.

Employees, contractors, or their families, relations, friends or associates, may be offered gifts or benefits by customers, clients, applicants, suppliers, or other persons or organisations in the course of their work. Sometimes, a gift or benefit may be offered to influence a government employee in making a decision, or to provide a favour which will advance the interests of the giver. The Public Accounts Committee's *'*Code of Ethics and Conduct for NSW Government Sector Employees' provides mandatory requirements and best practice conduct for all government sector employees consistent with Part 2 of the *Government Sector Employment Act 2013*.

We assessed how the remaining cluster agencies manage gifts and benefits against the minimum standards and better practice.

Nine agencies did not require contractors to acknowledge the gifts and benefits policy

Recommendations

Cluster agencies should:

- **require contractors to report gifts and benefits offered or received, document this in the gifts and benefits register and assess whether appropriate action has been taken in accordance with the agencies' gifts and benefits policy**
- **incorporate regular reporting of breaches or potential breaches identified to their executive.**

As more services are delivered in collaboration with the private and non–government sectors, the risk of inappropriate acceptance of gifts and benefits may increase. In these circumstances, the need for effective management of gifts and benefits becomes even more important. The consequences of mishandled gifts and benefits include the loss of public trust, financial losses and dealing with misconduct of employees, which may affect their employment and even lead to prosecution. Adequate oversight of actions taken in relation to breaches is essential to ensure risks associated with relationships and influence are identified and mitigated.

Fraud

The Audit Office's Governance Lighthouse is widely used across the NSW public sector to drive good governance. One of the 17 components of the lighthouse relates to fraud control and processes within agencies to prevent, detect and respond to any fraud related matters.

The findings of our 2016 survey of fraud control are illustrated below.

The Audit Office released the 'Fraud Control Improvement Tool Kit' (the toolkit) in February 2015. The toolkit provides guidance and practical advice to help agencies implement an effective fraud control framework.

Most agencies have not assessed their fraud control frameworks against the toolkit

Recommendation

Cluster agencies should self-assess their fraud control frameworks against the Audit Office's 'Fraud Control Improvement Tool Kit' and regularly update their fraud policies and procedures.

Half of the cluster agencies had outdated fraud investigation policies and only a few have voluntarily self-assessed their fraud control frameworks using the toolkit. All organisations are potentially at risk of fraud, and it can do considerable damage to an agency's reputation and image, which in turn can impact on its ability to attract staff, resources and funding.

Some agencies have used the fraud control checklist within the toolkit to assess the adequacy of current processes and practices. Of the agencies that did not conduct a self-assessment, just under half were working on a fraud and corruption prevention best practice project, as a part of their overall focus on improving their risk management frameworks. The Auditor-General recently released the 2016 fraud survey results. The survey identifies recommendations to help agencies improve their fraud control framework. For further details refer to the 2016 Auditor-General's Special Report titled 'Fraud Survey'.

Local Government Reforms

In its September 2014 report 'Fit for the Future a roadmap for Stronger, Smarter councils', the Office of Local Government stated that the NSW Government is laying the foundations for a stronger and more viable local government sector. The report announced the Fit for the Future reforms, following the recommendations made by the Independent Local Government Review Panel (ILGRP) in October 2013.

The NSW Government accepted most of the recommendations made by the ILGRP. It expects the changes will provide opportunities for the local government sector to streamline processes whilst ensuring robust and transparent decision making.

The Office of Local Government will play a lead role in supporting new councils

The Office of Local Government is responsible for the implementation of the 'Fit for the Future' local government reform program, an integrated package that includes a wide range of structural, legislative and performance improvement initiatives. The Local Government Reform Team in the Department of Premier and Cabinet is leading the work to create new councils, supported by the Office of Local Government. Following the local government elections in September 2017, the lead role in supporting new councils will be transferred to the Office of Local Government.

Under the New Council Implementation Fund and the Stronger Communities Fund, $355 million has been provided to new councils to assist with the reforms. Councils are required to notify the Office of Local Government on how the funds will be spent and provide a report semi-annually. Councils are required to set up an assessment panel and engage a probity advisor to ensure fair and transparent decisions when allocating funding under the Stronger Communities Fund.

The Auditor-General will audit the financial statements of councils from 1 July 2016

Recent legislative reforms in the form of the *Local Government Amendment (Governance and Planning) Act 2016* extend the Auditor-General's mandate to the local government sector. In addition to auditing the financial statements of councils, the Auditor-General will also conduct performance audits across the local government sector to determine the efficiency, effectiveness and economy of the use of resources in delivering outcomes.

The Auditor-General's new mandate brings NSW in line with other Australian States and the NSW Government expects the change will:

- support current reforms aimed at strengthening governance and financial oversight in the sector
- provide greater consistency and certainty in the external audit process
- ensure reliable financial information is available that can be used to assess councils' performance and for benchmarking
- improve financial management, fiscal responsibility and public accountability for how councils use citizens' funds.

Through this period of change, the Audit Office has liaised with the Office of Local Government (regulator), Local Government NSW (industry advocate), and other stakeholders on transitioning to the new mandate with minimum disruption.

