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**New South Wales Auditor-General's Report**  
Financial Audit

**Volume Nine 2012**

Focusing on Education and Communities

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## 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 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 Nine of my 2012 report.

A handwritten signature in black ink that reads 'Peter Achterstraat'.

**Peter Achterstraat**  
Auditor-General  
11 December 2012

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# Significant Items

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This summary shows the most significant issues identified during my audits.

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This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

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# Section One

Overview

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Education Overview  
Arts and Cultural Overview



# Education Overview

## The Education Sector and Audit Opinions

This commentary covers the Department of Education and Communities (including TAFE Commission) and other education related entities, as shown below:



### Early Childhood Education and Care

- the Department regulates around 3,500 early childhood and care services
- over 146,000 children were placed per day in 2011
- about 3,700 educators were registered with department-regulated family day care services
- the Department regulates the operation of early childhood education and care services for children from birth through to and including school age
- it is implementing the new National Quality Framework in New South Wales



### Primary and Secondary Schools

- 1,766 public primary schools in New South Wales, including schools for specific purpose and environmental education centres
- 435,749 children in public primary schools
- \$13,476 spent per student in 2011
- average of 15.5 students per teacher

#### Institute of Teachers

- establishes professional teaching standards
- monitors accreditation decisions
- assures the quality of initial and continuing teacher education courses and programs

#### Board of Studies

- sets the core curriculum by developing syllabuses for kindergarten to Year 12
- responsible for planning and implementing the new Record of School Achievement (RoSA)
- manages the HSC exams each year



- 465 public secondary schools in New South Wales, including central and community schools
- 308,643 children in public secondary schools
- \$15,810 spent per student in 2011
- average of 12.5 students per teacher
- 39,580 students awarded the HSC in 2011

- 18,837 new teachers accredited in 2011

### Vocational Education and Training



#### TAFE NSW

- 552,856 enrolments in 2011
- 214,492 graduates in 2011
- 90 per cent of graduates satisfied with training in 2011
- total expenditure of \$1.8b in 2011-12

#### Board of Vocational Education & Training

- oversees policy and planning initiatives and fosters partnerships in the NSW training system
- provides advice to the minister on state and national vocational education and training priorities, skills and tertiary planning

Source: Pictures provided by the Department of Education and Communities.

Except for the Department of Education and Communities (including TAFE Commission) and the separate financial statements of the TAFE Commission, I issued unqualified audit opinions on the following financial statements for the year ended 30 June 2012:

- Board of Studies
- Office of the Board of Studies
- Board of Studies Casual Staff Division
- Institute of Teachers
- Office of the Institute of Teachers
- NSW Board of Vocational Education and Training
- Arts Education Foundation Trust.

I qualified my audit opinions on the Department's and the TAFE Commission's respective financial statements because of flaws in the process used to revalue buildings.

## Key Issues

### Revaluation of School and TAFE Buildings

#### *Recommendation*

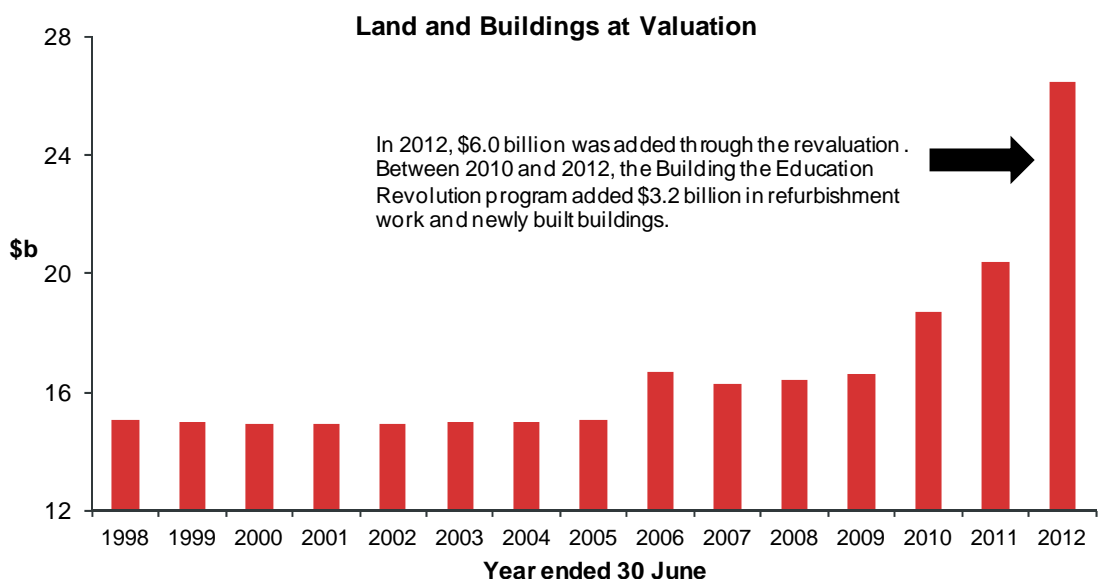
Management should review its revaluation methodology to ensure it is appropriate and meets the requirements of accounting standards and policies set by Treasury.

During the year, the Department performed a revaluation of its buildings. My audit identified flaws in the process used and more work is needed to support the values recorded. This work may confirm the value of the buildings is correct or it may highlight further shortcomings in the revaluation process.

The Department has to value over 27,000 buildings at primary and secondary schools, TAFE colleges and other institutions. A market value cannot be used for these buildings due to their specialised nature, meaning the department has to determine replacement costs for these assets with reference to modern day equivalents. As the buildings are similar, the Department uses a model to determine replacement cost. For the year ended 30 June 2012, the revaluation process added more than \$6.0 billion to the value of land and buildings recorded in the financial statements (\$1.1 billion relating to land and \$4.9 billion relating to buildings).

I qualified the Department of Education and Communities' and TAFE NSW's financial statements because of flaws in the process used to revalue buildings

The revaluation exercise added over \$6.0 billion to the value of land and buildings



Source: Department Financial Statements 1998 to 2012.

Note: The data includes land values as the Department has classified land and buildings in the same asset category from 1998 to 2010.

## What Went Wrong With the Revaluation Process?

### **Project Management**

#### *Recommendation*

The Department should use an appropriate project management methodology to make sure the revaluation project is 'on track'. The project team should have the appropriate skills and experience.

The Department established a project control group to oversee the revaluation project. The information presented to this group was not subject to a quality assurance or review process, and was often incorrect or changed. The revaluation methodology was not formally completed until nine months after the project started, and not enough project team members had the skills and experience to ensure the revaluation complied with accounting standards and Treasury policy requirements.

These are important aspects of the project which should have been in place before the project started.

### **Use of Experts**

#### *Recommendation*

The Department should ensure experts are appropriately engaged and understand how their information will be used.

The Department used information provided by experts in the revaluation project. Normal practice is for such experts to be formally engaged, with the scope of their work, their respective roles and responsibilities, fees and administrative arrangements clearly articulated and agreed.

The Department did not formally engage any of the experts who provided information used in the revaluation project. My discussions with some experts indicated they did not understand how their information would be used and consequently did not perform their work in compliance with Treasury policy requirements.

### **Determining the Replacement Costs**

#### *Recommendation*

The Department should confirm its revaluation methodology reflects the cost to replace its existing assets.

The methodology the Department used to revalue its buildings essentially involved:



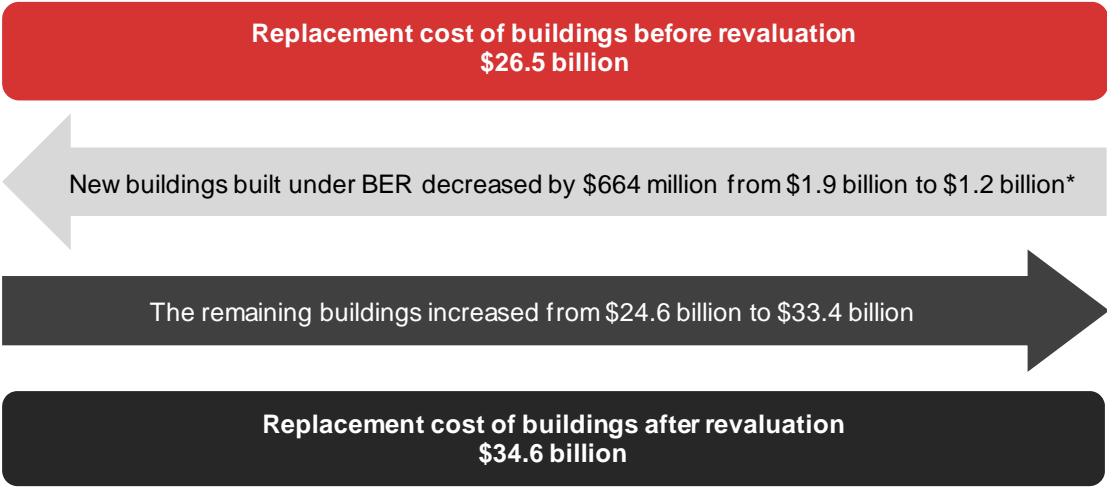
The Department obtained replacement cost rates from quantity surveyors. As a starting point, one of the quantity surveyors indexed replacement cost rates determined in 2002 to arrive at replacement cost rates in today's dollars. It then factored in other inputs to determine the full replacement cost for each building.

To determine the reasonableness of these valuations I compared the replacement costs used in the revaluation process to actual costs paid for new buildings under the Building the Education Revolution (BER) program. This comparison showed the revaluation process determined the replacement cost of the BER buildings at \$664 million less than what was actually paid for them. The Department could not substantiate or demonstrate this to be a reasonable outcome.

The revaluation project was poorly managed

Experts used in the revaluation process were not appropriately engaged

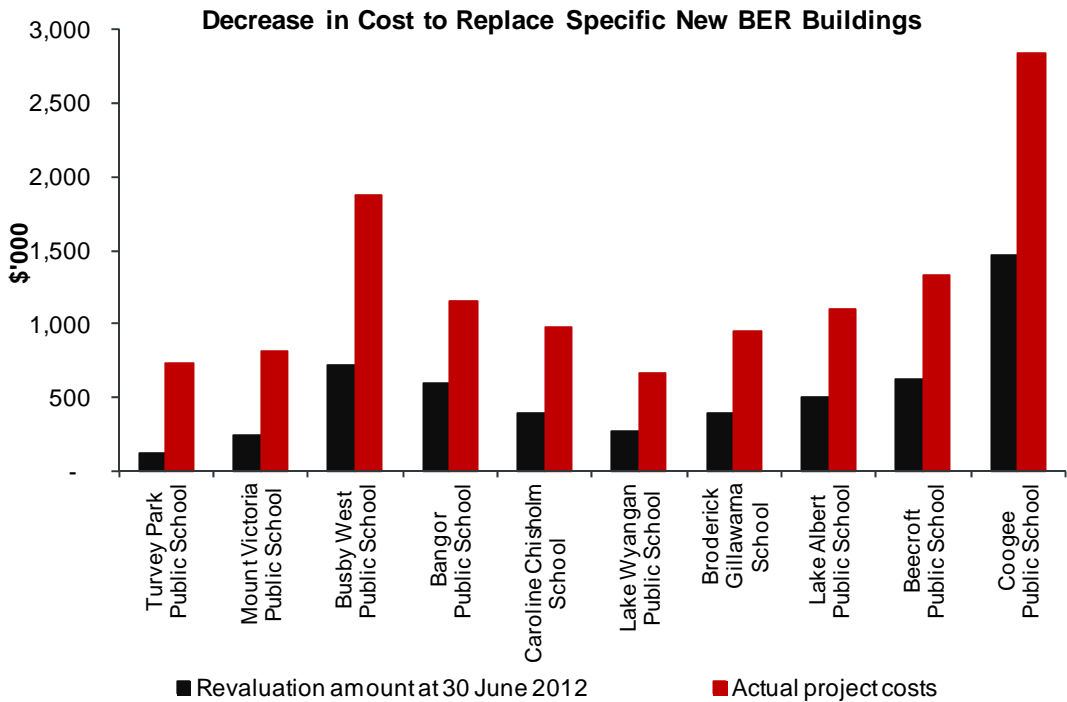
The revaluation process suggests the cost to replace new Building the Education Revolution buildings would be \$664 million less than what was actually paid



\* Source: Department of Education and Communities (unaudited).

Note: This analysis only includes new buildings built as part of the BER program up to 30 June 2012. The BER program also included the refurbishment of existing buildings.

My review indicated the replacement cost of buildings after revaluation was up to 84 per cent lower than actual costs incurred on BER buildings.



Source: Department's fixed assets register for the year ended 30 June 2012.

The difference between the cost and value attributed to BER buildings in the revaluation process may be due to:

- actual costs paid for BER buildings were too high
- construction prices may have been higher during the period of the BER program
- replacement cost rates used in the revaluation process may be incorrect.

In my view, much of the information used in the revaluation process has not been appropriately considered or adequately corroborated. The Department could not provide sufficient evidence to demonstrate the rates used in the revaluation process were consistent with actual construction costs for similar assets.

As a result, I was unable to obtain all the information I needed to form an opinion on the values attributed to buildings in the financial statements and qualified my opinions on the respective financial statements of the Department, the TAFE Commission, the General Government Sector and the Total State Sector Accounts.

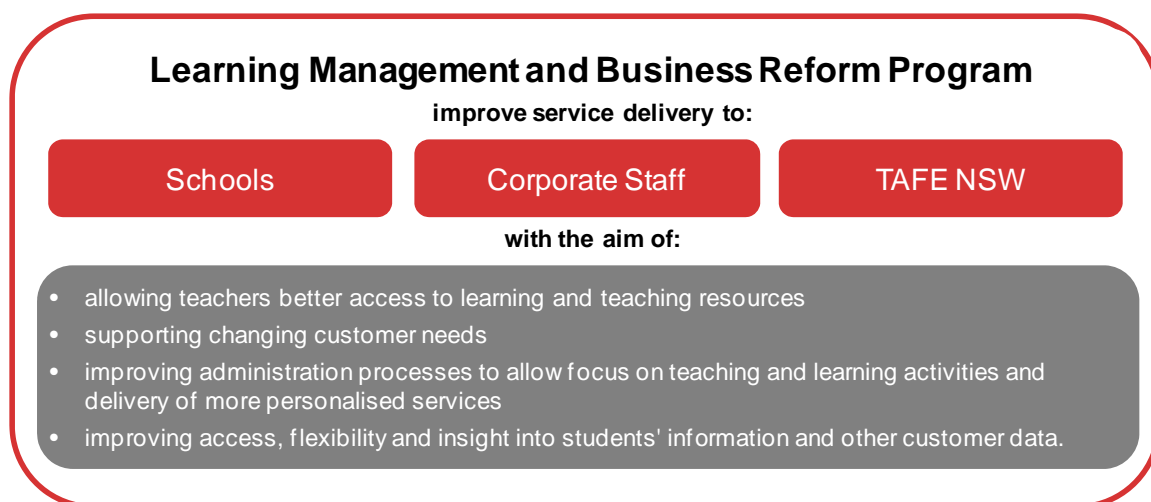
The Department has given me its plan to address these and other matters I identified during my audit of the revaluation process.

## Learning Management and Business Reform Program

### *Recommendation*

The Department should continue to review the Learning Management and Business Reform program to ensure it is consistent with the overall objective of creating new ways of working and delivering services that benefit students, parents, teachers, customers and staff.

The Learning Management and Business Reform (LMBR) program was established in 2006 to modernise the way the Department manages and delivers student enrolment and administration, learning management, support services, finance, human resources and technology services to schools, TAFE NSW and the Department's corporate offices.



The original program was to be delivered in two phases over eight years and expected to incur recurrent and capital costs of \$386 million. At 30 June 2012, the Department had spent \$282 million, or 73 per cent of the project budget.

In 2009-10 and 2010-11, the 'finance solution' was implemented into corporate offices and TAFE NSW locations. I previously reported the solution did not provide all expected benefits to the business. Data migration and functionality issues continue to impact users' ability to complete tasks and obtain accurate and/or relevant and timely information.

The Department intends to upgrade the finance solution for TAFE NSW and corporate offices during 2012-13 to address these issues.

In 2011-12, the program was changed to better manage the program risks and allow sufficient time to engage users and implement effective change management. Significant changes include:

- implementation of the 'payroll solution' for TAFE NSW - Northern Sydney Institute (as a pilot), originally planned for November 2012, deferred until June 2013, because of concerns there was not enough time to perform detailed testing, disaster recovery testing, and to deploy the full scope of the payroll solution. Implementing the payroll solution has been combined with the finance solution upgrade and the new 'schools solution'. The Department advises this will allow better integration testing, disaster recovery and fewer business risks

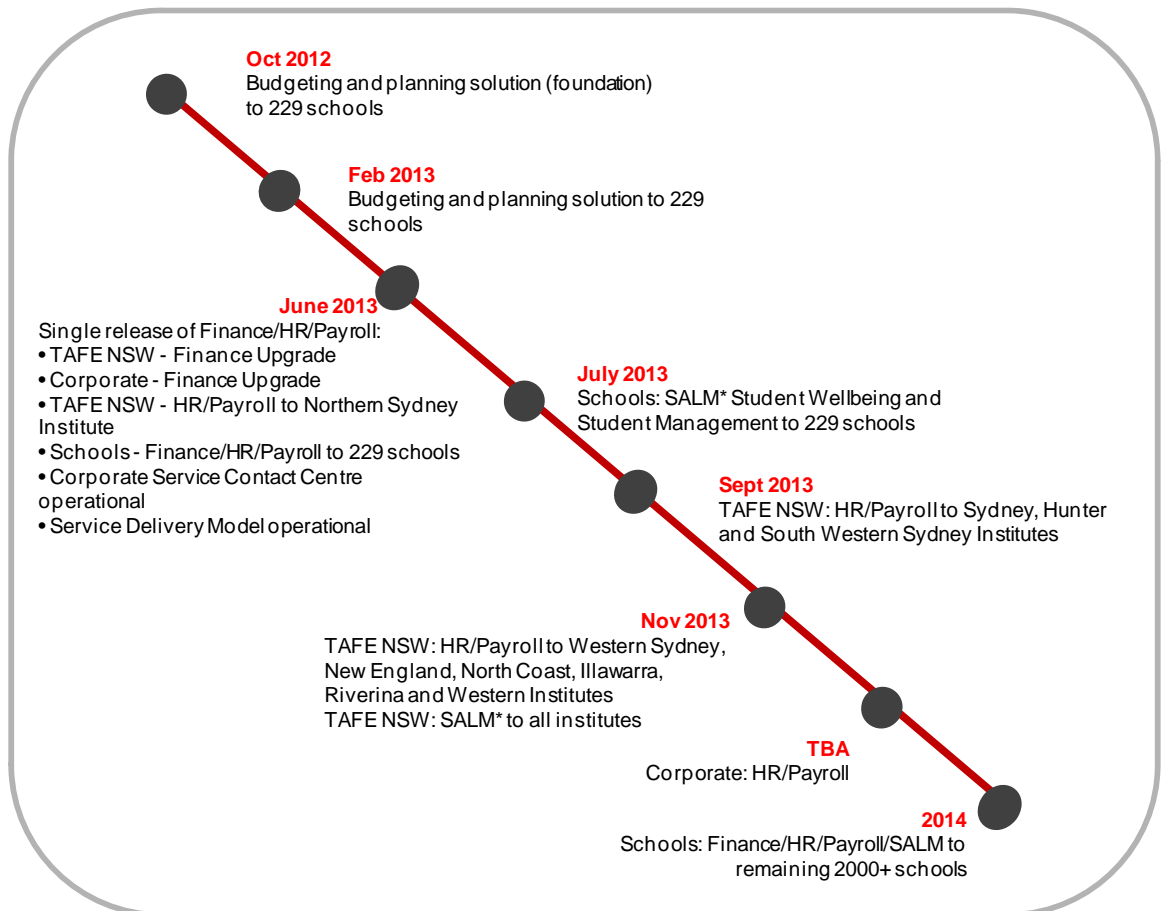
Implementation of the Northern Sydney Institute's payroll solution has been deferred

- a new 'service delivery model' for corporate services, designed to provide a framework for the end-to-end delivery of human resources, finance and information technology services, and includes:
  - what services will be provided
  - the processes associated with those services
  - how services will be governed and managed
  - details on the capabilities and grouping of people required
  - the supporting technologies and the locations where people will be based.
- creation of a project team to ensure business requirements have been fully captured, validated and reflected in the final solution design for human resources, finance and payroll.

The LMBR Schools Budgeting and Planning solution (foundation release) was deployed in October 2012.

Release dates for stage 2 are:

The Schools Budgeting and Planning solution (foundation release) was deployed in October 2012



\* Student Administration and Learning Management System (SALM).

The success of the Department's future programs, such as the 'Local Schools Local Decisions' Reform, rely heavily on the success of the LMBR program. I will review the program's implementation and monitor and report on its progress against revised targets.

## Risk Management

### *Recommendation*

The Department should continually improve its risk management framework to ensure risk management is integrated into its systems and processes. The Department should embed risk management into its governance, compliance and planning functions.

Several unforeseen significant events occurred during 2011-12, which were not identified in the Department's executive risk assessment process. These included:

#### Assisted School Travel

**Risk:** Failure to provide assisted transport to eligible students

#### Building Revaluation

**Risk:** Qualified audit opinion for the Department and Total State Sector Accounts

#### TAFE NSW Website

**Risk:** Students not being able to enrol using the TAFE NSW website

These events highlight opportunities for the Department to improve its risk identification and monitoring of emerging risks. Given the size and complexity of the Department, effective monitoring, management and communication of risks is crucial in promoting an appropriate risk culture.

Treasury has prepared a 'Risk Management Toolkit for NSW Public Sector Agencies' to help them develop and implement risk management frameworks and processes. The Department contributed to the development of this toolkit. The toolkit interprets the current standard 'AS/NZS ISO 31000:2009 Risk management - Principles and Guidelines' to help agencies meet core requirement five of Treasury's Internal Audit and Risk Management Policy (TPP 09-05).

The Treasury policy paper requires the Department to report on the continual improvement of its risk management framework. One way it can do this is to measure the maturity of its framework against a set of well-defined criteria. Maturity models can include assessment against the key attributes of risk management included in the standard:

- continual improvement
- risk accountability
- risk based decision-making
- risk communication
- risk integration.

## Ageing teachers workforce

### School teachers

I reviewed the age profile of teachers to identify the number of permanent school teachers nearing retirement age and actions taken by the Department to address the risks for the education workforce.

The sector is facing the potential loss of thousands of staff over the next few years, as indicated by the following statistics:

- 25.8 per cent of permanent teachers are aged 55 and older
- 54.9 per cent of permanent teachers are aged 45 years and older.

Emerging business risks were not identified and recorded in the executive risk register

Almost 55 per cent of the Department's school teachers are 45 years of age or older

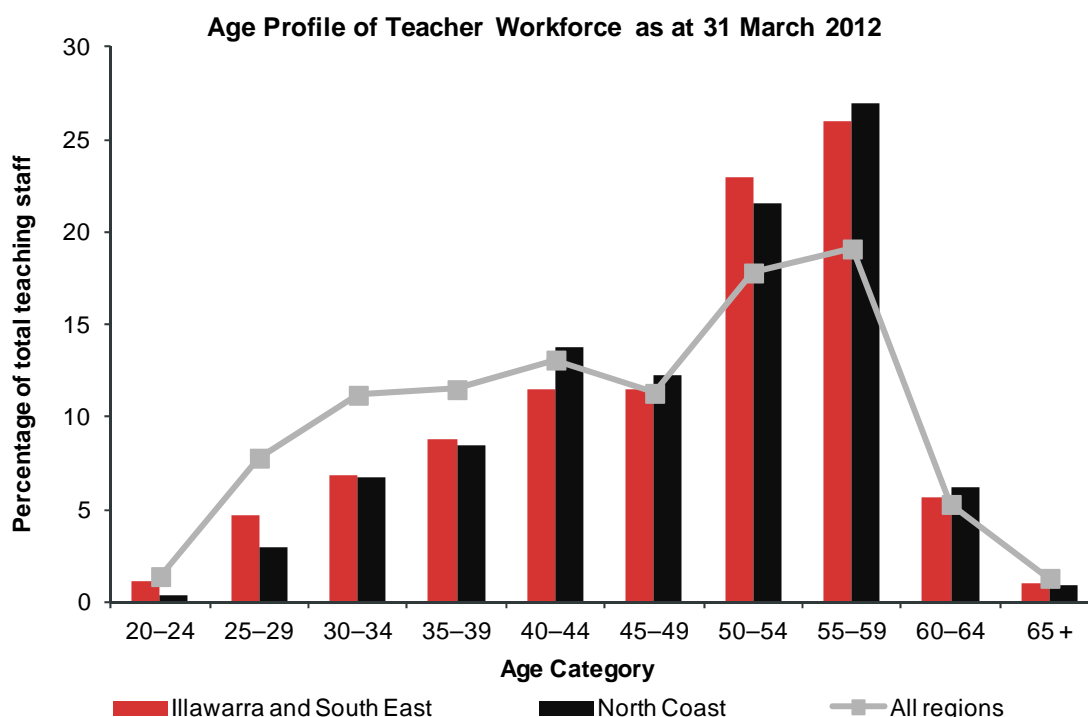


The table below shows the age profile of permanent school teachers in New South Wales:

At 31 March Age group	2012		2011	
	No. of teachers	%	No. of teachers	%
20-24	667	1.4	745	1.5
25-29	3,804	7.8	3,941	8.1
30-34	5,454	11.2	5,182	10.6
35-39	5,602	11.6	5,835	11.9
40-44	6,335	13.1	5,873	12.0
45-49	5,498	11.3	5,611	11.5
50-54	8,632	17.8	9,826	20.1
55-59	9,289	19.2	9,055	18.5
60-64	2,596	5.3	2,307	4.7
65+	650	1.3	532	1.1
<b>Total</b>	<b>48,527</b>	<b>100.0</b>	<b>48,907</b>	<b>100.0</b>

Source: Department of Education and Communities Personnel system (unaudited).

The ageing profile of teachers is concerning with 43.6 per cent (44.4 per cent in 2010-11) of teachers older than 50. The 'Illawarra and South East' and 'North Coast' regions are particularly concerning, with the percentage of teachers younger than 40 significantly lower, and those older than 50 significantly higher than the State average.



Source: Department of Education and Communities Personnel system (unaudited).

The Department undertakes a workforce planning process each year to develop projections for teacher supply and demand. According to the Department's workforce plan, more than 37,000 applicants were seeking permanent teaching positions at 1 March 2012. However, the Department only appointed 2,232 school teachers during 2011.

The Department believes there are enough primary school teachers with more than 21,000 of the applicants seeking permanent positions in primary schools. However, the number of secondary school teachers for mathematics and languages other than English (LOTE) is low.

More than  
37,000  
applicants are  
seeking a  
permanent  
teaching  
position

The Department has implemented initiatives to increase secondary school teacher supply in areas of potential shortfall. These include:

- campaigns to promote teaching as a career
- teacher scholarship and sponsorship programs
- incentives schemes for teachers in rural New South Wales.

Retirement rates are projected to increase until at least 2014 after which they are projected to vary between four and five per cent before decreasing as baby boomers retire.

### TAFE Teachers

I reviewed the age profile of TAFE NSW permanent teachers nearing retirement age and found many are likely to retire over the next five to ten years increasing the risk of significant loss of knowledge and skills for TAFE NSW.

The age profile of TAFE NSW's permanent teachers is shown below:

Year ended 30 June	2012		2011	
	No. of teachers	%	No. of teachers	%
Below 30	12	0.3	17	0.4
30-34	78	1.8	80	1.8
35-39	201	4.7	223	5.2
40-44	403	9.5	411	9.6
45-49	660	15.6	698	16.3
50-54	1,013	23.9	1,031	24.0
55-59	1,100	26.0	1,156	27.0
60-64	551	13.0	500	11.7
65 +	221	5.2	170	4.0
<b>Total</b>	<b>4,239</b>	<b>100.0</b>	<b>4,286</b>	<b>100.0</b>

Source: Workforce Profile (headcount), TAFE NSW (unaudited).

TAFE NSW advises it has risk mitigation strategies in place, including phased retirements, flexible work options and knowledge transfer strategies. To ensure an adequate supply of teachers with the skills to meet its needs, TAFE NSW undertakes regular workforce planning. It also has initiatives to attract and retain teachers, including targeted recruitment campaigns, retention of younger teachers and promotion of TAFE teaching as a career.

### Funding for Education

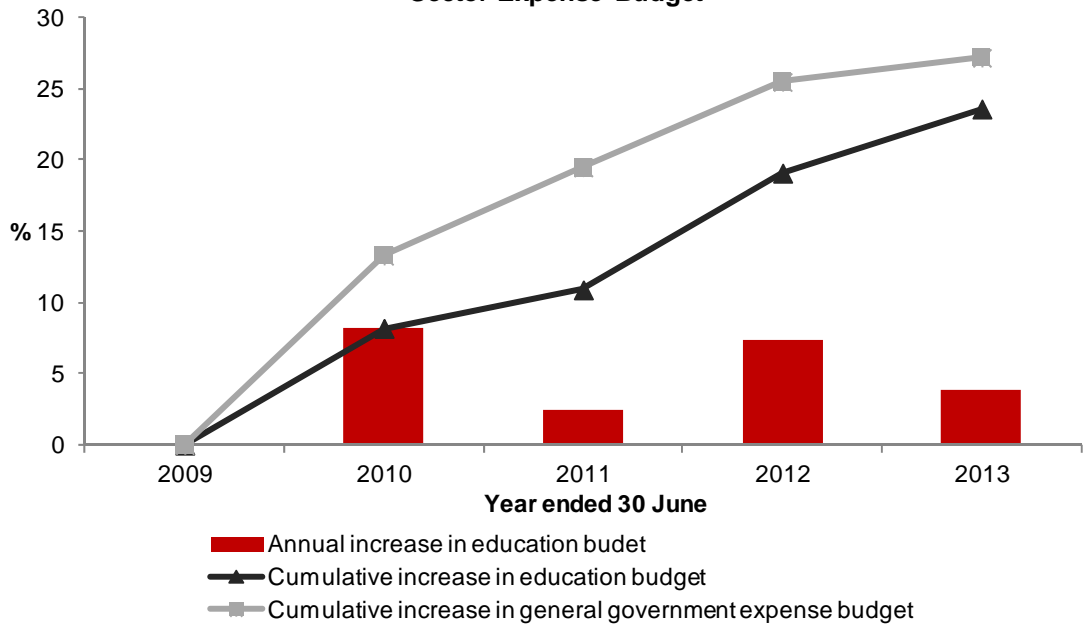
The State's budgeted expenditure for the education sector, including its contribution to non-government schools, was \$13.1 billion in 2011-12 or 22 per cent of general government expenses. This increased to \$13.6 billion or 22.4 per cent of general government expenses in the 2012-13 Budget.

Between 2009 and 2013, education funding has increased at an average annual rate of 5.5 per cent or \$2.6 billion over four years. The total budgeted general government expenses increased at an average annual rate of 6.3 per cent over the same period.

Almost 84 per cent of permanent TAFE teachers are aged 45 or older

Education will receive \$13.6 billion or 22 per cent of general government expenditure in 2012-13

### Comparison between Education Budget and General Government Sector Expense Budget

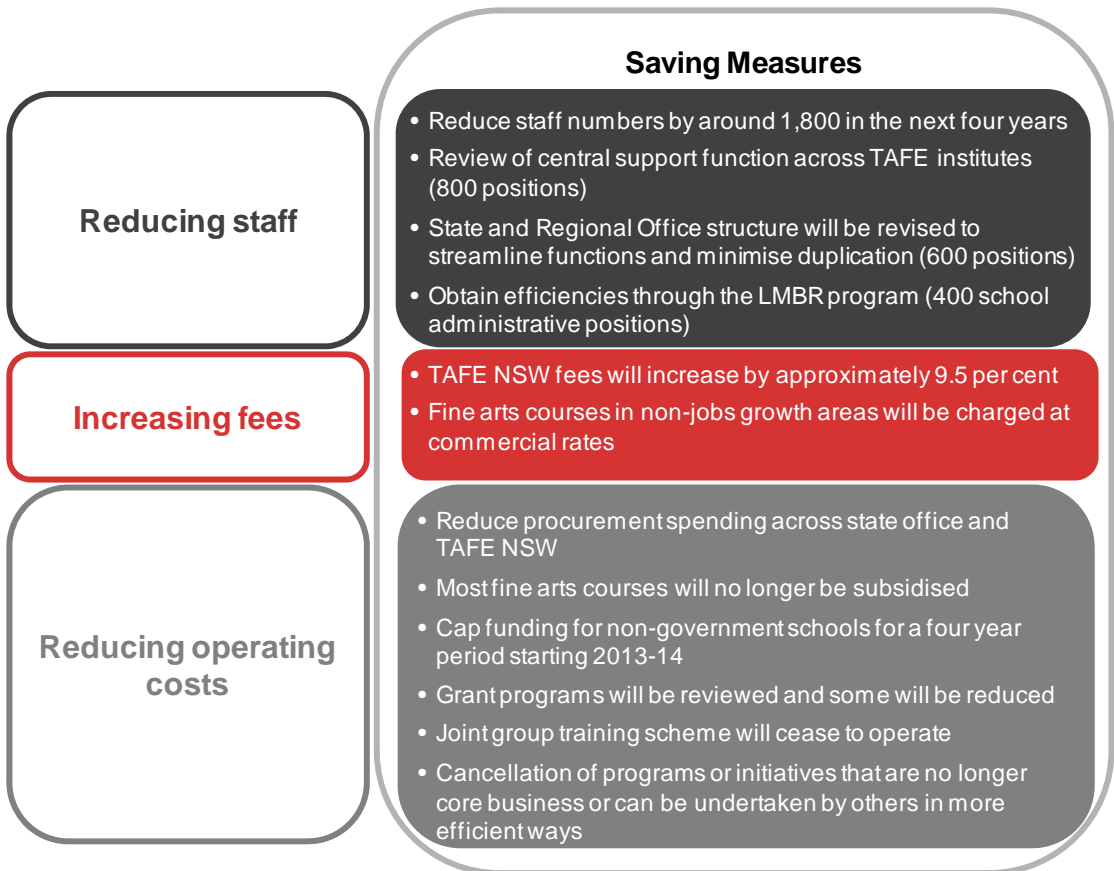


Source: Original budgets presented to NSW Parliament for the financial years 2009-10 to 2012-13 (unaudited).

The NSW Government recently announced the education budget will be cut by \$1.7 billion over the next four years. Savings are expected to be achieved by reducing staff numbers, increasing fees and reducing operating costs.

The NSW Government announced the education budget will be cut by \$1.7 billion over four years

Over the next four years the Department will need to reduce staff numbers by around 1,800



## Performance Information

The Government's ten year plan, NSW 2021, includes the following goals for the Education and Communities Cluster:

- improve education and learning outcomes for all students
- strengthen the NSW skill base
- make it easier for people to be involved in their communities
- fostering opportunity and partnership with Aboriginal people.