Service Delivery

This chapter outlines observations, conclusions and recommendations about Service Delivery in the Planning and Environment cluster for 2015–16.
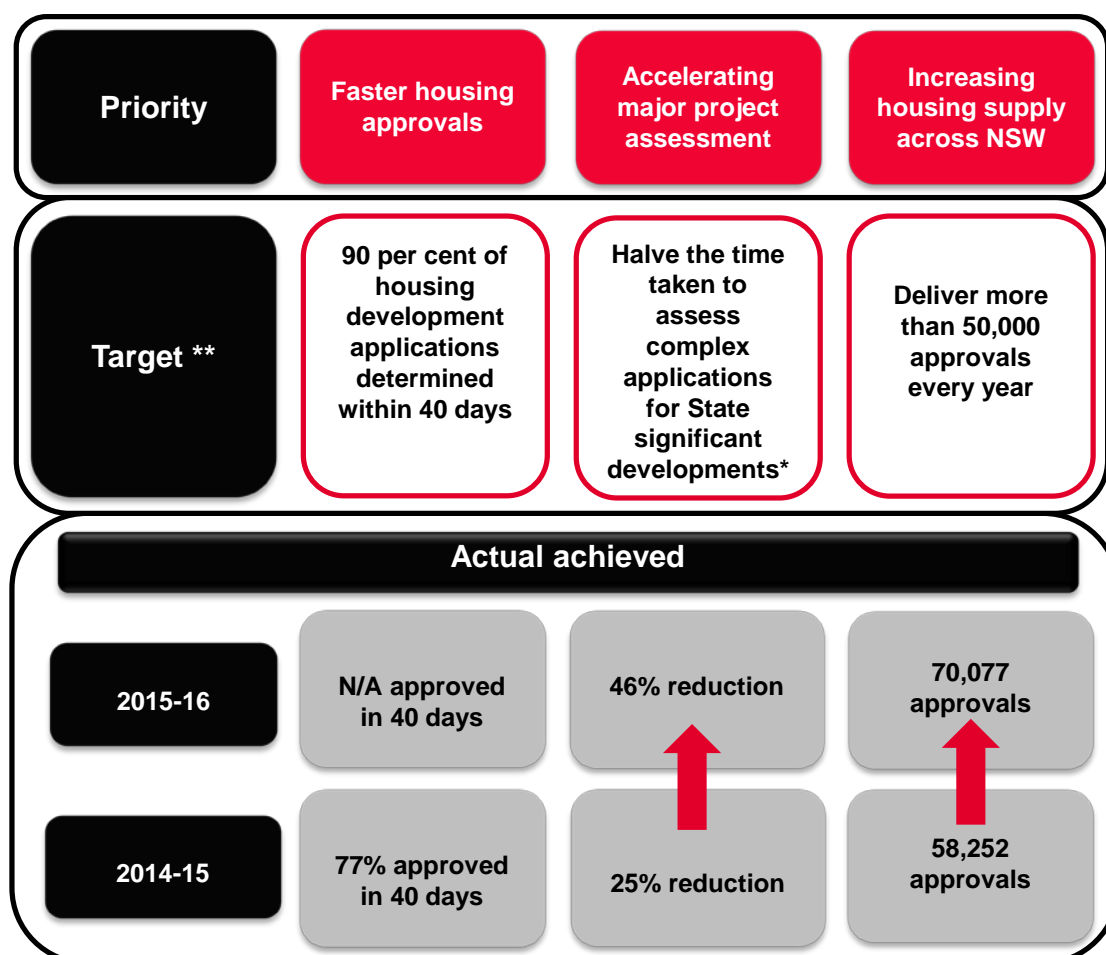
Service delivery	
Observation	**Conclusion or recommendation**
The NSW Premier's and State Priorities outline four key priorities relevant to the Planning and Environment cluster.	The Department of Planning and Environment has achieved the housing approval target in the State Priorities and is making progress against the other targets.
The NSW Government has set 24 priorities for the Greater Sydney Commission to be achieved by October 2018.	**Recommendation:** The Greater Sydney Commission should develop targets and performance indicators to measure progress towards the achievement of outcomes.
The Department completed Phase One of the ePlanning system and launched the Planning Portal. The budget for the ePlanning system is $53.8 million.	Phase one of the ePlanning system was completed at a cost of $32.0 million. The second phase of the project commenced in 2016 and has a budget of $21.8 million. The Department plans to perform a benefits realisation review to assess whether the project has delivered the intended benefits.
The NSW Premier's Priority is to reduce the volume of litter by 40 per cent by 2020.	The volume of litter has reduced by 19 per cent from 2013–14 to 2015–16, however, it is still above the national average.
The 'Illegal Dumping Strategy 2014–16' released in June 2014 was designed to deliver an integrated approach to combat illegal dumping. The strategy identified a target to reduce the incidences of large-scale illegal dumping by 30 per cent from 2011 levels by 2016.	**Recommendation:** The Environment Protection Authority should develop measures and targets to assess the achievement of outcomes associated with illegal dumping initiatives.
The Container Deposit Scheme will commence from 1 July 2017. Effective governance is critical to the success of the Container Deposit Scheme.	**Recommendations:** The Environment Protection Authority should ensure: • appropriate governance arrangements are in place over the Container Deposit Scheme to manage risks • develop measures to monitor the performance of the Container Deposit Scheme.
The Environment Protection Authority (EPA) is continuing to reduce the backlog of potentially contaminated sites.	The increasing focus on remediating contaminated land is due to the large scale redevelopment of brownfield sites into high density residential areas and to increase the land use potential for such sites**.**
The Office of Environment and Heritage (OEH) is responsible for managing the Saving our Species (SoS) program.	The NSW Government plans to invest $100 million over the next five years into the SoS program to conserve threatened animals and plant species.

Planning

The Premier's and State Priorities

Good progress toward achieving targets

The NSW Government released Premier's and State Priorities 'NSW: Making it Happen' in September 2015. The Premier's and State Priorities include the following three key priorities for the planning arm of the Planning and Environment cluster.

Priority	Faster housing approvals	Accelerating major project assessment	Increasing housing supply across NSW
Target **	90 per cent of housing development applications determined within 40 days	Halve the time taken to assess complex applications for State significant developments*	Deliver more than 50,000 approvals every year

Actual achieved

	Faster housing approvals	Accelerating major project assessment	Increasing housing supply
2015-16	N/A approved in 40 days	46% reduction	70,077 approvals
2014-15	77% approved in 40 days	25% reduction	58,252 approvals

*   A baseline of 688 days has been adopted for time assessment of complex state significant developments (time spent in NSW Government hands) with a review and determination by the Planning Assessment Commission. The Premier's Priority baseline was 1,089 days which relates to the assessment time for complex state significant developments from application lodgement to assessment. This represents the total end-to-end time, including time that the application is with the proponent (outside of NSW Government hands).

** The Department of Planning and Environment advises that baseline data for measurement purposes of all three targets is 2013–14 actual performance data.

N/A Not available.

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

Faster housing approvals

The implementation of ePlanning will help in achieving the target

In 2014–15, the Department determined 90 per cent of housing development applications within 44 days. The data for 2015–16 is not yet available. It is working with councils to simplify assessment and approval processes to achieve the target of determining 90 per cent of housing applications within 40 days.

The implementation of the ePlanning system will help to achieve this target. Further details on ePlanning are provided later in this chapter.

The faster housing approvals target measures the days taken to assess development applications and complying development certificates. Achieving this Premier's Priority will help:

• boost housing delivery and confidence in the housing industry
• grow the economy, including additional employment opportunities for builders and trades people
• make it easier for people to build homes to suit their lifestyles.

Major project assessment

The time taken to assess complex state significant developments is decreasing

The average time taken to assess state significant developments was 373 days in June 2016 (515 days in August 2015), which represents a 46 per cent reduction (25 per cent reduction) in the time taken to assess these applications from the adopted baseline of 688 days. Assessments for non-complex state significant developments are generally completed within four months.

The average time taken to assess state significant developments is impacted by the complexity of the project. Where projects are complex, the Minister for Planning may also decide that in addition to the determination process, a review and public hearing by the Planning Assessment Commission is required for these proposals. This two-step process can lead to longer assessment times.

The diagram below demonstrates the Department's initiatives to achieve the target.
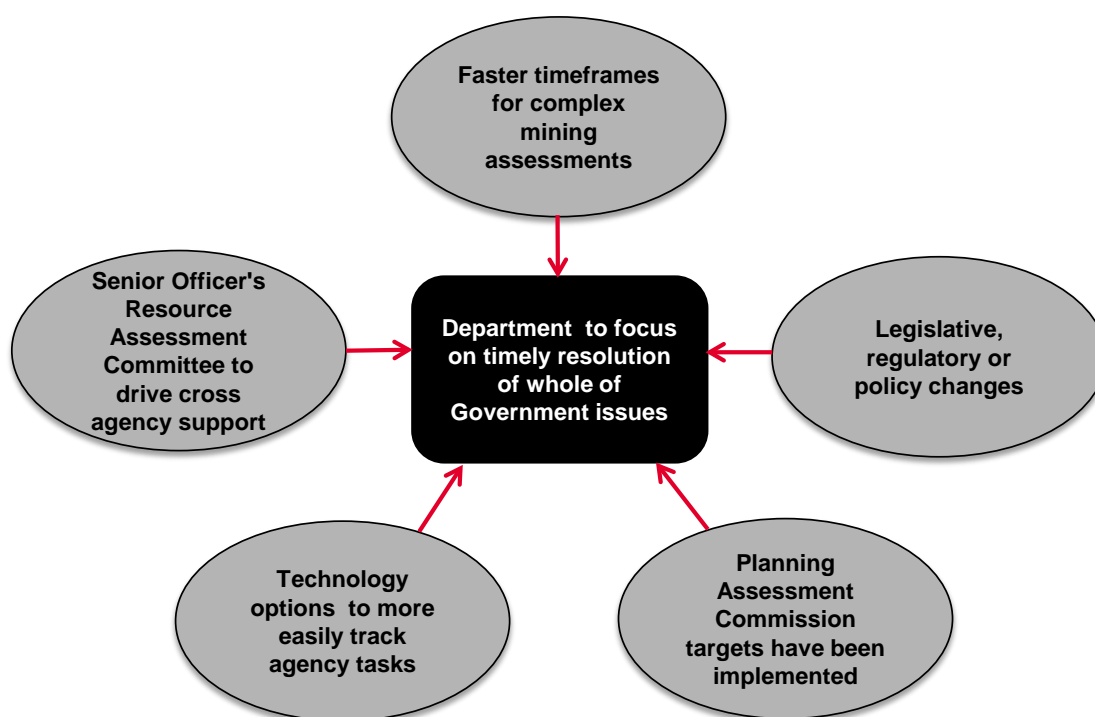
Increasing housing supply

The Department has achieved the housing supply target

The Department achieved the target of delivering more than 50,000 housing approvals in 2015–16. The number of approvals for new houses increased 20 per cent from the previous year and was 40 per cent over the target. The Department also met the target in 2014–15.

Continued demand for housing contributed to 70,077 new dwelling approvals being granted during 2015–16. Factors that impact the level of demand for housing, such as the level of foreign investment, construction costs and legislative changes can impact on this statistic.

The Department has developed a number of targeted programs to increase housing supply. These include:

- planned amendments to the *Environmental Planning and Assessment Act 1979*, which are expected to improve the pathways for housing approvals and modernise the planning process
- the investigation and development of strategies, re-zoning of a number of priority growth areas and the development of district and regional growth plans
- development of the 'Greenfields Building Code', which will help identify impediments to developments in Greenfield areas and reduce the costs and time for completion of these developments.
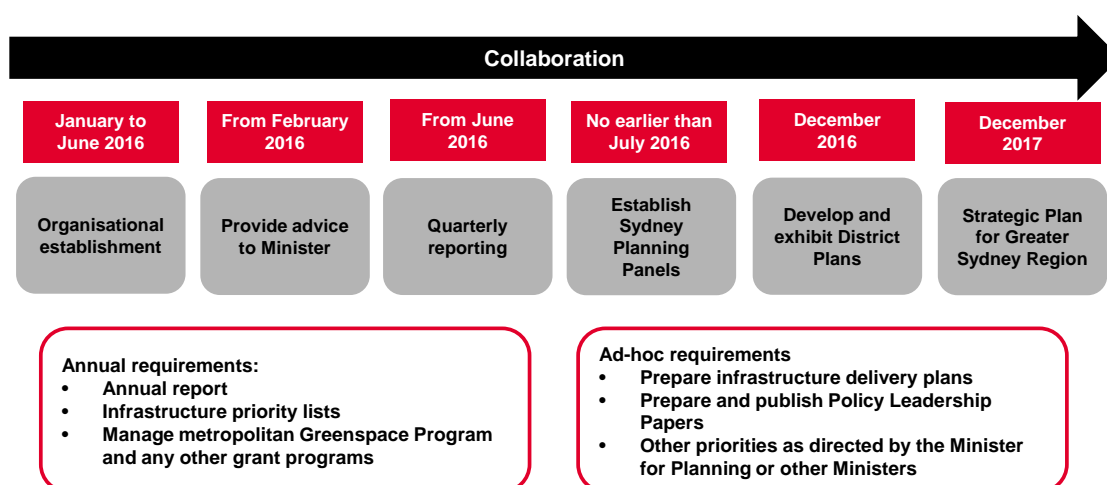
Greater Sydney Commission