I reviewed the following performance indicators the Department uses to measure the achievement of these goals:

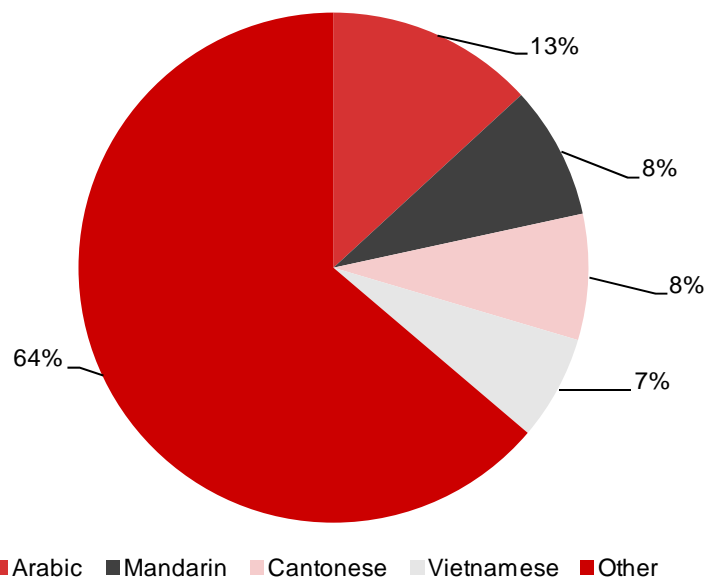
- performance of students with a language background other than English
- literacy and numeracy
- Year 12 retention rates.

### Performance of Students with a Language Background Other Than English

In 2012, 69.8 per cent of students enrolled in NSW Government schools came from homes where English is the only language. The proportion of students with a language background other than English rose to 30.2 per cent in 2011-12 (up 0.6 per cent since 2010-11).

Almost 70 per cent of students come from homes where English is the only language

Language Background Diversity in NSW Government Schools at March 2012



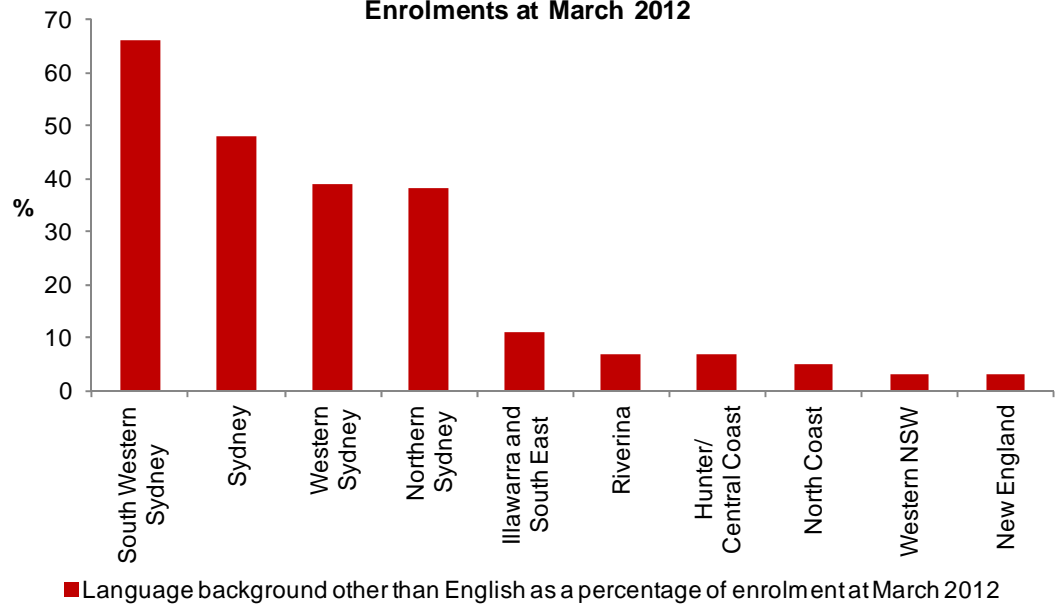
Source: Department of Education and Communities Statistical Compendium (unaudited).

In 2011-12, Arabic remained the most common language background, making up 13.2 per cent of all students with a language background other than English. Mandarin (8.4 per cent) and Cantonese (eight per cent) were the next most common languages followed by Vietnamese at 6.6 per cent. The following graph shows the regions where students with a language background other than English are located. Most are in South Western Sydney and the least are in New England.

Students from a language background other than English outperformed other students in writing, spelling, grammar, punctuation and numeracy

NSW students continue to perform consistently better than the national average

**Language Background Other Than English as a Percentage of Enrolments at March 2012**



Source: Department of Education and Communities Statistical Compendium (unaudited).

**Notes:**

- Students with a language background other than English enrolments in 2012 are compared to enrolments (headcount) estimated in February 2012.
- February enrolment data differs from mid-year Census data collected in the first week in August each year (published annually in the National School Statistics Collection). It is used in these tables as it is closer in time to the collection of students with a language background other than English (March each year).

In New South Wales, the performance gap between students with a language background other than English and other students is minimal. According to the National Assessment Program - Literacy and Numeracy (NAPLAN) results in 2010 and 2011, the overall mean scores of students from a language background other than English were higher than those of other students in writing, spelling, grammar and punctuation and numeracy.

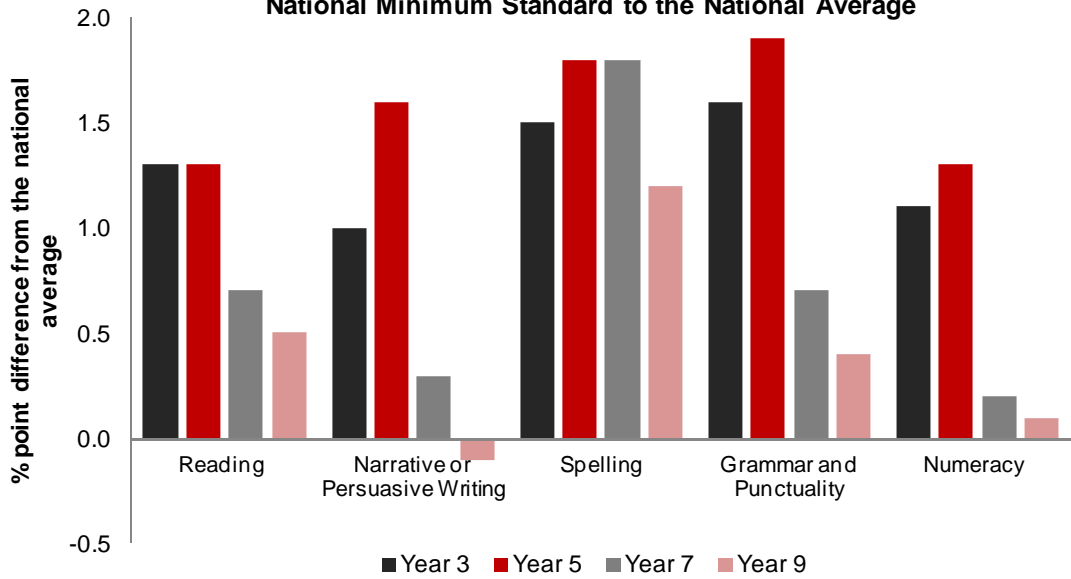
For reading, the mean score for other students was higher than for students from a language background other than English.

**Literacy and Numeracy results**

Since 2008, all Australian schools use NAPLAN to assess the literacy and numeracy learning of students at years three, five, seven and nine. Students participate in NAPLAN tests in May each year and 2012 is the fifth year of testing.

The preliminary results of the 2012 national tests indicate the percentage of students at or above the national minimum standards in New South Wales is consistently better than the national average.

**Comparing the Percentage of NSW Students at or above the National Minimum Standard to the National Average**



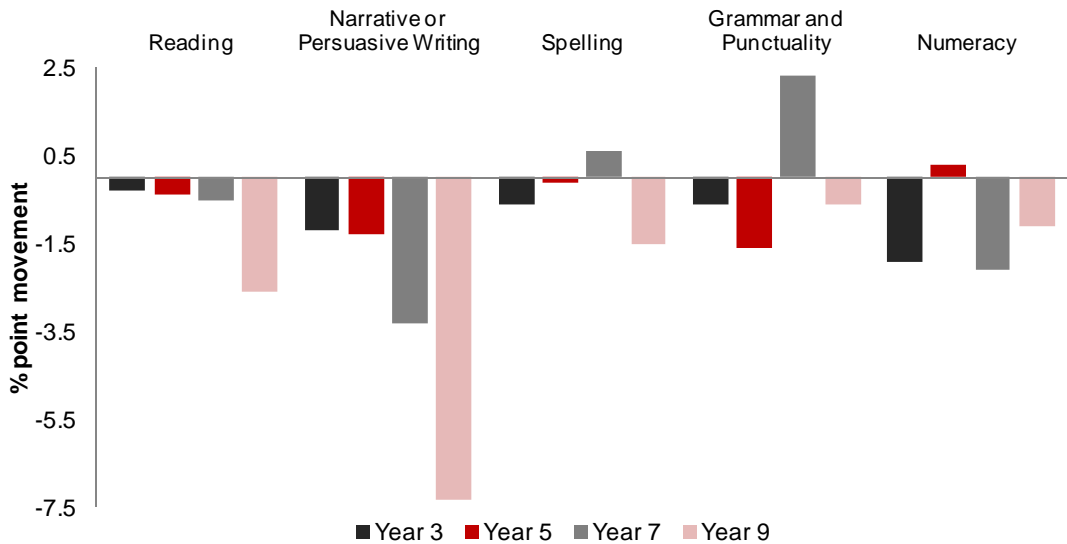
Source: 2012 NAPLAN Summary Report - Preliminary results for achievement in Reading, Writing, Language Conventions and Numeracy (unaudited).

**Notes:**

- For the purposes of this table, results for Narrative and Persuasive Writing have been combined.
- Caution should be taken when comparing performance within or across jurisdictions. Various factors can affect a jurisdiction's results in any given year, including the 'spread of students' scores (standard deviations) and the number of students assessed.

However, the percentage of students at or above the national minimum standards in New South Wales has generally decreased when compared to the 2008 results:

**Movement in Percentage of NSW Students at or above the National Minimum Standard between 2008 and 2012**



Source: 2012 NAPLAN Summary Report - Preliminary results for achievement in Reading, Writing, Language Conventions and Numeracy (unaudited).

**Note:**

- For the purposes of this table, results for Narrative and Persuasive Writing have been combined.
- Caution should be taken when comparing performance within or across jurisdictions. Various factors can affect a jurisdiction's results in any given year, including the 'spread of students' scores (standard deviations) and the number of students assessed.

The Department advises it spent \$185 million on a range of literacy and numeracy programs in 2011-12.

Retention rates for NSW Government school students and those from targeted equity groups continue to increase

## Year 12 Retention Rates

Retention rates for NSW Government school students and those from targeted equity groups continued to increase in all categories in 2011, with the overall retention rate at 70.5 per cent (up 2.1 per cent from 2010).

Year ended 31 December	2011 %	2010 %	2009 %	2008 %	2007 %
All students	70.5	68.4	66.3	64.6	64.5
Aboriginal students	39.2	35.1	33.1	32.2	30.9
Students from language backgrounds other than English	113.1	111.1	108.0	106.0	101.8
Students from low socio-economic status backgrounds	60.1	57.9	53.9	54.5	53.2
Geographically isolated students	50.4	45.9	46.8	41.1	48.6

Source: Department of Education and Communities Statistical Compendium 2011 (unaudited).

### Notes:

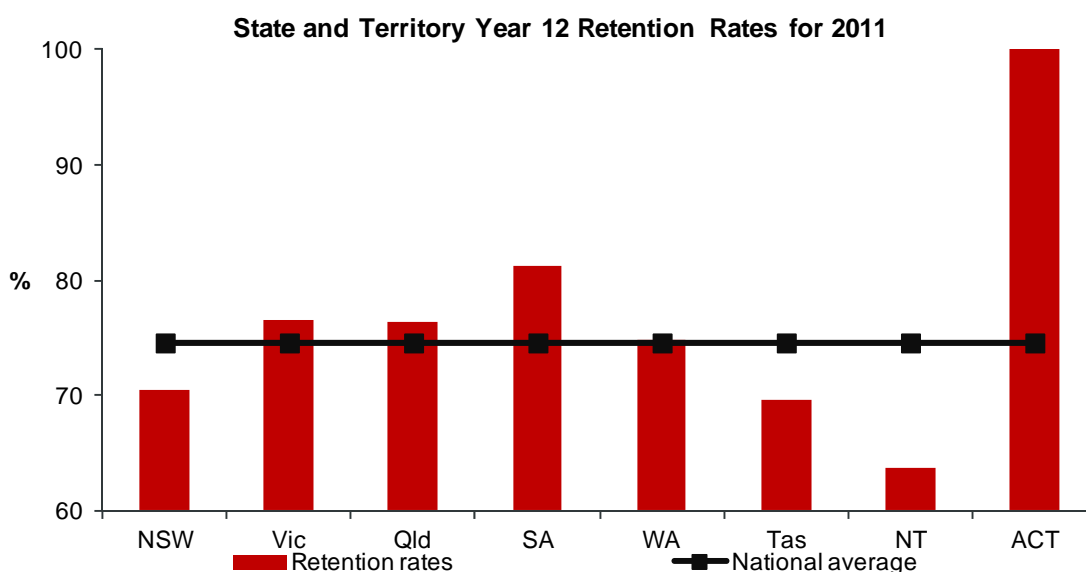
- Retention rates are 'apparent' as they do not track individual students through their secondary schooling.
- Retention rates for students from low socio-economic status backgrounds in 2007-2008 are based on the participating schools in the Priority School Program in 2008; rates in subsequent years are based on currently participating schools, which have been set for 2009-2012.
- Retention rates for geographically isolated students in 2007 to 2008 are based on the participating schools in the Country Area Program in 2008. Rates in subsequent years are based on currently participating schools, which have been set for 2009 to 2012.
- Year 12 retention rates can exceed more than 100 per cent due to a number of factors, including migration of students from interstate and overseas.
- Care should be exercised in interpreting changes in apparent retention rates for Aboriginal students and students from geographically isolated areas due to the small numbers involved.
- The 2010 rate for all students is consistent with the confidential data published in Table 5.03 of the Department of Education and Communities Statistical Compendium 2010 and sourced from ABS Schools Australia.

The Department advises some of the improvement from 2010 to 2011 can be attributed to the success of the locally managed school-based initiatives and raising the school leaving age. Under the *Education Amendment Act 2009*, all students are now required to stay at school until the end of Year 10, after which they must continue in education, training or paid work until they turn 17.

## Retention Rates of Full-Time Students for Government Schools by State

Although retention rates in New South Wales improved in 2011, they were still 4.2 percentage points below the national average.

New South Wales ranked sixth when comparing retention rates across all States and Territories



Source: Department of Education and Communities Statistical Compendium 2011 (unaudited).

### Notes:

- Retention rates are 'apparent' as they do not track individual students through their secondary schooling.
- Care should be exercised when interpreting apparent retention rates as the method of calculation does not take into account a range of factors including:
  - differing enrolment policies across jurisdictions (which contribute to different age-grade structures)
  - students enrolled in Year 12 on a part-time basis or repeating a year
  - movements of students between States and between school sectors
  - impact of full-fee paying overseas students
  - varying enrolment patterns in which students choose to complete their secondary schooling at TAFE NSW.
- Apparent retention rates can exceed 100 per cent due to factors, including migration of students from interstate and overseas.

## Other Information

### Review of Funding for Schooling

In 2010, the then Federal Minister for Education initiated a review of funding arrangements for schooling to develop a system which is transparent, fair, financially sustainable and effective in promoting excellent educational outcomes for all Australian students. The review was chaired by David Gonski AC and the 'Review of Funding for Schooling' report was published in December 2011.

The review panel considered more than 7,000 submissions from interested parties, visited 39 schools and consulted 71 education groups across Australia. The 'Review of Funding for Schooling' report contains 41 recommendations and 26 findings which are a blueprint for lifting educational standards and outcomes in Australia. Key findings included:

- a decline in student performance over the past decade
- a large performance gap between the highest and lowest performing student
- funding arrangements are complex and there is an imbalance between funding responsibilities of the federal, State and Territory governments
- uncoordinated school capital and infrastructure funding.



The 'Review of Funding for Schooling' report indicated the performance of Australian students has dropped against international benchmarks

The report indicated that while Australia has a relatively high performing schooling system, the performance of Australian students has dropped significantly against international benchmarks over the past decade. In 2000, only one country significantly outperformed Australia in reading and mathematical literacy and two countries in science literacy. In 2009, Australia was outperformed by six countries in reading and science literacy and 12 countries in mathematical literacy. These results can be seen in the following table:

		Australia's mean score	OECD average score	Highest scoring country	Lowest scoring country	Countries which significantly outperformed Australia
<b>Reading</b>	2000	528	500	546	396	(1) Finland
	2009	515	493	556	425	(6) Shanghai-China, Korea, Finland, Hong Kong-China, Singapore and Canada
<b>Mathematics</b>	2000	533	500	557	334	(1) Japan
	2009	514	496	600	419	(12) Shanghai-China, Singapore, Hong Kong-China, Korea, Chinese Taipei, Finland, Liechtenstein, Switzerland, Japan, Canada, Netherlands, and Macao-China
<b>Science</b>	2000	528	500	552	375	(2) Japan, Korea
	2009	527	501	575	416	(6) Shanghai-China, Finland, Hong Kong-China, Singapore, Japan and Korea

Source: Department of Education, Employment and Workplace Relations 2011, 'Review of Funding for Schooling' ii Final Report, commonwealth Department of Education, Employment and Workplace Relations, P.20. (unaudited).

Notes:

- PISA (Programme for International Student Assessment) is an international study launched by the OECD in 1997 to evaluate education systems worldwide every three years by assessing 15-year-olds' competencies in key subjects: reading, mathematics and science. To date over 70 countries and economies have participated in PISA.
- Singapore and Chinese provinces (other than Hong Kong) did not participate in PISA 2000.

The report recommends changes to the current funding model and indicates the additional cost to governments would be about \$5.0 billion or around 15 per cent of all governments' recurrent funding for schooling.

The NSW Government has already started significant reforms in school education which align with some recommendations in this report. The 'Local Schools, Local Decisions' reform will begin to provide flexibility on how public schools operate. A new resource allocation model was announced, which will change the way schools receive funding.

There are also 229 schools participating in the Australian Government's 'Empowering Local Schools' initiative.

The Department advises that a critical component in achieving success in these reforms is the successful implementation of the LMBR program.

## Local Schools, Local Decisions

In March 2011, the NSW Government announced its 'Local Schools, Local Decisions' reform intended to give schools greater local authority to manage budgets and human resources more effectively. It is broadly consistent with recommendations made in the 'Review of Funding for Schooling' report and the Australian Government's 'Empowering Local Schools' national partnership:

### Review of Funding for Schooling

- recommends base funding plus loading model
- resources need to target areas that impact student learning
- recommends loadings for socio-economic status, Aboriginality, English Language Proficiency and students with disability, as well as loadings for school size and location

### Local Schools, Local Decisions

- developed a new resource allocation model that uses a base funding plus loading concept
- resources based on student and school needs
- funding goes directly to schools, enabling certainty in school planning, evaluation and reporting from year to year
- allocating funding to recognise the different characteristic of each school and ability to cope with changing school and student population

### Empowering Local Schools

- provides school communities with more authority over how their school operates with principals having greater flexibility in selection of staff and authority over 70 per cent of the public education sector budget
- provides schools with more authority on procurement decisions
- principals will be free to make more local decisions for purchases up to \$5,000

### Local Schools, Local Decisions

- provides school with more dynamic response to innovation and decision making to meet student needs
- reduces red tape and reporting requirements
- provides schools with authority over 70 per cent of the education sector budget and allows principals to make on the spot purchases of up to \$5,000

## Empowering Local Schools

The Australian Government has committed \$476 million over seven years to rollout the Empowering Local Schools initiative in two phases. The initiative aims to empower participating schools to make decisions at a local level, supporting them to better respond to the needs of students and the school community and provide services designed to help students achieve their best educational outcomes.

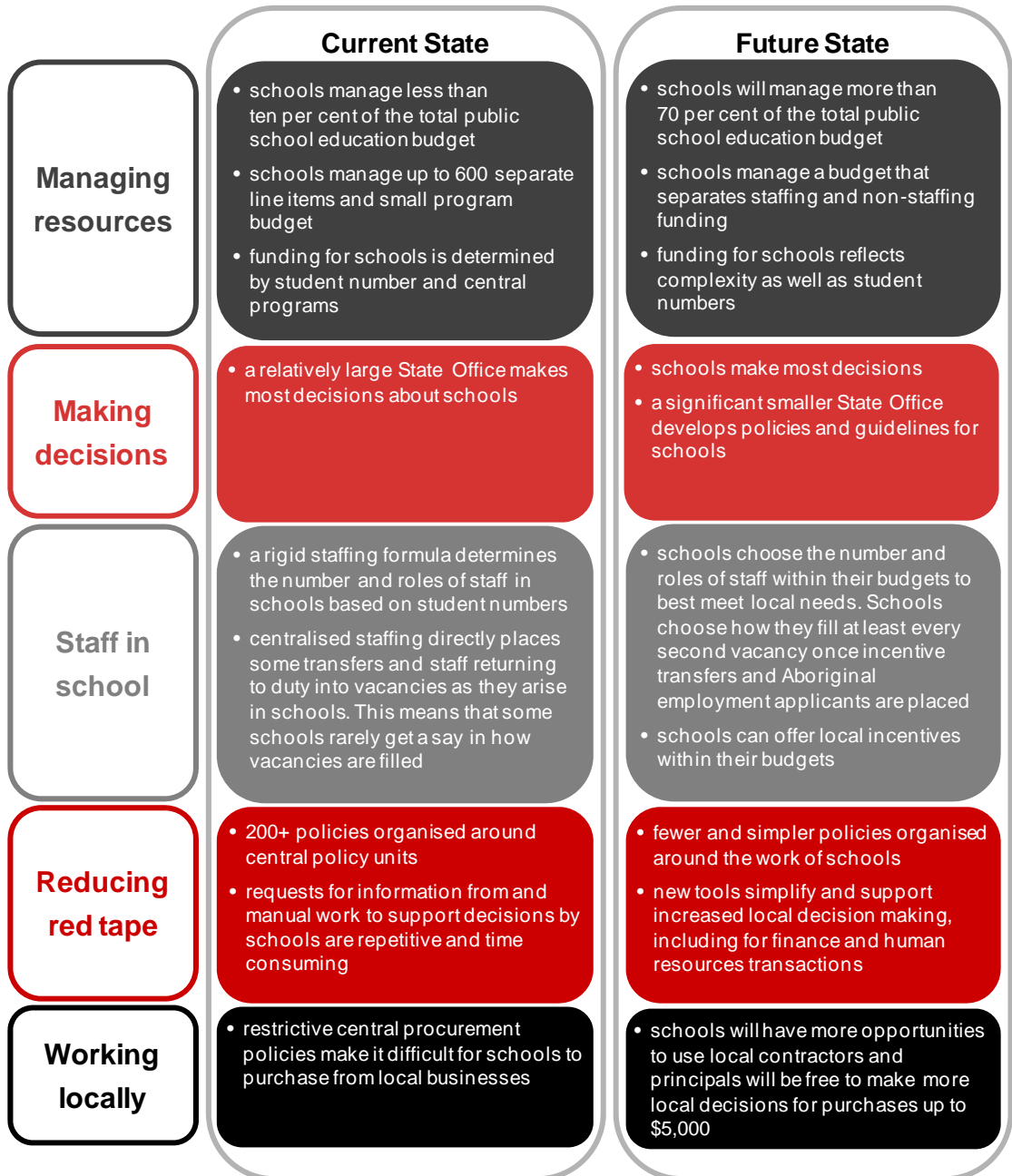
The initiative is implemented through a National Partnership Agreement between the Australian and NSW governments. In New South Wales, government and non-government schools will collectively receive almost \$18.0 million to help improve student performance and results. Currently 229 government schools have been selected for the initiative and are running parallel with the Local Schools, Local Decisions reform. The schools have been given a one-off grant between \$40,000 and \$50,000 to help them transition to more local decision making authority designed to help improve their students' educational outcomes.

The Empowering Local Schools initiative provides school communities with more authority over how their school operates by allowing principals to choose how they fill every second vacancy once incentive transfers and Aboriginal employment applicants are placed. Principals will manage 70 per cent of the total education sector budget.

Schools will have more authority over local procurement decisions as principals will be free to make more decisions for purchases up to \$5,000.

## What impact will these reforms have?

The reform acknowledges teachers and principals best understand the learning needs of their students and should be given a greater say on how to use resources to meet these needs. The reform will change the way funds are managed and how decisions are made in the school:



## Capital Projects

Below are the Department's capital projects costing over \$30.0 million.

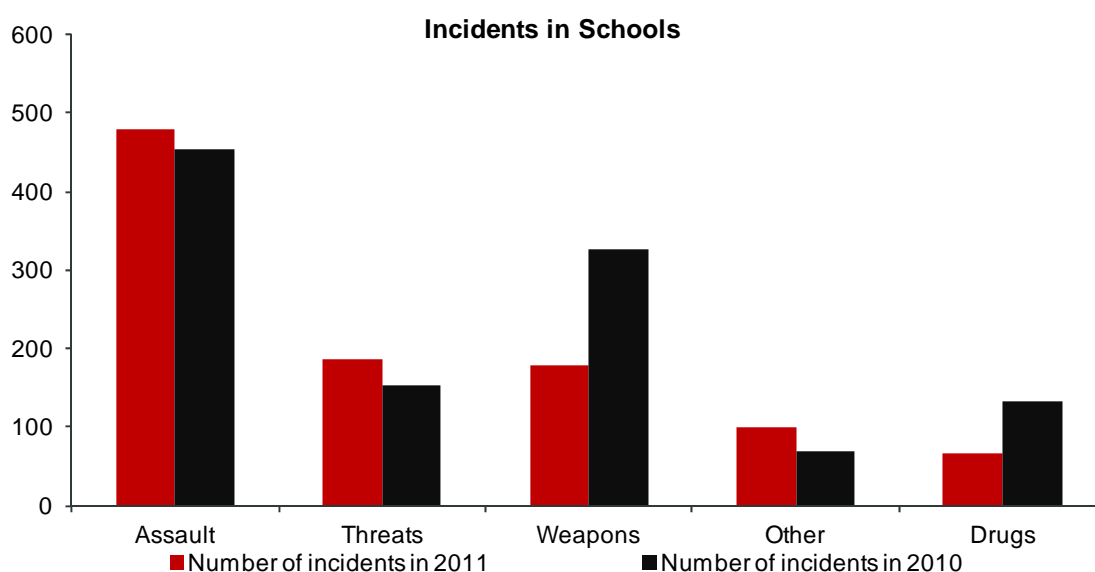
Project Description	Estimated total Cost (\$000)	Estimated completion date	Have there been significant delays to the project?	Is the project expected to be completed by set timeframe?	Is the project expected to cost more than originally budgeted?
LMBR - Stage 1	203,280	Completed	No	Yes	Yes
LMBR - Human Resources and Payroll Systems	63,691	2014	No	Yes	No
LMBR - Student Administration and Learning Management System	76,342	2014	No	Yes	No
Building the Education Revolution	3,254,558	2013	No	Yes	No
Trade Training Centres	257,921	2013	No	Yes	No
Building Better Schools - New High School Gymnasiums	30,800	Completed	No	Yes	No
Building Better Schools - New Primary School Halls	41,471	Completed	No	Yes	No
Connected classrooms	110,351	Completed	No	Yes	No
Technology for Learning (T4L computers in schools)	35,300	Completed	No	Yes	No

Sources: Department of Education and Communities (unaudited).

The cost associated with LMBR - stage 1 exceeded the original budget. The Department advised the additional costs will be offset against other aspects of the project in a later stage.

## Safety of Students and Teachers in Public Schools

New South Wales public schools are generally safe places for students and staff to work. The number of safety incidents reported to the School Safety and Response Unit reduced from 1,134 in 2010 to 1,012 in 2011:



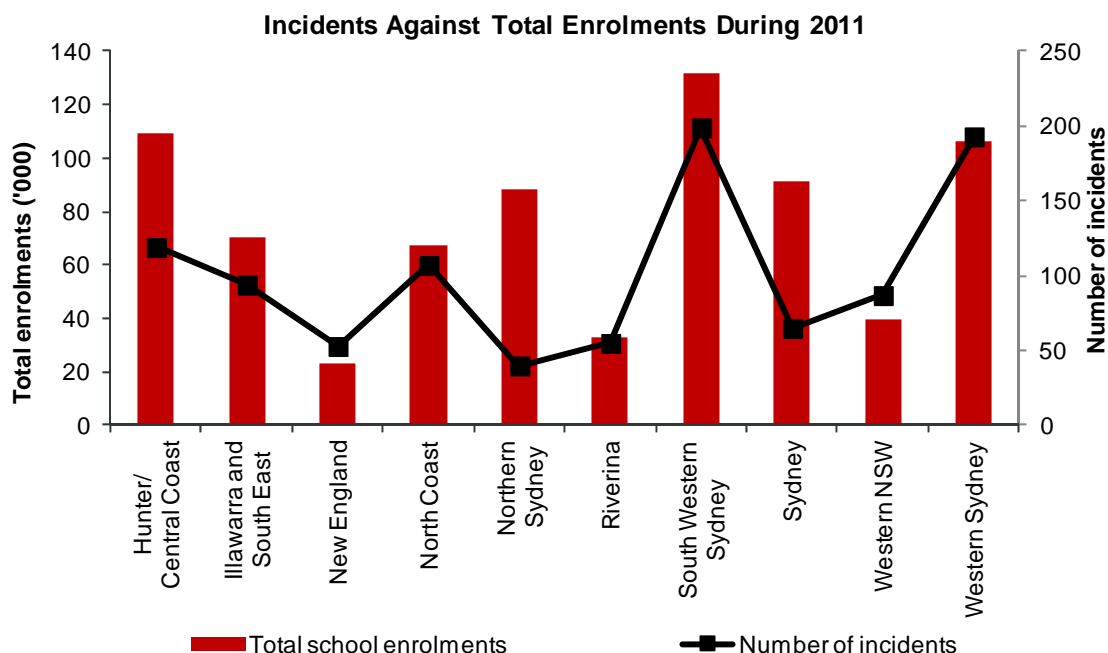
Source: Department of Education and Communities Incident reporting in schools by region, May 2012 (unaudited).

Students involved in violence, in bringing a weapon or illegal drugs to school or who engage in criminal behaviour at school are suspended and parents notified.

In 2011, 1,012 safety incidents were reported in NSW public schools

As indicated by the following graph, a large proportion of violence in schools occurs in four main regions:

- South Western Sydney
- Western Sydney
- Hunter/Central Coast
- North Coast.



Sources:

- Enrolments - provided by Department of Education and Communities (unaudited).
- Incidents - Department of Education and Communities Incident reporting in schools by region, May 2012 (unaudited).

## Commission of Audit

In 2011, the NSW Government established a Commission of Audit to develop a framework for the future of the NSW public sector. The Commission of Audit's work was designed to assess current operations of the Government and recommend how to improve public sector management and governance in New South Wales.

The Commission of Audit's final report made 11 recommendations for the Department around the following themes:

- actively managing staffing and leave requirements
- performance of teachers
- setting out roles and responsibilities for schools
- providing greater autonomy within NSW schools.

Many recommendations are being addressed through the Local Schools, Local Decisions reforms.

The report recommended 'legal autonomy for TAFE NSW be considered as a matter of priority' and the ten TAFE NSW institutes be established as separate corporate entities, reporting centrally to TAFE NSW.

The Commission of Audit suggests giving TAFE NSW institute directors greater autonomy over hiring and remuneration will better enable them to meet the management and training capabilities needed in an increasingly competitive vocational education and training market.

Management advises it is considering the Commission of Audit's recommendations.

The Commission of Audit recommended the legal autonomy for TAFE NSW be considered as a matter of priority

## Smart and Skilled

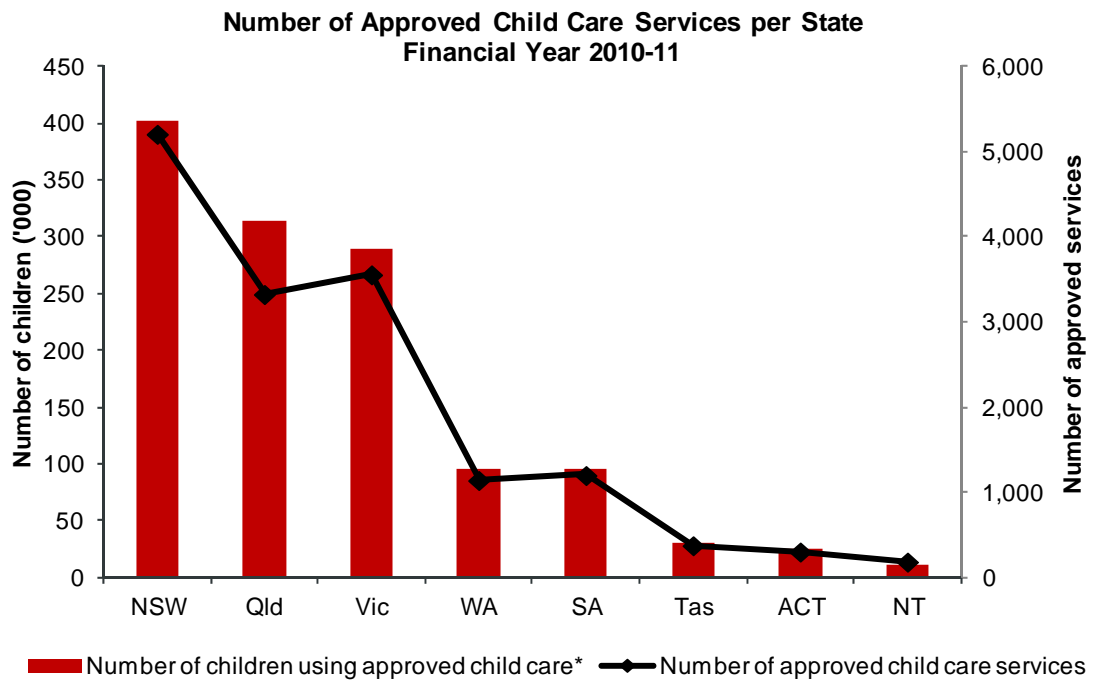
The NSW Minister for Education has announced the 'Smart and Skilled' reform for the Vocational Education and Training system in New South Wales will start in 2014, with the aim of ensuring the Vocational Education and Training system is equipped to service the skill needs of the State. This will involve looking at the role of TAFE NSW in the training system and establishing a new governance model for it.

The reform is expected to offer greater autonomy and accountability for TAFE NSW's ten institutes so they can better manage their businesses locally and strengthen their entrepreneurial and commercial capability.

The minister announced the separation of the functions of the managing director of TAFE NSW from those of the director-general of the Department. The deputy director-general, TAFE and Community Education has been appointed to the role of managing director TAFE NSW.