The *Greater Sydney Commission Act 2015* (the Act) created the Greater Sydney Commission (the Commission) and conferred responsibility for strategic planning for the Greater Sydney metropolitan area to the Commission from the Department.

The NSW Government has set 24 priorities for the Commission

Recommendation

The Greater Sydney Commission should develop targets and performance indicators to measure progress towards the achievement of outcomes.

The Commission is focussed on the delivery of 24 key priorities over the period from its establishment in January 2016 to October 2018. The diagram below sets out the key priorities to be achieved.

Collaboration					
January to June 2016	**From February 2016**	**From June 2016**	**No earlier than July 2016**	**December 2016**	**December 2017**
Organisational establishment	**Provide advice to Minister**	**Quarterly reporting**	**Establish Sydney Planning Panels**	**Develop and exhibit District Plans**	**Strategic Plan for Greater Sydney Region**

Annual requirements:
- **Annual report**
- **Infrastructure priority lists**
- **Manage metropolitan Greenspace Program and any other grant programs**

Ad-hoc requirements
- **Prepare infrastructure delivery plans**
- **Prepare and publish Policy Leadership Papers**
- **Other priorities as directed by the Minister for Planning or other Ministers**

**The Commission finalised six draft district plans in November 2016**

The Commission finalised six draft district plans on 21 November 2016 that connects local planning at the council level with longer-term metropolitan planning for Greater Sydney. The district plans include proposed priorities and actions designed to shape the future of each district and guide investment and policy decisions. To monitor the achievement of outcomes of the district plans, a dashboard is being developed that will cover metrics across productivity, liveability and sustainability factors. The Commission is also working towards refreshing the 2014 'Plan for Growing Sydney' by the end of 2017. The district plans will not be finalised until the end of 2017 so that newly elected councillors will have an opportunity to contribute.

ePlanning system

Phase one of the ePlanning system was completed at a cost of $32.0 million

Phase one of the ePlanning project costing $32.0 million was completed in June 2016 with the launch of the Planning Portal. The Planning Portal introduces a digital planning system in NSW and will transform paper-based and face-to-face transactions to an online environment. The Department expects the planning portal to deliver a number of benefits, including reducing red tape, increasing transparency and saving homeowners and businesses time and money. The Department plans to perform a benefits realisation review to assess whether the project has delivered the intended benefits.

The second phase of the ePlanning project commenced in 2016 and has a budget of $21.8 million. Phase two aims to enhance the ePlanning platform developed in the first phase of the project, and the quality and reliability of planning data across NSW. It includes expansion of the Department's Planning Portal to allow for online lodgement of development applications and complying development certificates.
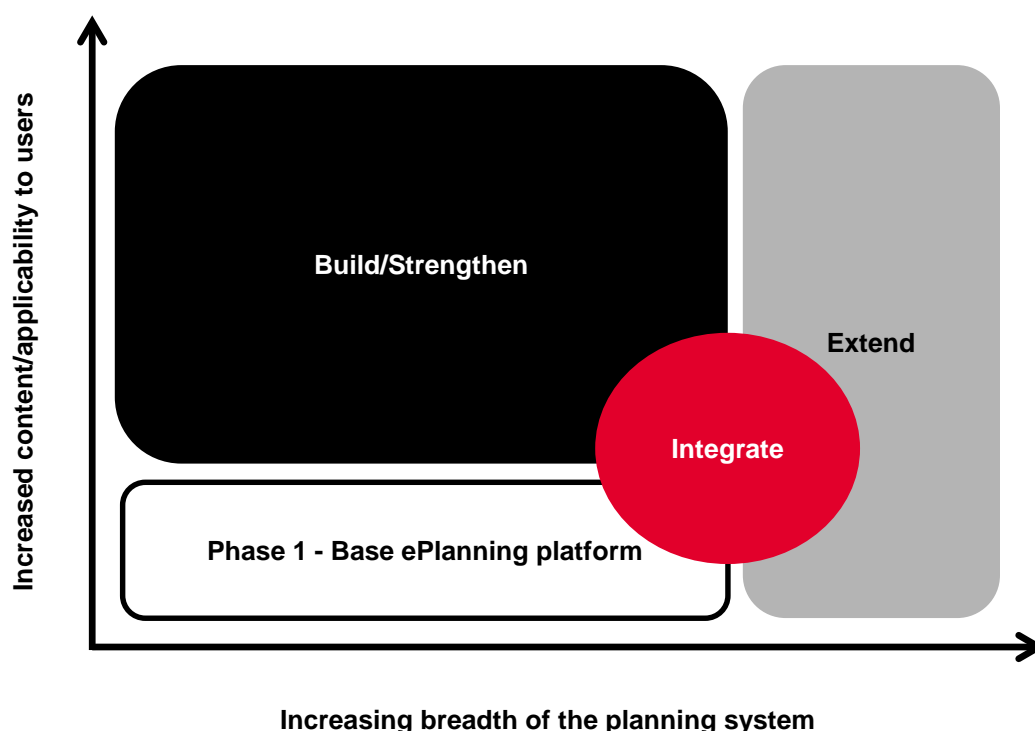
Source: Department of Planning and Environment (unaudited).

The Department is currently seeking a change to legislation to enable ePlanning data to be legally certified. If this Bill passes, the Department expects that this will result in considerable benefits for developers seeking certainty regarding land uses and provide a significant opportunity for further cost recovery through a fee chargeable for such consents.

Environment

Litter management

The volume of litter reduced by 12 per cent during 2015–16

There has been a 19 per cent reduction in NSW's litter volume from 2013–14 to 2015–16. However, litter volumes remain above the national average. The current trends in litter reduction indicate the target of 4.22 litres per 1,000 square metres may be achieved by 2020.

The State Plan 'NSW: Making it Happen', announced in September 2015, includes a Premier's Priority to reduce the volume of litter by 40 per cent by 2020. The graph below shows progress has been made achieving the target.

Litter Reduction Trend in NSW
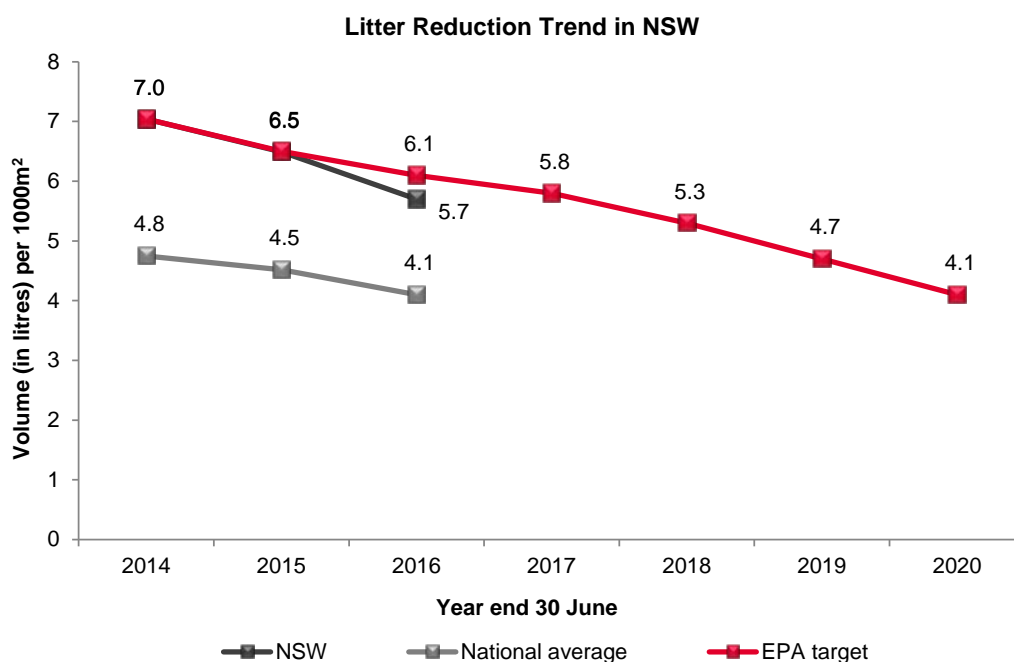
Note: Targets are based on EPA's targets for its Litter Prevention Program.
Source: Keep Australia Beautiful National Litter Index 2015–16 (excluding illegal dumping).

The basis for measurement of litter volume is the annual 'Keep Australia Beautiful National Litter Index' (the Index). This is based on surveys conducted twice a year. The Index does not measure littering behaviour and other factors that influence the presence of litter in the environment. The Index is currently being reviewed to check its statistical rigour and ability to meet the NSW Government's data needs. A revised national litter method may be implemented.

The Environment Protection Authority (EPA) uses other measures such as Local Litter Checks to assess the impact of its programs. Extending these assessments to include the impacts of waste on odour, dust, noise, greenhouse gas emissions and harm to flora and fauna will ensure a more holistic approach to delivering environmental benefits.

The National Litter Index does not consider the impact of illegal dumping

> **Recommendation**
>
> **The Environment Protection Authority should develop measures and targets to assess the achievement of outcomes associated with illegal dumping initiatives.**

The 'Illegal Dumping Strategy 2014–16' (the strategy) released in June 2014 was designed to deliver an integrated approach to combat illegal dumping. The strategy identified a target to reduce the incidences of large-scale illegal dumping by 30 per cent by 2016. Limited information is available to measure the achievement of this target. Illegal dumping can have a number of adverse impacts, including causing harm to the environment, increasing the cost of waste clean-up and lost revenue from avoided waste levies.

In September 2015, the EPA developed an online reporting portal, called RID online, to allow local councils and the community to report illegal dumping in a consistent manner. EPA management advised they would have robust, state-wide baseline data with which to measure the performance of its initiatives to combat illegal dumping by June 2017.

Fifty eight million dollars was dedicated to this under the 'Waste Less, Recycle More' program until 2017, with a further $65.0 million being committed to 2021. This has allowed the EPA to increase its investigations into illegal dumping by 96 per cent since 2014–15 and implement other initiatives to tackle illegal dumping.

$337 million funding committed to extend the 'Waste Less, Recycle More' program

The 'Waste Less, Recycle More' initiative initially committed $466 million over five years until 2017. The NSW Government has now extended its commitment to transform the waste and resources sector with a further $337 million allocated to achieve this objective. The chart below breaks down the total funding by funding program.