## Early Childhood Education and the National Quality Framework

New South Wales has the highest number of children using approved child care in Australia with 402,350 children in all forms of childcare in 2010-11. New South Wales also has the largest number of approved child care service providers in Australia:



Source: DEEWR Child Care Summary Data Financial Year 2010-11 (unaudited).

\* As families and children may use services in more than one State and due to rounding, the sum of the component parts may not equal the total.

The quality of child care is now assessed, evaluated and monitored under a new National Quality Framework

## National Quality Framework

Since 1 January 2012, the quality of child care services is assessed, evaluated and monitored under the new National Quality Framework. The framework is a national regulation scheme and applies to pre-schools, long day care, family day care, kindergartens and out of school hours care services across Australia.

The National Quality Framework includes:

- a national quality standard
- an assessment and rating system
- a regulatory authority in each state and territory
- a new national body, the Australian Children's Education and Care Quality Authority (ACECQA) responsible for guiding the implementation of the framework at the national level and ensuring consistency of approach.

The Council of Australian Governments has stated the National Quality Standard will improve quality through:

- improved staff-to-child ratios ensuring each child gets more individual care and attention
- new staff qualification requirements
- a new quality rating system to ensure Australian families have greater access to transparent information about the quality of early childhood education and care services.

### How is this being implemented in New South Wales?

By 1 January 2012, long day care and pre-school service providers had to achieve a staff ratio of 1:4 for children less than two years old. This has been a requirement in New South Wales since 2011 and indicates New South Wales is slightly ahead of other States.

Under the National Quality Framework jurisdictions began assessing and rating services. The quality of more than 5,000 childcare services in New South Wales will be assessed over a three year period. New South Wales commenced assessments and rating visits on 18 June 2012.

Standards under the framework are high, allowing room for continuous improvement by service providers. All services should aim for continuous improvement against the National Quality Standard when assessed by the Department. Quality ratings will only be published by ACECQA when the evaluation is complete and ministers are satisfied the process is robust.

The Australian Government committed \$970 million for universal access to early childhood education from 2008-09 to 2012-13. New South Wales received \$82.3 million in 2011-12 and will receive a further \$138 million in 2012-13.

## Record of School Achievement (RoSA)

The NSW Board of Studies considered the Year 10 School Certificate in its review of changes to the NSW school leaving age, because it was acknowledged contemporary schooling is vastly different to what it was in 1965 when the School Certificate was introduced. Increasing the leaving age to 17 means many more students will proceed to Year 11. As a result, the government announced the School Certificate would be abolished and replaced with a Record of School Achievement (RoSA).

The RoSA is a new credential for all students, beginning with Year 10 in 2012. Instead of only showing results at the end of Year 10, the RoSA recognises many students who leave school before completing their HSC have completed some post Year 10 courses.

The RoSA also shows the results of any Vocational Education Training or other life skill courses (such as life-saving, first aid, Duke of Edinburgh Awards) which have been completed. It recognises the importance placed on these skills by parents, students, employees and providers of further education.

## Financial Information

### Government School Expenditure

Total expenditure per student in New South Wales was lower than the national average for both primary and secondary schools in 2010-11:

At 30 June	NSW 2011	NSW 2010	NSW 2009	NSW ranking amongst all States and Territories*	NSW ranking previous year*
<b>Recurrent expenditure (\$) per student - government schools (a)</b>					
Primary	13,476	13,042	12,054	7	7
Secondary	15,810	15,638	14,957	7	5
Overall	14,448	14,123	13,260	7	6

Source:

a Australian Curriculum, Assessment and Reporting Authority - National Reporting on Schooling in Australia, 2011. Incorporates both salaries and non-salary costs. Includes actual or notional payroll tax and notional eight per cent user cost of capital (unaudited).

\* The rankings range from one to eight (highest to lowest).

Note: Care should be taken when comparing different jurisdictions, as areas of non-comparability continue to exist (e.g. there can be large differences between city and country staff ratios within different jurisdictions).

### Funding of Non-Government Schools by the Department

In 2012, the NSW Government provided funding to 935 non-government schools. Some broad trends of funding per student were:

Year ended 30 June	2012	2011	2010	2009	2008
<b>Funding*:</b>					
Primary \$m	367	365	344	336	323
Secondary \$m	471	463	438	422	408
<b>Total \$m</b>	<b>838</b>	<b>828</b>	<b>782</b>	<b>758</b>	<b>731</b>
<b>Funding per Student:</b>					
Primary \$	1,911	1,918	1,824	1,791	1,729
Secondary \$	2,423	2,436	2,339	2,276	2,224
<b>Average \$</b>	<b>2,168</b>	<b>2,177</b>	<b>2,080</b>	<b>2,033</b>	<b>1,975</b>

Source: Department of Education and Communities Statistics (unaudited).

\* Funding is inclusive of per capita grants and interest rate subsidies.

Average enrolments have increased by 4.5 per cent over the last five years and funding per student increased by 9.8 per cent over the same period.

The Department provided \$838 million to non-government schools during 2012



## School Financial Information

### Global Funding

Global funding is an untied grant to schools before the start of each semester by the Department. Schools spend these funds based on their needs and priorities.

Region	Total enrolments 2011	Global funding per student (\$)
Hunter/Central Coast	109,155	539
Illawarra and South East	70,254	557
New England	22,544	748
North Coast	67,177	650
Northern Sydney	88,354	458
Riverina	33,050	728
South Western Sydney	131,932	485
Sydney	91,275	509
Western NSW	39,676	759
Western Sydney	106,386	490

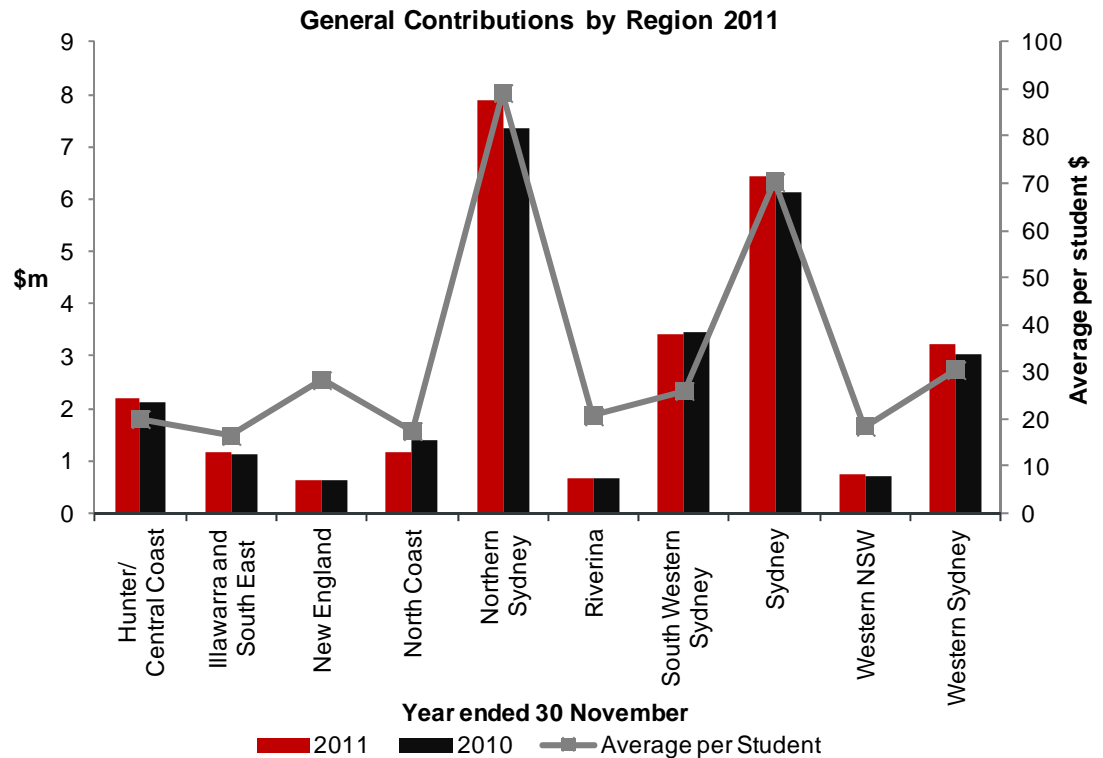
Source: Department of Education and Communities Schools AFS 2011 (excludes Intensive English and Distance Education Centres) (unaudited).

The amount each school receives depends on student enrolment bandwidths, the number of students, teachers and other school staff, and expenditure on utilities. Special factors, such as urgent minor maintenance and geographical isolation, are taken into consideration. Rates used to determine funding vary between primary, secondary, central schools and others, such as schools for specific purpose.

Schools may request supplementation for short term relief of staff and utilities expenses. The principal must show the school has exhausted its annual allocation and meet criteria established by the Department to be eligible. Supplementation funding is a one-off payment and does not necessarily increase global funding for future years.

### General Contributions

School and community income includes general contributions. Schools can request annual contributions from parents and guardians to enhance educational and sporting programs. The contributions are voluntary and do not affect non-paying students in meeting minimum syllabus requirements. Annual contribution amounts vary between schools as they are determined by the principal in consultation with the school community in the school budget process. Schools, however, are not allowed to increase the annual amount by more than 2.8 per cent in 2012 unless their 2011 amounts were at or below the earlier assessed statewide averages of \$90 for secondary schools and \$42 for primary schools.



## School Facilities and Building Maintenance

Total school maintenance funding increased from \$271 million in 2010-11 to \$289 million in 2011-12.

In 2011, the Department undertook a new conditional assessment of school buildings and identified approximately \$312 million in maintenance expenditure required over the next two years. The Department advises it is implementing an asset Life Cycle Costing system as the current biennial maintenance condition assessment does not identify future maintenance and capital investment requirements for schools.

The new costing system will:

- support whole-of-life facility planning from acquisition to disposal by providing a system that projects future capital and maintenance investment requirements
- better enable the Department to proactively plan investments, reduce unplanned recurrent maintenance costs and the total maintenance liability across the portfolio by identifying opportunities for targeted capital investment
- facilitate long-term investment planning approaches that achieve greater economies of scale and better value for money.

The costing system will have the capacity to forecast future maintenance liability by estimating the remaining life of building elements across a range of asset classes that make up a school. The Department has completed surveys of 25 per cent of its schools and estimated all schools to be completed by September 2013.

I will monitor the performance of the costing system to assess management of the Department's maintenance program.

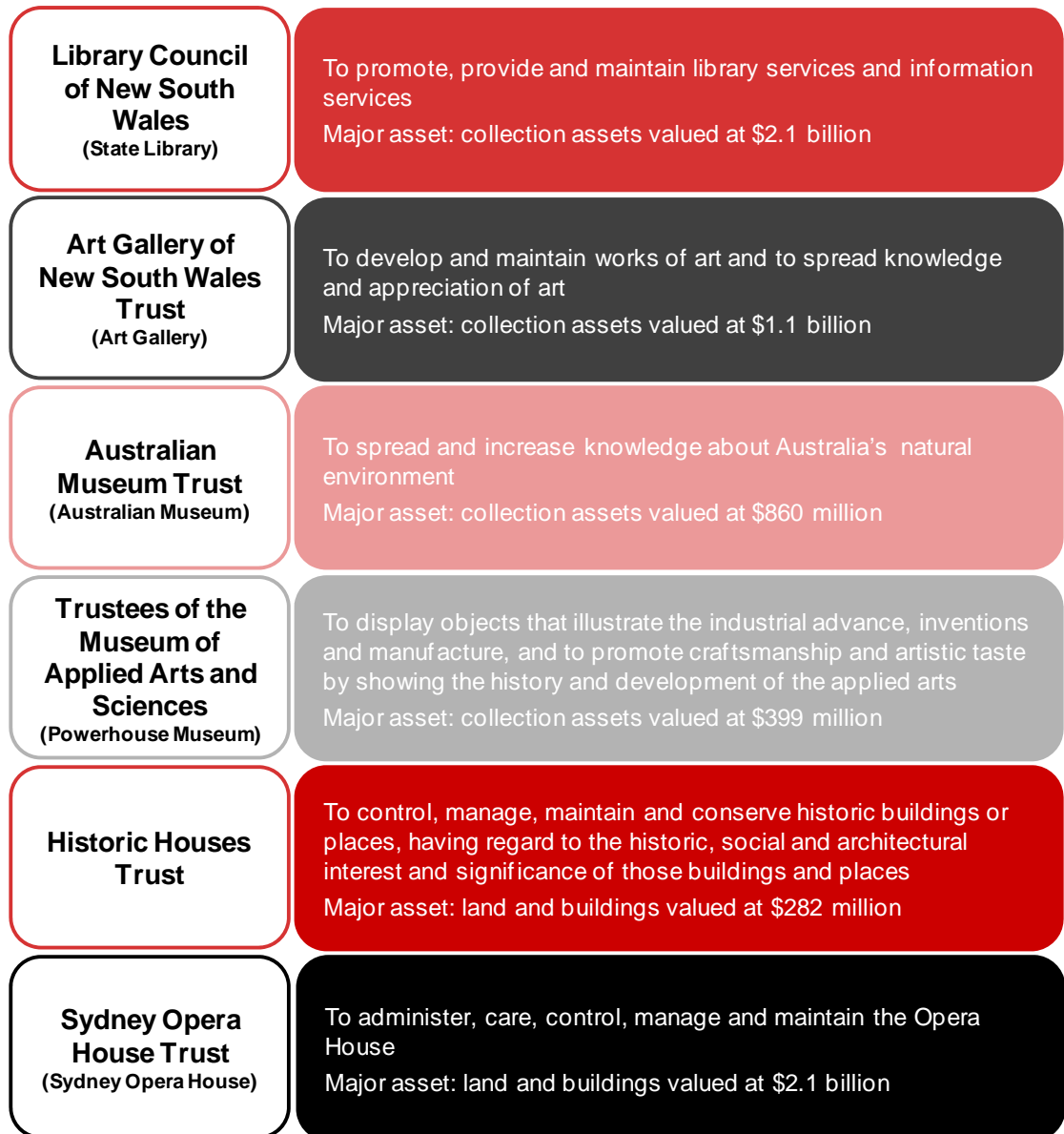
Approximately \$312 million of maintenance is required over the next two years

## Background Information

Entity	Agency type	Activities
Department of Education and Communities (including TAFE Commission)	Department	<p>Coordinates the delivery of education and training services. It is responsible to provide school education, vocational education and training, and regulate the operation of early childhood education and care services.</p> <p>The Department's communities arm delivers services which include promoting the interests of children and supporting the Aboriginal people of New South Wales, providing more opportunities for participation in volunteering, sport and recreation and ensuring the sacrifices of war veterans are honoured and remembered.</p>
Technical and Further Education Commission (TAFE NSW)	Statutory Body	Provides vocational and pre-vocational education and training services to industry, students and other clients, through its ten institutes including the Open Training and Education Network.
Office of the Board of Studies	Department	<p>Sets the core curriculum by developing syllabuses for Kindergarten to Year 12 and provides support materials for teachers and parents.</p> <p>Manages the NSW Higher School Certificate Examinations (Year 12) each year.</p> <p>Regulates NSW non-government schools, school providers of courses to overseas students and home schooling.</p>
NSW Institute of Teachers	Statutory Body	Oversees a system of accreditation and recognition of a teacher's professional capacity against professional standards.
NSW Board of Vocational Education and Training	Statutory Body	Provides the NSW Government with strategic advice about the NSW vocational education and training system, and also oversees policy and planning initiative in the NSW training system.

# Arts and Cultural Overview

The agencies discussed in this overview are shown in the diagram below, which includes a summary of each agency's objectives and major asset holdings.



I issued unqualified audit opinions on these entities' 30 June 2012 financial statements.

Separate commentary on these entities appears elsewhere in this volume.

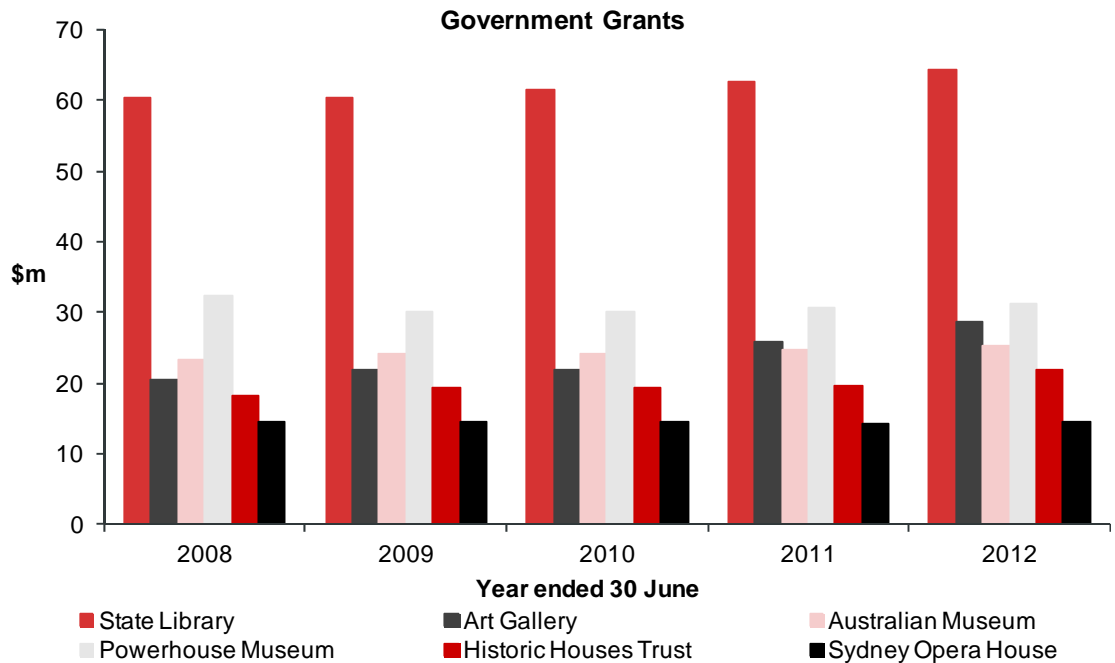
## Key Issues

### Valuation of Collections

Last year, I recommended Treasury consider issuing further guidance to arts and cultural bodies on collection valuation methodologies. Treasury has since considered my recommendation and believes sufficient guidance is provided through its valuation policies. The Australian Museum is revising its collection valuation methodology. It believes the methodology will be ready in June 2013. I will continue to monitor the application of Treasury's policies for valuing collections.