Waste Less, Recycle More 2017-2021 Funding Extension
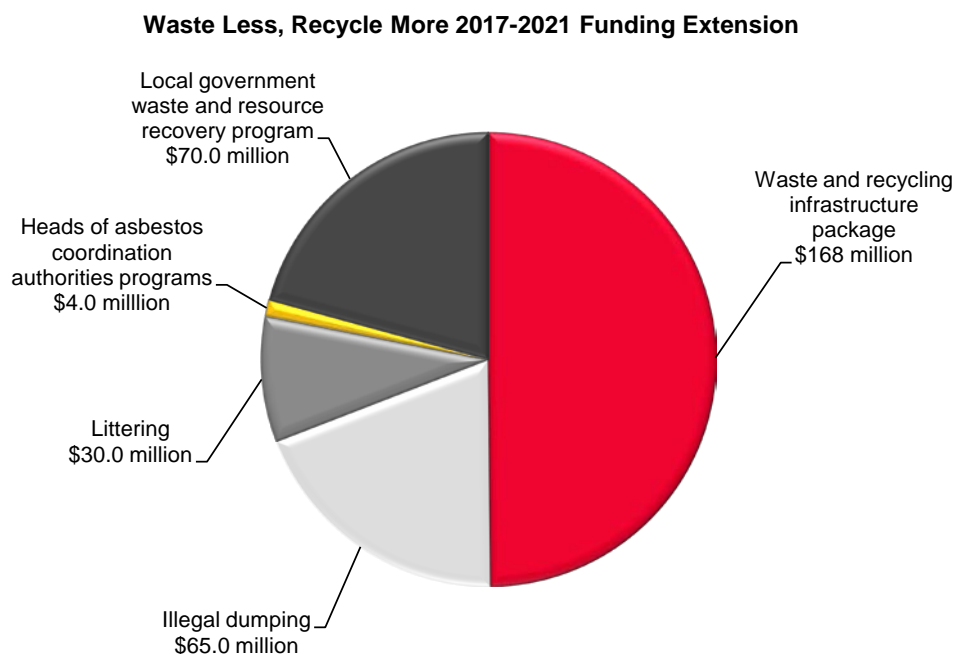
Source: Environment Protection Authority (unaudited).

The Container Deposit Scheme is a key initiative to reduce litter volume

The roll out of the Container Deposit Scheme (the Scheme) is intended to play a key role in targeting drink containers, which make up 43 per cent of the litter volume in NSW. The Scheme will commence on 1 July 2017 and $2.5 million has been committed to implementing the Scheme in the 2016–17 budget estimates.

The *Waste Avoidance and Resource Recovery Amendment (Container Deposit Scheme) Act 2016* will provide the regulatory framework that will give effect to the Scheme. It is proposed that the Scheme will be delivered through a two-part structure:

•   a single Scheme coordinator will be responsible for financial management and for ensuring that it meets its State-wide access and recovery targets

•   network operators will be set up and run a State-wide network of collection points. They can build and operate these collection points themselves, or they can contract for other organisations to do this.

Effective governance is critical to the success of the Container Deposit Scheme

> ## Recommendations
>
> **The Environment Protection Authority should ensure:**
>
> - **appropriate governance arrangements are in place over the Container Deposit Scheme to manage risks**
> - **develop measures to monitor the performance of the Container Deposit Scheme.**

The EPA will need to establish appropriate contractual arrangements with the Scheme coordinator and network operators to ensure the Scheme is well managed. This includes being able to effectively monitor the performance of the Scheme coordinator and network operators through the setting and monitoring of key performance indicators and targets. Without appropriate arrangements, the effectiveness of the Scheme in reducing litter volumes and promoting resource recovery may be diminished.

The cost of the Scheme is borne by beverage companies or consumers. The NSW Government is seeking to achieve a balance between cost and delivery of outcomes. Further details of the proposed Scheme are contained in the NSW Government Regulatory Framework Discussion Paper 'NSW Container Deposit Scheme'.

Contaminated sites

The backlog of unassessed contaminated sites continues to decrease

Assessment of 390 of the 834 (as at 1 July 2015) potentially contaminated sites within the backlog program had commenced by 30 June 2016. The EPA set a target of reducing the backlog of unassessed sites by 40 per cent by June 2016. The actual reduction in unassessed sites at 30 June 2016 was 47 per cent. The remaining unassessed sites will be assessed under the backlog program by the program end date of 31 December 2017. A further 40 new sites were notified to the EPA during 2015–16, with these expected to be assessed within four months of notification.

The chart below shows that the average time taken between notification and the assessment decision under section 12 of the *Contaminated Land Management Act 1997* has continued to decrease. The total number of days taken was 145 in 2015–16 (195 in 2014–15), which is a reduction of 26 per cent from the previous year.

Average Time between Date of Notification and s.12 Assessment
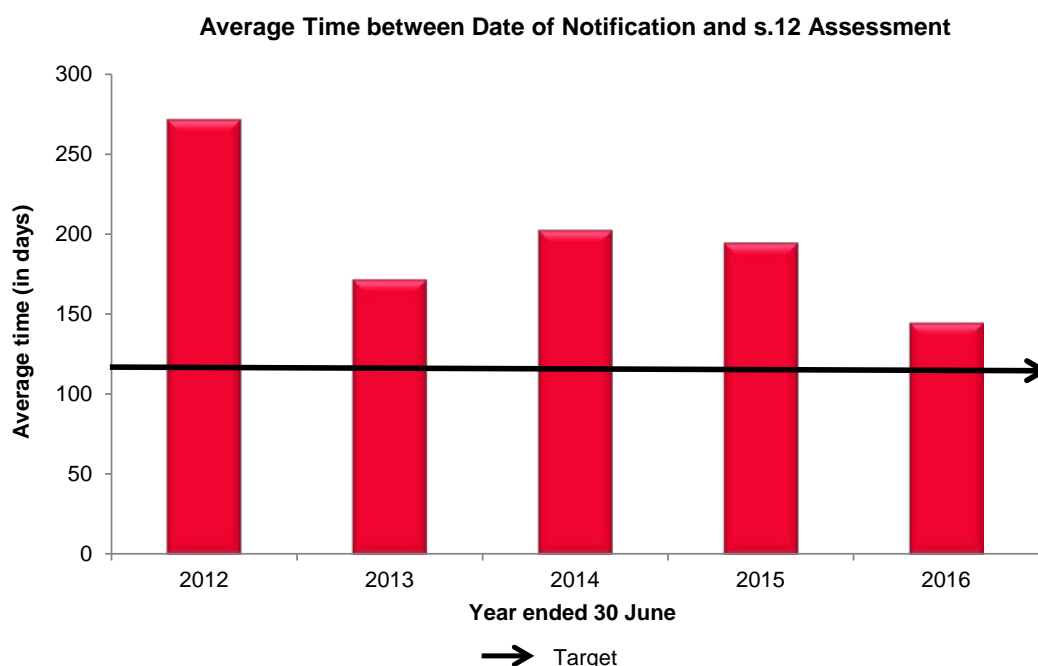
Note: Last year's Auditor-General's Report reported that the time taken to assess notified sites in 2014–15 was 73 days. This has been updated to 195 days due to the receipt of additional information not known at the time of writing last year's report. The reason they are different is that more s.12 assessments for sites notified in the 2014–15 financial year were finalised between the date of the first average (calculated in October 2015) and the most recent average (calculated in August 2016). The more complicated sites that require a longer period of time in which to finalise the s.12 assessment will result in the average time between notification and s12 assessment to increase over time.

Source: Environment Protection Authority (unaudited).

All thirteen performance audit recommendations have been implemented

In March 2016, the Parliament's Public Accounts Committee conducted an inquiry on action taken by the EPA on recommendations made in the Auditor-General's performance audit report on 'Managing Contaminated Sites'. The inquiry found that all recommendations have been implemented.

The performance audit assessed how well the risks associated with contaminated sites are managed. Thirteen recommendations were made to the EPA, including the need to implement a streamlined process for prioritising and assessing sites notified to it under the *Contaminated Land Management Act 1997*. The report also noted a significant backlog of notified sites to be assessed.

The EPA has taken significant steps to reduce the backlog and received an additional $1.4 million funding in 2015–16 to manage the backlog of assessments. The increasing focus on remediating contaminated land is due to the large scale redevelopment of brownfield sites into high density residential areas and to increase the land use potential for such sites.

The EPA and Environmental Trust have established a number of programs, which take a preventative approach to reduce the number of contaminated sites over the long term by providing information to high-risk industries on best environmental management practices. Measures implemented as a part of these programs include site audits, educational programs and identification of best practice measures.

The petroleum industry has the highest number of contaminated sites

Over the past five years, the sector responsible for most contamination in the State is the petroleum industry. It accounted for 64 per cent of all contaminated sites at 30 June 2016, including 835 service stations and 201 other petroleum sites.

The table below details the number of contaminated sites over the last five years by category.

Causes of contaminated sites at 30 June	Change from 2015 to 2016	2016	2015	2014	2013	2012
Cattle dip	--	7	7	7	6	5
Landfill	6	68	62	61	61	58
Service station	15	835	820	819	816	805
Other petroleum	(1)	201	202	202	200	186
Chemical industry	0	52	52	48	45	44
Metal industry	2	59	57	55	55	51
Gasworks	0	57	57	57	57	57
Other industry	12	225	213	193	191	165
Unclassified	12	113	101	97	91	89
Total	**46**	**1,617**	**1,571**	**1,539**	**1,522**	**1,460**

Source: Environment Protection Authority (unaudited).

Biodiversity reforms

Growing pressures from increased population and increasing levels of economic activity continue to drive demand on our landscapes for food, minerals, residential development and recreation and make the conservation of aesthetic, cultural and biodiversity values challenging.

The *Biodiversity Conservation Act 2016* was assented on 23 November 2016. This is intended to simplify and streamline conservation, support sustainable development and reduce red tape.

The NSW Government is investing $240 million over five years in private land conservation and $100 million over five years in the Saving Our Species program.

Private land conservation

The Office of Environment and Heritage (OEH) advises the new *Biodiversity Conservation Act 2016* will establish a cohesive framework for biodiversity conservation and land management on rural land in NSW.

It expects the new framework will remove duplication, improve incentives and reduce barriers for landholders to enter into long-term land conservation. A three-tiered system of voluntary private land conservation agreements will be established and will match management needs with funding for landholders.

OEH will be the responsible regulator for ensuring compliance with the new legislation.

Saving our Species (SoS) program

SoS is the largest investment for conserving threatened species in NSW's history

OEH is responsible for the NSW Government's SoS program to better manage threatened species in NSW. Unlike previous programs, the OEH expects the SoS program will:

- align efforts under a single banner so investment in threatened species conservation can be accounted for
- assign threatened species to different management streams so the individual requirements of each species can be met
- encourage the people of NSW to participate through consultation and collaboration.

In 2015–16, 47 conservation projects for threatened species were finalised by OEH. Sixteen million dollars of the funding to be received in 2016–17 under the SoS program will be spent on the on-ground implementation of over 240 threatened species conservation projects and over 60 new positions in OEH to deliver the expanded program.

OEH has developed a program-wide framework for monitoring and reporting on the outcomes of projects and actions for threatened species, including:

- the total annual investment and the return on the investment
- establishing tangible outputs that can be totalled across the program
- assessment of threats under control or on track to be under control
- management sites with threatened populations of species that are secure or on track to be secure
- assessment of species on track to be secure in the wild in NSW for 100 years.