## Revenue Streams

The graphs below show recurrent government funding and commercial income for these agencies over the last five years:



Source: Sydney Opera House Trust, Library Council of New South Wales, Historic Houses Trust of New South Wales, Art Gallery of New South Wales Trust, Australian Museum Trust, Trustees of the Museum of Applied Arts and Sciences.

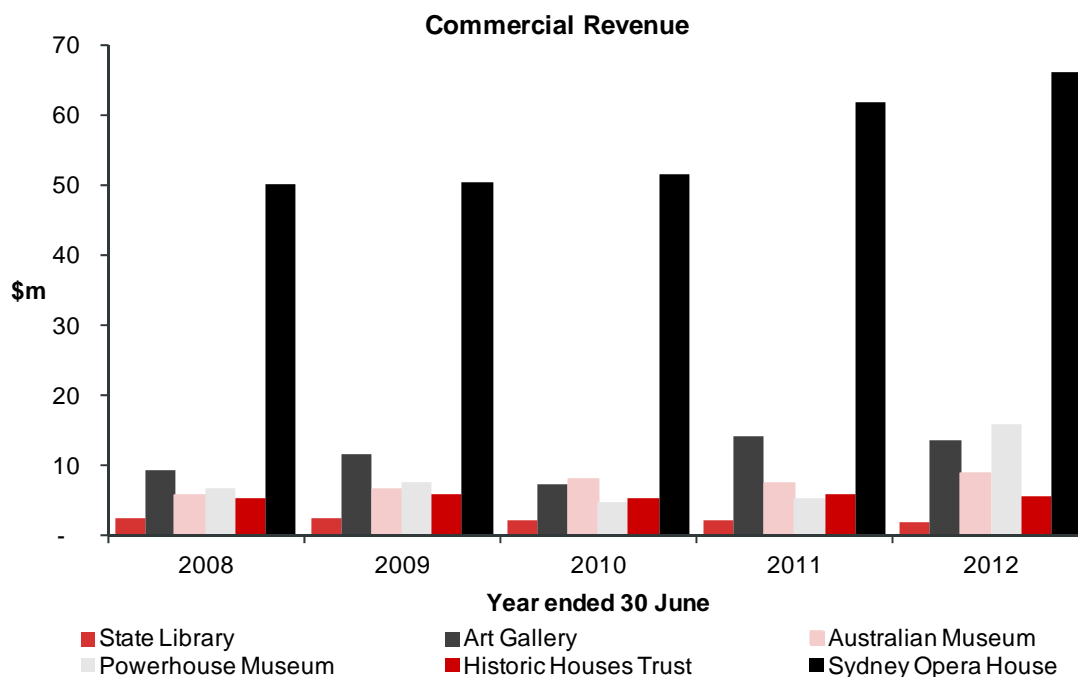
The graph above shows recurrent government funding has remained fairly stable, in nominal terms, over the last five years. The difference in the size of the grants from one agency to another is due to the different nature of each agency's business.

The State Library receives the most funding by way of government grants. One of its objectives is to support local libraries and each year it grants monies to them. In 2011-12, it spent \$26.5 million to help fund their services. Its business model limits its revenue earning opportunities and it therefore relies on government grants to provide services to the public, most of which are provided at no charge.

In comparison, the Sydney Opera House receives the least funding by way of government grants. Its business model assumes it will earn most of its revenues from its business operations, not from government. It has significant spaces for hire by event managers.

The NSW Government provided \$184 million in recurrent funding to these agencies in 2011-12.

Most of the cultural bodies rely on government grants to fund their services



Source: Sydney Opera House Trust, Library Council of New South Wales, Historic Houses Trust of New South Wales, Art Gallery of New South Wales Trust, Australian Museum Trust, Trustees of the Museum of Applied Arts and Sciences.

The Sydney Opera House earns most of its revenue from commercial operations

The Sydney Opera House has consistently managed to grow its commercial revenue over time. This growth is expected given its business model.

The Powerhouse Museum's revenue was significantly higher in 2011-12 after the successful paid exhibition Harry Potter™: The Exhibition. This exhibition attracted a record number of visitors to the Museum.

The Art Gallery hosted Picasso: masterpieces from the Musée National Picasso, Paris, which also recorded record numbers of visitors. In 2010-2012, the Art Gallery exhibit The First Emperor - China's Entombed Warriors also attracted large visitor numbers. These exhibitions resulted in the Art Gallery achieving higher commercial revenues in the past two years.

Major exhibitions provide revenue earning potential for cultural institutions. With major exhibitions comes the risk of financial loss. Charging admissions helps recover costs of staging exhibitions. However, admission fees are a vexed issue, because whilst they contribute to revenue they may discourage visitors. Agencies have attempted to maximise revenues from other sources, including sponsorships, donations and bequests. These are often one-off in nature and cannot be relied on as a secure form of operational funding.

In October 2011, the Australian Government published 'Building Support: Report of the Review of the Private Sector Support for the Arts in Australia'. The Commonwealth Minister for the Arts is now considering the Australian Government response. The report's recommendations include:

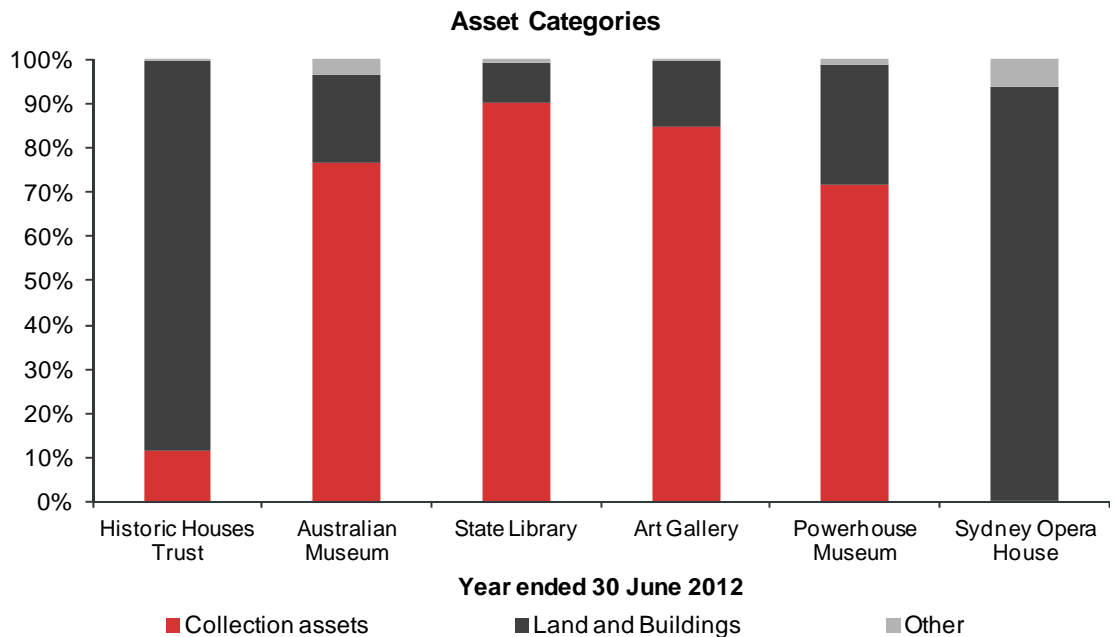
- testamentary giving: individuals receive an immediate tax deduction for a cash gift through their will to an arts organisation
- recognition of philanthropists: a formal program of recognition for significant donors to the arts
- cultivating donors: an awareness-raising program promoting the benefits of giving to the arts.

## Assets

Cultural assets were 3.1 per cent of Total State Sector assets at 30 June 2012. The composition of assets held by each agency varies in nature.

Collection storage is an ongoing issue for nearly all these agencies. Only a small part of the collections are on display at any one time. Most items are in storage facilities, some of which are offsite and rented.

The table below shows the composition of assets held by each agency at 30 June 2012.



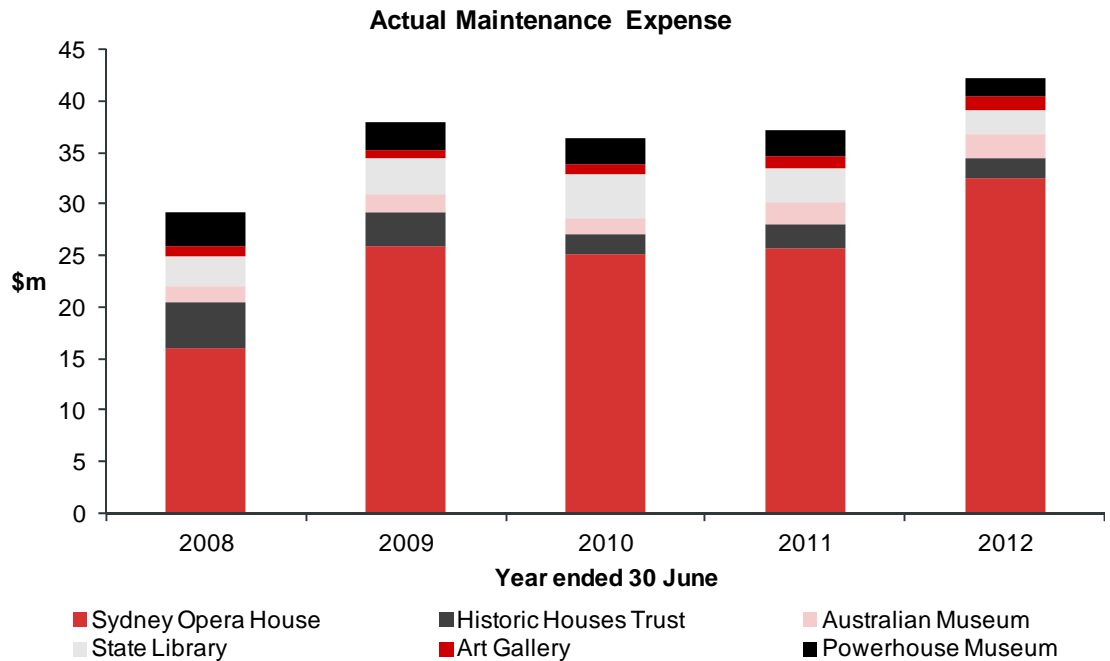
Source: Sydney Opera House Trust, Library Council of New South Wales, Historic Houses Trust of New South Wales, Art Gallery of New South Wales Trust, Australian Museum Trust, Trustees of the Museum of Applied Arts and Sciences.

## Asset Maintenance

The nature of the assets appears to drive the maintenance costs of cultural bodies. Agencies with assets in land and buildings have high maintenance costs, because maintaining assets such as heritage and iconic buildings is expensive.

Cultural bodies are not the sole custodians of historic and iconic buildings held by the NSW Government. For example, RailCorp controls several heritage buildings. The custodians of these buildings are generally responsible for their maintenance costs.

The table below shows the total spend on maintenance by these agencies has grown by 55 per cent over the past five years.



Source: Sydney Opera House Trust, Library Council of New South Wales, Historic Houses Trust of New South Wales, Art Gallery of New South Wales Trust, Australian Museum Trust, Trustees of the Museum of Applied Arts and Sciences.

The Sydney Opera House is valued at \$2.1 billion. Due to the nature of its building and operations, its maintenance costs are higher than for other cultural bodies.

The Historic Houses Trust also holds most of its assets in land and buildings and incurs significant maintenance costs over time. At 30 June 2012, the value of land and building assets held by Historic Houses was \$282 million.

Looking after cultural, heritage and other buildings is a major funding commitment by these agencies. It is their largest item of expenditure other than employee costs. Many heritage buildings have iconic status similar to some of the collections they accommodate. They need special skills to maintain their aesthetics, but work as modern accommodation. Collection assets also have ongoing requirements for preservation and restoration.



# Section Two

## Agencies with Individual Comments

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Minister for the Arts

Minister for Education

Minister for Family and Community Services

Minister for Heritage

Minister for Regional Infrastructure and Services

Minister for Sport and Recreation

# Art Gallery of New South Wales Trust

## Audit Opinion

I issued unqualified audit opinions on the Art Gallery of New South Wales Trust and its controlled entity's 30 June 2012 financial statements.

The comments below relate to the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Gallery comprises the Art Gallery of New South Wales and the Australian Institute of Asian Culture and Visual Arts Limited. Its main functions are to:

- develop and maintain a collection of works of art
- propagate and increase knowledge and appreciation of art
- give particular emphasis on the visual art of Australia and Asia.

The Gallery had expenditure of \$52.8 million in 2011-12 and made a surplus for the year of \$14.6 million.

## Performance Information

The Gallery provided the following information about its performance.

Year ended 30 June	2012	2011	2010	2009	2008
Visitor numbers ('000s)	1,445	1,328	1,283	1,706	1,356
Admission fee revenue (\$m)	5.4	7.3	1.9	4.8	2.6
Number of exhibitions	36	36	31	41	38
<b>Collections</b>					
Total items ('000s)	31	30	29	29	29
Total value (\$m)	1,105	841	825	813	795
Acquisitions during the year:					
– value of purchases (\$m)	7.1	4.6	10.7	17.2	12.4
– value of donations (\$m)	7.3	12.1	1.1	1.4	1.7
– total number of items	387	676	425	504	467

Source: Art Gallery of New South Wales Trust (unaudited).

The annual exhibition program is a major driver of visitor numbers. 'Picasso: masterpieces from the Musée National Picasso, Paris' was the Gallery's best attended exhibition with 366,753 visitors. A record 114,856 visitors attended the Archibald, Wynne and Sulman Prizes exhibition during the year. These exhibitions contributed to visitor numbers growing by nine per cent in 2011-12.

Admission fees revenue was significantly higher in 2010-11 due to the success of 'The First Emperor-China's Entombed Warriors' exhibition.

During 2011-12, the Gallery acquired \$14.4 million of artworks, including \$7.3 million of gifted artworks. The acquisitions included:

- works from the John Kaldor Family collection valued at \$6.6 million, part of an estimated \$35.0 million donation. New contemporary galleries featuring the John Kaldor Family collection were opened in May 2011
- the \$3.7 million purchase of the sculpture 'Plate, pole, prop' 1969-83 by Richard Serra.

More than  
366,000  
visitors  
attended the  
'Picasso:  
masterpieces  
from the Musée  
National  
Picasso, Paris'  
exhibition

## Other Information

The Gallery is one of the Australian galleries to join the International Google Art Project, a unique collaboration with some of the world's best known art institutions. The project allows people to view thousands of artworks in extraordinary detail from anywhere in the world. The Gallery, through Google, launched 415 of its key works by 210 artists.

Only about five per cent of its collection can be displayed at the Gallery at any one time, but the entire collection can be searched and viewed online. The Gallery is growing its digital presence through social media sites such as Facebook, Twitter, YouTube, iTunes and now Google.

For further information on the Google Art Project, refer to [www.googleartproject.com](http://www.googleartproject.com).

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Personnel services expenses	24,147	22,840	24,147	22,840
Depreciation and amortisation	5,389	4,688	5,389	4,688
Other expenses	23,306	19,642	23,297	19,622
<b>Total expenses</b>	<b>52,842</b>	<b>47,170</b>	<b>52,833</b>	<b>47,150</b>
Grants and contributions	52,537	55,261	52,482	55,004
Sale of goods and services	13,541	14,032	13,541	14,032
Investment revenue	1,233	2,240	1,138	2,157
Other revenue	72	5	72	5
<b>Total revenues</b>	<b>67,383</b>	<b>71,538</b>	<b>67,233</b>	<b>71,198</b>
Other gains	21	831	21	831
<b>Net result - surplus</b>	<b>14,562</b>	<b>25,199</b>	<b>14,421</b>	<b>24,879</b>
<b>Other comprehensive income</b>				
Net increase/(decrease) in revaluation of assets	249,888	(313)	249,888	(313)
<b>Total other comprehensive income/(expense)</b>	<b>249,888</b>	<b>(313)</b>	<b>249,888</b>	<b>(313)</b>
<b>Total comprehensive income</b>	<b>264,450</b>	<b>24,886</b>	<b>264,309</b>	<b>24,566</b>

Personnel services expenses, including long service leave expense, increased by \$1.3 million from 2010-11. Salaries increased as a result of higher award rates and long service leave expense increased mainly due to a fall in the government bond rate used to calculate the liability. Grants and contribution income was higher in 2010-11 due to donated artworks of \$12.1 million compared to \$7.3 million in 2011-12.

The Picasso exhibition impacted the 2011-12 financial results, with higher insurance costs, exhibition loan fees and Ticketek charges. Revenues increased from venue hire and catering and Destination NSW made a one-off contribution.

Government contributions in 2011-12 included a recurrent grant of \$27.1 million (\$24.8 million in 2010-11) and a capital grant of \$3.0 million (\$5.9 million).

The \$14.6 million surplus includes the \$7.3 million gifted artworks, but the overall result is lower than the prior year due to a \$3.7 million increase in insurance costs, legal and exhibition loan fees relating to the Picasso exhibition.

## Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	21,400	20,734	19,633	19,116
Non-current assets	1,323,095	1,059,172	1,323,095	1,059,172
<b>Total assets</b>	<b>1,344,495</b>	<b>1,079,906</b>	<b>1,342,728</b>	<b>1,078,288</b>
Current liabilities	6,413	6,283	6,400	6,278
Non-current liabilities	31	22	31	22
<b>Total liabilities</b>	<b>6,444</b>	<b>6,305</b>	<b>6,431</b>	<b>6,300</b>
<b>Net assets</b>	<b>1,338,051</b>	<b>1,073,601</b>	<b>1,336,297</b>	<b>1,071,988</b>

Non-current assets include collection assets of \$1.1 billion. The Gallery revalued its collections during the year, which resulted in an increase in asset values of \$250 million.

## Gallery Activities

The Gallery is constituted under the *Art Gallery of New South Wales Act 1980*. It is subject to the control and direction of the Minister for the Arts.

For further information on the Gallery, refer to [www.artgallery.nsw.gov.au](http://www.artgallery.nsw.gov.au).

## Controlled Entity

The controlled entity has not been reported separately as it is not material by its size or the nature of its operations to the consolidated entity.

For further financial and other information on this entity we have listed the entity's website.

Entity Name	Website
The Australian Institute of Asian Culture and Visual Arts Limited	<a href="http://www.asianart.com.au">www.asianart.com.au</a>

# Australian Museum Trust

## Audit Opinion

I issued an unqualified audit opinion on the Australian Museum Trust's 30 June 2012 financial statements.

## Operational Snapshot

The Australian Museum's objectives are to spread knowledge about Australia's natural environment, particularly in the natural sciences of biology, anthropology and geology. It engages with local, regional and remote stakeholders through onsite exhibits and interactive areas, and provides innovative learning services, travelling exhibitions and online services.

In 2011-12, the Museum's expenses were \$43.4 million and its net result was a deficit of \$167,000.

## Key Issues

### Valuation using Recollection Cost

Last year, I recommended the Museum review the application of recollection costs in valuing its collections.

In 2011-12, the Museum, Treasury and my office discussed the issues of using recollection costs for valuation purposes. Following these discussions, the Museum has been revising its valuation approach, and expects this to be completed in time to revalue its collections by 30 June 2013.

### Collection Database

Last year, I recommended the Museum completes the recording of its collections in an electronic database as soon as possible. The Museum has progressed collaborative digitisation of collections with other cultural institutions by engaging a consultant to develop a business case. Work has started on developing a short digital record of all objects in the cultural collections by the end of 2014. The Museum advises that digitising its collections is slow due to limited funding.

## Performance Information

The Museum provided the following information about its performance.

Year ended 30 June	2012	2011	2010	2009	2008
Visitor numbers ('000s)	336	326	375	322	333
Admission fees (\$m)	2.6	2.6	3.3	2.5	1.9
Temporary exhibitions	5	5	8	5	8
Website visits (million)	9.6	10.4	9.4	14.0	21.0
Value of collection (\$m)	860	860	767	767	767

Source: Australian Museum Trust (unaudited).

The Museum exceeded its target of 335,000 visitors in 2011-12. Visitor numbers increased to 336,000, an increase of 3.1 per cent compared with 2010-11, mainly due to a temporary exhibit, *Rituals of Seduction: Birds of Paradise*. The increase in visitor numbers did not increase revenue because some temporary exhibits had free admission.

Admission prices in 2011-12 remained the same as those charged in 2010-11.

### Temporary Exhibitions in 2011-12 with Supplementary Admission Fees

Exhibition name	Exhibition start date	Exhibition finish date	Visitors
Rituals of Seduction: Birds of Paradise	9 April 2011	7 August 2011	52,587
Yiwarra Kuju: The Canning Stock Route	17 December 2011	22 April 2012	26,548
Deep Oceans	16 June 2012	30 June 2012	7,689
<b>Total Attendance</b>			<b>86,824</b>

Source: Australian Museum Trust (unaudited).

### Temporary Exhibitions with no Top-Up Admission Fees

Exhibition name	Exhibition start date	Exhibition finish date
Beauty from Nature: Art of the Scott Sisters	3 September 2011	27 November 2011
Wildlife Photographer of the Year 2011	10 December 2011	18 March 2012

Source: Australian Museum Trust (unaudited).

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Personnel services expenses	25,732	23,393
Depreciation and amortisation	4,409	4,779
Other operating expenses	13,137	11,462
Other expenses	150	160
<b>Total expenses</b>	<b>43,428</b>	<b>39,794</b>
Government contributions	30,561	30,017
Sale of goods and services	8,855	7,412
Investment revenue	702	764
Other revenue	3,227	3,309
<b>Total revenues</b>	<b>43,345</b>	<b>41,502</b>
Other losses	(84)	(20)
<b>Net result - surplus/(deficit)</b>	<b>(167)</b>	<b>1,688</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	--	92,815
<b>Total other comprehensive income</b>	<b>--</b>	<b>92,815</b>
<b>Total comprehensive income/(expense)</b>	<b>(167)</b>	<b>94,503</b>

In 2011-12, total revenue from all sources increased by \$1.8 million, largely due to an increase in research grants and consultancy income from the Australian Museum Business Services. The Australian Museum Business Services is the professional consulting operation of the Museum, which provides ecological, archaeological and heritage services.

Total expenses increased by \$2.6 million due mainly to pay increases for staff, increases in exhibition costs and Australian Museum Business Services contractor fees, incurred for hosting temporary exhibits.

Other comprehensive income of \$92.8 million in 2010-11 reflected the impact of revaluing collection assets. A similar revaluation was not undertaken in 2011-12.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	13,215	12,487
Non-current assets	1,120,589	1,120,984
<b>Total assets</b>	<b>1,133,804</b>	<b>1,133,471</b>
Current liabilities	5,457	4,982
Non-current liabilities	415	390
<b>Total liabilities</b>	<b>5,872</b>	<b>5,372</b>
<b>Net assets</b>	<b>1,127,932</b>	<b>1,128,099</b>

Non-current assets include collection assets of \$860 million.

## Museum Activities

The Museum is constituted under the *Australian Museum Trust Act 1975*. Trustees are appointed by the Governor on the recommendation of the Minister for the Arts for a term of up to three years.

For further information on the Museum, refer to [www.australianmuseum.net.au](http://www.australianmuseum.net.au).

# Library Council of New South Wales

## Audit Opinion

I issued an unqualified audit opinion on the Library Council of New South Wales' and its controlled entity's 30 June 2012 financial statements.

The comments below relate to the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Library comprises the Library Council of New South Wales and the State Library of New South Wales Foundation. The Library's main function is to provide library and information services to the people of New South Wales through cooperation with the State's network of public libraries and information agencies.

The Library incurred expenses of \$89.7 million in 2011-12 and made a surplus for the year of \$6.2 million.

## Performance Information

The Library provided the following information regarding its performance:

Year ended 30 June	2012	2011	2010	2009	2008
<b>Onsite visitor numbers ('000s)</b>	893 <sup>^</sup>	958	804	--*	646
<b>Electronic records available ('000s)</b>	2,751	2,547	2,241	1,921	1,692
<b>Online visits ('000s)</b>	3,440 <sup>***</sup>	3,143 <sup>***</sup>	2,134	2,074	**
<b>Collections</b>					
Total items ('000s)	5,510	5,475	5,413	5,361	5,280
Total value (\$m)	2,146	2,139	2,142	1,873	1,874
Acquired this year:					
– value of purchases (\$m)	14.7	6.3	7.0	6.9	6.9
– value of donations (\$m)	1.9	0.6	--	0.8	--
– number of new items ('000s)	35.3	62.0	52.0	83.0	59.0
<b>Number of digital files created ('000s)</b>	50.3	31.6	36.0	21.8	n/a

Source: Library Council of New South Wales (unaudited).

\* Data not available.

\*\* New measure in 2008-09 to replace web page requests statistics.

\*\*\* Google Analytics replaced WebTrends measurement tool in 2010-11 making online visits not fully comparable with totals previously reported.

<sup>^</sup> Onsite visitor numbers estimated due to interruptions in data series caused by Macquarie Building refurbishments and faults in the people counting system throughout the reporting period.

The Library's activities have not changed significantly during 2011-12 and it has continued to expand its digitisation activities aimed at increasing access to collections.



## Other Information

### Workforce Ageing

Last year, I recommended the Library review the effectiveness of its policies to manage its ageing workforce. The Library advises it has considered the impact of the aging workforce on its operations. The largest division, Library Services, completed a workforce plan and the Library executive has committed to a program (through its Workforce Development Team) to develop strategies for priority areas, promote agility in work and job design and strengthen workforce capabilities, including knowledge transfer. The Library executive has developed a change management plan, which it will implement in 2012-13. A key aspect of the change management plan is structural realignment.

### eRecords and Digitisation Projects

In October 2008, the Library started its eRecords project, which will deliver an electronic catalogue. In 2011-12, it created 203,860 new electronic records for maps, manuscripts, pictures, heritage books and reference titles, 27 per cent more than its annual target of 160,000 records. By 30 June 2012, the Library had created over one million eRecords from catalogue cards, about 98 per cent of the project's target. Last year, the NSW Government committed \$12.9 million to support completion of the project by 2013.

During 2012, the Library launched two multi-million dollar projects to provide worldwide access to the State's and nation's most iconic and historically significant documents and objects. The NSW Government will contribute \$32.6 million over the next four years to fund the first stage of this 'Digital Excellence' program. Of this, \$22.4 million will fund a major digitisation program and \$10.2 million will enhance access to the Library's collections and services. The projects will generate 12 million images over ten years. The Library advises the program is on track to achieve its first year target of \$8.7 million allocated for 2012-13.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Personnel services expenses	31,522	29,628	30,976	29,113
Depreciation and amortisation	17,122	16,990	17,122	16,990
Grants and subsidies	26,476	25,404	26,476	25,404
Other expenses	14,556	15,304	14,343	14,981
<b>Total expenses</b>	<b>89,676</b>	<b>87,326</b>	<b>88,917</b>	<b>86,488</b>
Grants and contributions	91,780	87,193	91,695	86,961
Sale of goods and services	1,651	1,961	1,651	1,961
Investment revenue	2,289	2,595	1,692	1,726
Other revenue	197	242	116	142
<b>Total revenues</b>	<b>95,917</b>	<b>91,991</b>	<b>95,154</b>	<b>90,790</b>
<b>Net result - surplus</b>	<b>6,241</b>	<b>4,665</b>	<b>6,237</b>	<b>4,302</b>
<b>Total comprehensive income</b>	<b>6,241</b>	<b>4,665</b>	<b>6,237</b>	<b>4,302</b>

The Library granted \$26.5 million to public libraries in the State and other projects that support library access. For example, the NSW.net service provides internet connections, access to various online data bases and discounts on a range of digital content to public libraries.

Grants and contributions revenue grew by five per cent in 2011-12, mainly due to donations of collection assets (\$1.9 million) and higher grants from the Department of Trade and Investment, Regional Infrastructures and Services (\$2.6 million).

The Library has created over one million eRecords from catalogue cards

Grants and contributions included:

- Max Dupain collection assets donated from the State Library Foundation valued at \$663,864
- the return of the stolen 'numismatic' collection of rare promissory and bank notes valued at \$953,510
- other collection items such as photographs and books valued at \$263,826.

## Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	13,644	17,817	12,400	16,032
Non-current assets	2,400,453	2,388,859	2,389,122	2,378,063
<b>Total assets</b>	<b>2,414,097</b>	<b>2,406,676</b>	<b>2,401,522</b>	<b>2,394,095</b>
Current liabilities	8,861	7,681	8,821	7,631
<b>Total liabilities</b>	<b>8,861</b>	<b>7,681</b>	<b>8,821</b>	<b>7,631</b>
<b>Net assets</b>	<b>2,405,236</b>	<b>2,398,995</b>	<b>2,392,701</b>	<b>2,386,464</b>

The decrease in current assets was mainly due the use of cash to purchase collection assets. Non-current assets include collection assets of \$2.1 billion.

## Library Activities

The Library is constituted under the *Library Act 1939*. It is subject to the control and direction of the Minister for the Arts.

For further information on the Library, refer to [www.sl.nsw.gov.au](http://www.sl.nsw.gov.au).

## Controlled Entity

The following controlled entity has not been reported separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
State Library of New South Wales Foundation	<a href="http://www.sl.nsw.gov.au/about/support/foundation/about_foundation.html">www.sl.nsw.gov.au/about/support/foundation/about_foundation.html</a>

# Sydney Opera House Trust

## Audit Opinion

I issued an unqualified audit opinion on the Sydney Opera House Trust's 30 June 2012 financial statements.

## Operational Snapshot

The Sydney Opera House, a heritage asset and Australian cultural icon, is an important part of tourism infrastructure. More than 8.2 million people from Australia and around the world visit it each year and some 300,000 people take part in guided tours. In 2011-12, it presented 1,808 performances, attracting attendance of over 1.3 million people.

The Trust generates 85 per cent of its operational funding through commercial and other ventures (food and beverage, ticket sales, venue rentals and associated business, retail, tourism, and fundraising). The balance comes through NSW Government funding for maintenance of the Sydney Opera House building and capital works.

In 2011-12, the Trust's income totalled \$178 million (\$120 million in 2010-11) and included government contributions of \$98.7 million (\$45.7 million). Expenses were \$141 million (\$125 million) resulting in an operating surplus of \$37.1 million (deficit \$5.0 million). The operating surplus was driven by the accounting treatment of the Vehicle Access and Pedestrian Safety grant and related expenditure mentioned below.

## Key Issues

### Significant Milestones and the Need for Building Renewal

In 2013, the Opera House celebrates its 40th anniversary. The Trust believes that after 40 years of use, the Opera House has some major flaws that present health and safety, operational, artistic and commercial challenges. It believes advances in theatre technology, design innovation and legislative requirements since the building opened in 1973 have far surpassed the condition of the building. It believes there is an urgent need to address these deficiencies if the Opera House is to remain relevant and competitive in a global market.

The Trust is seeking initial funding to develop an overarching master plan for a staged renewal of the Opera House. This is expected to bring the Opera House up to international standards, enable it to maximise its cultural and economic potential and ensure it survives as a world-class performance venue and symbol of Australia.

The master plan will schedule works to be completed by 2023, when the Opera House celebrates its 50th anniversary.

## Performance Information

Promotion of the Opera House as an integrated performing arts, tourism, food and beverage and retail precinct is central to maintaining engagement in the tourism market.

### Management of Events

Year ended 30 June	2012	2011	2010	2009	2008
Performances	1,808	1,795	1,679	1,677	1,661
Audience ('000s)	1,366	1,319	1,272	1,242	1,270

Source: Sydney Opera House Trust/Annual Report 2011-12 (unaudited).

In 2011-12, performances increased by 0.7 per cent and attendance by 3.6 per cent compared to the prior year.

The Sydney Opera House has many deficiencies that need to be addressed

The Trust reports revenue from performances as income from the sale of goods and services, which increased by 6.6 per cent to \$66.0 million in 2011-12 (\$61.9 million in 2010-11). Revenue from the sale of goods and services includes other revenue streams, such as food and beverage, which are positively impacted by increased attendance at performances and guided tours.

The Trust primarily presents performances from seven resident artistic partners. When considering which performances to include in its calendar, it looks at the following criteria:

- artistic impact
- social impact
- financial impact
- reputational impact.

The Trust tracks the costs, revenues and profitability of individual events, but does not report this information because it is commercially sensitive.

## Guided Tours

Year ended 30 June	2012	2011	2010	2009	2008
Number of people	307,157	292,148	305,106	318,889	329,619

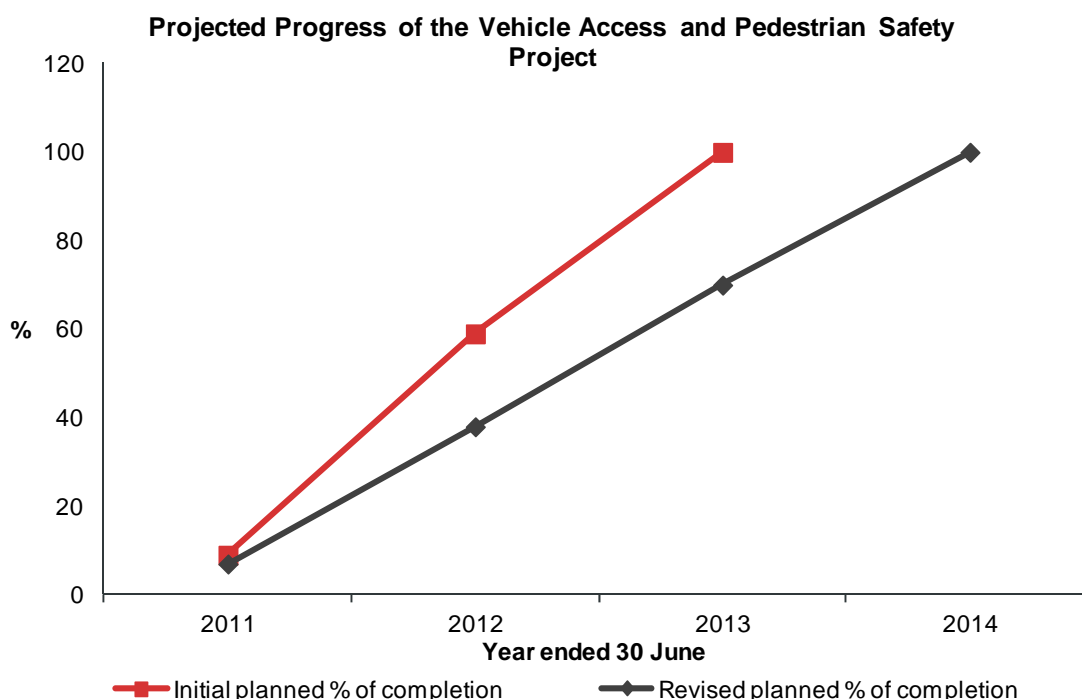
Source: Sydney Opera House Trust/Annual Report 2011-12 (unaudited).