Section Two

Appendices

Appendix One – Summary Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Surplus/(deficit)	
Year ended 30 June	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Departments										
Department of Planning and Environment (cluster lead)	224,181	184,833	53,771	69,182	1,648,350	1,347,318	1,593,591	1,229,852	54,759	117,466
Office of Environment and Heritage	4,374,977	4,313,562	369,008	420,661	1,186,443	1,132,199	1,151,940	1,130,756	34,503	1,443
Office of Local Government	17,511	22,456	10,053	13,642	490,468	122,165	491,824	119,910	(1,356)	2,255
Biamanga National Park Board of Management	785	887	16	13	361	389	466	229	(105)	160
Gaagal Wanggaan (South Beach) National Park Board of Management	702	602	13	13	324	312	224	211	100	101
Gulaga National Park Board of Management	96	103	13	13	299	285	306	376	(7)	(91)
Mt Grenfell Historic Site Board of Management	558	444	10	10	125	54	11	40	114	14
Mutawintji National Park Board of Management	708	464	17	13	466	529	226	3,257	240	(2,728)
State owned corporation										
Landcom (trading as UrbanGrowth NSW)	1,020,055	870,424	387,514	394,446	681,512	678,338	520,272	551,151	161,240	127,187
Other bodies										
Australian Technology Park Sydney Limited	42,960	25,816	27,628	10,484	9,953	7,962	9,953	85,439	--	(77,477)
Centennial Park and Moore Park Trust	1,027,803	966,172	8,970	10,657	30,099	35,445	27,629	26,477	2,470	8,968
Central Coast Regional Development Corporation	30,349	31,127	1,586	788	1,334	1,629	2,911	3,353	(1,577)	(1,724)
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	1,374,826	1,692,184	229,819	230,181	44,615	77,837	65,126	81,470	(20,511)	(3,633)
Corporation Sole 'Minister Administering the *Heritage Act 1977*'	11,403	10,702	36	57	1,047	1,335	502	427	545	908
Environment Protection Authority	38,168	29,563	14,694	13,833	168,667	148,296	160,969	138,761	7,698	9,535
Environmental Trust	5,283	17,679	202	403	55,020	84,645	67,215	85,623	(12,195)	(978)
Greater Sydney Commission	--	N/A	--	N/A	4,640	N/A	4,640	N/A	--	N/A
Historic Houses Trust of New South Wales	275,525	262,337	4,930	5,172	32,507	28,979	29,592	26,327	2,915	2,652
Hunter Development Corporation	46,553	44,818	1,787	2,131	58,135	86,601	56,056	87,082	2,079	(481)
Jenolan Caves Reserve Trust	22,080	22,275	2,957	2,577	10,524	15,265	10,478	11,099	45	4,165
Lord Howe Island Board	68,290	66,261	1,685	4,088	14,033	15,750	9,673	10,705	4,360	5,045
Ministerial Development Corporation	--	--	--	--	--	--	--	--	--	--
Parramatta Park Trust	60,490	52,376	1,484	1,025	11,386	9,081	3,713	3,483	7,673	5,598
Royal Botanic Gardens and Domain Trust	509,617	449,037	5,915	6,952	70,003	51,917	51,315	49,982	18,688	1,935
UrbanGrowth NSW Development Corporation	350,353	267,416	6,361	6,642	97,799	31,845	14,944	18,412	82,855	13,433
Western Sydney Parklands Trust	773,175	745,272	16,935	13,740	17,074	24,769	9,059	8,634	8,015	16,135
Taronga Conservation Society Australia	498,932	489,504	46,778	37,908	106,116	98,669	106,471	94,683	(355)	3,986

Source: Financial statements (audited).

Appendix Two – Financial Indicators

Indicator	Formula	Description
Surplus/(deficit) ($)	**Net result from the Statement of Comprehensive Income**	A positive result indicates a surplus, while a negative result indicates a deficit. Operating deficits cannot be sustained in the long term.
Operating margin (%)	**Adjusted net result/total underlying revenue**	Net result and total underlying revenue is obtained from the Statement of Comprehensive Income and is adjusted to take into account large one-off (non-recurring) transactions.
Current ratio	**Current assets/current liabilities**	This measures the ability to pay existing liabilities in the next 12 months. A ratio above one means there is more cash and current assets than short-term liabilities. Current liabilities exclude revenue receipt in advance and current annual leave and long service leave liabilities expected to be settled after 12 months.
Expense growth rate (%)	**(Total expenditure 2015–16-total expenditure 2014–15)/Total expenditure 2014–15**	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2015–16, compared to 2014–15. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to the prior year.
Revenue growth rate (%)	**(Total revenue 2015–16-Total revenue 2014–15)/Total revenue 2014–15**	This demonstrates the rate at which total revenue for an agency has increased or decreased in the financial year 2015–16, compared to 2014–15. A positive growth rate indicates that revenue has increased compared to prior year, while a negative growth rate indicates that revenue has decreased compared to the prior year. Revenue growth rate excludes capital grants received by agencies.

Appendix Three – Cluster Information

Agency	Website
Departments	
Department of Planning and Environment	www.planning.nsw.gov.au
Office of Environment and Heritage	www.environment.nsw.gov.au
Office of Local Government	www.olg.nsw.gov.au
Biamanga National Park Board of Management	*
Gaagal Wanggaan (South Beach) National Park Board of Management	*
Gulaga National Park Board of Management	*
Mt Grenfell Historic Site Board of Management	*
Mutawintji National Park Board of Management	*
Worimi Conservation Lands Board of Management	*
State owned corporation	
Landcom (trading as UrbanGrowth NSW)	www.urbangrowthnsw.com.au
Other bodies	
Australian Technology Park Sydney Limited	www.atp.com.au
Centennial Park and Moore Park Trust	www.centennialparklands.com.au
Central Coast Regional Development Corporation	www.ccrdc.nsw.gov.au
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	www.planning.nsw.gov.au/office-of-strategic-lands
Corporation Sole 'Minister Administering the *Heritage Act 1977*'	*
Environment Protection Authority	www.epa.nsw.gov.au
Environmental Trust	www.environmentaltrust.nsw.gov.au
Greater Sydney Commission	www.greatersydneycommission.nsw.gov.au
Historic Houses Trust of New South Wales	www.sydneylivingmuseums.com.au
Hunter Development Corporation	www.hunterdevelopmentcorporation.com.au
Jenolan Caves Reserve Trust	www.jenolancaves.org.au
Lord Howe Island Board	www.lhib.nsw.gov.au
Ministerial Development Corporation	*
Parramatta Park Trust	www.parrapark.com.au
Royal Botanic Gardens and Domain Trust	www.rbgsyd.nsw.gov.au
UrbanGrowth NSW Development Corporation	www.urbangrowthnsw.com.au
Western Sydney Parklands Trust	www.westernsydneyparklands.com.au
Taronga Conservation Society Australia	www.taronga.org.au

* This entity has no website.

Our vision

Making a difference through audit excellence.

Our mission

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

Our values

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

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

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

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