Guided tour numbers increased by 5.1 per cent in 2011-12 compared to the previous year. Revenue generated from tours increased by \$201,000 to \$7.7 million, representing a 2.7 per cent increase over the prior year. There are a variety of tours available which vary in price.

## Other Information

### Vehicle Access and Pedestrian Safety Project

With a NSW Government grant of \$152 million, this project aims to improve tourist and visitor safety by removing heavy vehicle movements from the Opera House forecourt to a new underground loading dock. At 30 June 2012, \$57.6 million had been spent on the project.



Source: Sydney Opera House Trust (unaudited).

The project schedule was revised soon after the project started in 2010-11 to avoid disruption to the busy programme of events at the Opera House. During 2011-12, there was slower than expected progress with tunnelling works required under the Opera House. The Trust advises the contractor has made up the delays and the project is on track to be completed by the revised completion date.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Sales of goods and services	66,041	61,928
Government contributions	98,684	45,715
Other	12,935	12,203
<b>Total revenue</b>	<b>177,660</b>	<b>119,846</b>
Personnel services expenses	47,018	42,601
Other operating and maintenance expenses	79,838	66,939
Depreciation and amortisation	13,715	15,313
<b>Total expenses</b>	<b>140,571</b>	<b>124,853</b>
<b>Net result - surplus/(deficit)</b>	<b>37,089</b>	<b>(5,007)</b>
<b>Other comprehensive income</b>		
Increase in revaluation of buildings	65,413	21,896
Unrealised gains/(losses) on forward exchange contracts	(57)	266
<b>Total other comprehensive income</b>	<b>65,356</b>	<b>22,162</b>
<b>Total comprehensive income</b>	<b>102,445</b>	<b>17,155</b>

Increased revenue in 2011-12 from the sale of goods and services resulted from more performances, more people going on tours and growth in food, beverage and retail business.

Government contributions of \$98.7 million (\$45.7 million in 2010-11) included \$14.4 million for operating expenses, \$30.3 million for strategic asset maintenance and \$45.3 million for the Vehicle Access and Pedestrian Safety project.

Personnel services expenses increased primarily due to a decrease in the government bond rate used to calculate employee liabilities. Other expenses increased primarily due to an additional \$6.8 million in building maintenance costs.

The revaluation increment of \$65.4 million related to the revaluation of the Trust's buildings in 2011-12.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	80,326	59,981
Non-current assets	2,213,959	2,126,078
<b>Total assets</b>	<b>2,294,285</b>	<b>2,186,059</b>
Current liabilities	38,454	33,701
Non-current liabilities	2,310	1,282
<b>Total liabilities</b>	<b>40,764</b>	<b>34,983</b>
<b>Net assets</b>	<b>2,253,521</b>	<b>2,151,076</b>

The increase in non-current assets in 2011-12 includes the \$65.4 million increment from revaluing the Trust's buildings.

## Trust Activities

The Trust is constituted under the *Sydney Opera House Trust Act 1961*. It is subject to the control and direction of the Minister for the Arts.

The Sydney Opera House Trust produces and presents performing arts from Australia and overseas, including dance, music, talks, opera and theatre.

For further information on the Trust, refer to [www.sydneyoperahouse.com](http://www.sydneyoperahouse.com).

# Trustees of the Museum of Applied Arts and Science

## Audit Opinion

I issued an unqualified audit opinion on the Trustees of the Museum of Applied Arts and Sciences' (Museum) 30 June 2012 financial statements.

## Operational Snapshot

The Museum comprises the Powerhouse Museum, the Sydney Observatory, the Powerhouse Discovery Centre and the NSW Migration Heritage Centre. The Museum's collections include history, science, technology, design, industry, decorative arts, music, transport and space exploration and steam trains. It is also home to heritage items and stories of Australian culture, history and lifestyle.

In 2011-12, the Museum's total expenditure was \$59.9 million and it made a surplus of \$586,000.

## Performance Information

The table below shows the number of visitors to the Museum's sites over the last five years.

Year ended 30 June	2012 Target 000's	2012 000's	2011 000's	2010 000's	2009 000's	2008 000's
Powerhouse Museum	708	728	456	474	565	527
Sydney Observatory	142	169	179	181	139	134
Powerhouse Discovery	19	21	19	17	15	14
<b>Total</b>	<b>869</b>	<b>918</b>	<b>654</b>	<b>672</b>	<b>719</b>	<b>675</b>

Source: Trustees of the Museum of Applied Arts and Science (unaudited).

The popularity of one-off exhibitions can cause spikes in visitor numbers. Before staging, it is difficult to precisely estimate visitor numbers for these exhibitions.

Visitor numbers to the Powerhouse Museum grew by 59.6 per cent in 2011-12 compared to 2010-11. Harry Potter™: The Exhibition was the main reason for this growth, attracting 382,565 visitors. The Museum advises this was 17.6 per cent higher than its target. The Museum won the 2012 'Building the Economy' Premier's award for staging Harry Potter™: The Exhibition.

The Sydney Observatory visitor numbers continue to exceed target. They were slightly lower than the prior year due mainly to poor weather in late 2011.

Harry Potter™:  
The Exhibition  
cast its magic  
over the  
Museum's  
visitor numbers

The Museum also provided the following information about its performance.

Year ended 30 June	2012	2011	2010	2009	2008
<b>Revenue from admission fees (\$m)</b>	12.8	3.2	2.8	4.3	4.3
<b>Temporary exhibitions</b>	13	10	19	23	24
<b>Collections</b>					
- items donated (\$'000)	874	468	664	958	904
- items acquired (\$'000)	236	303	1,058	892	1,588
- total value of additions in year (\$'000)	1,110	771	1,772	1,850	2,492
- number of items added in year	443	317	871	414	889
<b>Total value of collection (\$m)</b>	<b>399</b>	<b>398</b>	<b>397</b>	<b>407</b>	<b>405</b>

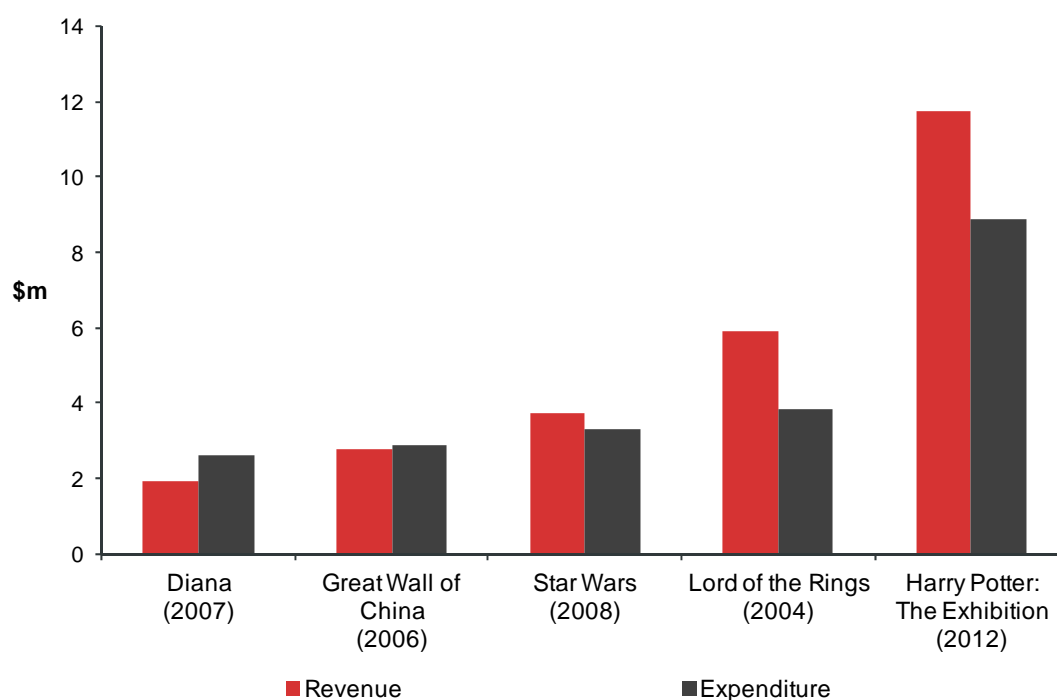
Source: Trustees of the Museum of Applied Arts and Science (unaudited).

The significant increase in revenue in 2011-12 was largely due to Harry Potter™: The Exhibition earning revenue of \$9.9 million from admissions. Total revenue from this exhibition was \$11.7 million.

## Exhibition Analysis

### Revenue and Expenditure

The graph below shows revenue and expenditure for the largest exhibitions with paid admission.



Source: Trustees of the Museum of Applied Arts and Science (unaudited).

The Museum's exhibition expenditures above do not include permanent staff salaries and wages or corporate overheads, but do include additional direct labour and all material costs.

Harry Potter™: The Exhibition is the most popular exhibition the Museum has staged.



## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Personnel services expenses	30,747	27,379
Other operating expenses	24,116	12,968
Depreciation and amortisation	5,076	4,943
<b>Total expenses</b>	<b>59,939</b>	<b>45,290</b>
Government contributions	44,777	41,462
Sales of goods and services	15,722	5,234
Other	587	1,905
<b>Total revenue</b>	<b>61,086</b>	<b>48,601</b>
Other losses	(561)	(3)
<b>Net result - surplus</b>	<b>586</b>	<b>3,308</b>
<b>Total comprehensive income</b>	<b>586</b>	<b>3,308</b>

Other operating expenses are significantly higher than the prior year due to Harry Potter™: The Exhibition. Revenue of \$11.7 million from this exhibition is included in sales of goods and services.

The Museum used the contribution from Harry Potter™: The Exhibition to meet increases in other costs and a reduction in general revenue, which resulted in a fall in the net result of \$2.7 million compared to the prior year.

Other revenue fell due to less interest revenue earned compared to last year.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	7,443	12,100
Non-current assets	561,372	555,816
<b>Total assets</b>	<b>568,815</b>	<b>567,916</b>
Current liabilities	7,012	6,717
Non-current liabilities	51	33
<b>Total liabilities</b>	<b>7,063</b>	<b>6,750</b>
<b>Net assets</b>	<b>561,752</b>	<b>561,166</b>

Current assets are less than the prior year due to a fall in cash balances of \$4.2 million resulting from capital expenditure.

## Museum Activities

The Museum is constituted under the *Museum of Applied Arts and Sciences Act 1945*. Under the Act, the Trustees are subject to the control and direction of the Minister for the Arts.

For further information on the Museum, refer to [www.powerhousemuseum.com](http://www.powerhousemuseum.com).

Note: HARRY POTTER is a trademark and © of Warner Bros. Entertainment Inc.

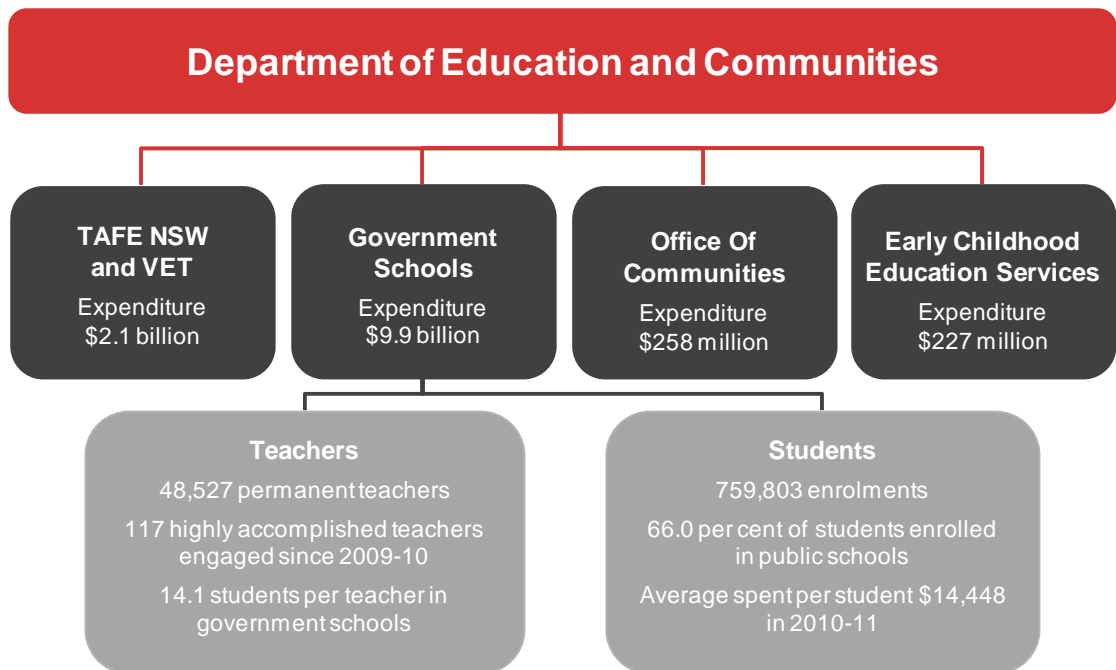
# Department of Education and Communities (including TAFE Commission)

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## Audit Opinion

I qualified my audit opinion on the Department of Education and Communities' 30 June 2012 financial statements because of flaws in the process used to revalue buildings.

## Operational Snapshot



## Key Issues

### Revaluation of School and TAFE NSW Buildings

During the year, the Department performed a revaluation of its buildings. My audit identified flaws in the process used and more work is needed to support the values recorded. This work may confirm the value of the buildings is correct or it may highlight further shortcomings in the revaluation process.

Refer to further commentary in the Education Overview at the beginning of this volume.

## Other Information

### Quality of Financial Statements

#### *Recommendation*

The Department should improve the quality of work papers supporting the financial statements.

The work papers supporting the financial statements were not always reviewed by senior management. The Department should review its processes to improve the quality of financial information and reporting.

### Connected Classrooms Program

The Connected Classrooms Program started in 2007-08 and was completed in 2011-12 for a total cost of \$154 million, \$4.0 million under the projected budget.

The Department advises all NSW public schools have been equipped with a connected classroom, which comprises an interactive whiteboard, data projector, control computer, network device, video conferencing tools, a set of Web 2.0 collaborative learning tools and upgraded network infrastructure.

Six hospital schools did not receive the full interactive classroom due to space limitations. In most cases, they received a desktop video conferencing unit.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	9,316,174	8,635,727
Depreciation and amortisation	500,381	467,020
Grants and subsidies	1,725,852	1,309,507
Finance costs	19,147	17,116
Other expenses	2,001,655	1,970,172
<b>Total expenses</b>	<b>13,563,209</b>	<b>12,399,542</b>
Government contributions	12,784,795	12,838,773
Sale of goods and services	480,516	488,176
Investment revenue	53,800	44,435
Other revenue	458,212	447,750
<b>Total revenues</b>	<b>13,777,323</b>	<b>13,819,134</b>
Other losses	(26,139)	(5,350)
<b>Net result - surplus</b>	<b>187,975</b>	<b>1,414,242</b>
<b>Other comprehensive income</b>		
Net increase from revaluation of assets	6,012,519	--
Superannuation actuarial gains/(losses)	(29,499)	1,855
<b>Total other comprehensive income</b>	<b>5,983,020</b>	<b>1,855</b>
<b>Total comprehensive income</b>	<b>6,170,995</b>	<b>1,416,097</b>

Employee related expenses were 68.7 per cent of total expenditure in 2011-12 (69.6 per cent in 2010-11). The \$680 million increase was primarily due to general award increases and movements in the discount rate used to value long service leave liabilities.

Grants and subsidies expenses increased by \$416 million primarily due to a change in the way grants were paid to agencies in the education and communities cluster. The Department now receives appropriations for the agencies within the cluster and pays these to them as grants.

The net decrease in government contributions of \$54.0 million was due to a rise in the recurrent appropriation from the amalgamation of the former Communities NSW. This was offset by a decrease in the capital appropriation due to completion of Building the Education Revolution projects.

Other comprehensive income represents revaluation movements for land and buildings of \$1.1 billion and \$4.9 billion respectively.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	1,117,042	938,131
Non-current assets	27,183,901	21,058,667
<b>Total assets</b>	<b>28,300,943</b>	<b>21,996,798</b>
Current liabilities	1,228,438	1,093,989
Non-current liabilities	213,877	215,588
<b>Total liabilities</b>	<b>1,442,315</b>	<b>1,309,577</b>
<b>Net assets</b>	<b>26,858,628</b>	<b>20,687,221</b>

Non-current assets increased largely due to the revaluation of land and buildings.

The increase in total liabilities was mainly due to movements in the discount rate used to value long service leave liabilities.

## Financial Indicators

The following table is an analysis of the Department's financial indicators:

Year ended 30 June	2012	2011	2010	2009	2008
Current ratio*	0.91	0.86	0.92	1.01	1.18
Underlying current ratio**	0.48	0.41	0.46	0.48	0.48
Net assets (\$m)	26,859	20,687	18,908	16,839	16,708
Net result (\$m)	188	1,414	2,106	156	120

\* current assets divided by current liabilities.

\*\* current assets less school cash balances divided by current liabilities.

The current ratio is an indicator of an entity's solvency, and therefore its ability to pay its debts as and when they fall due. A ratio higher than 1:1 means cash and liquid assets exceed short-term liabilities.

The Department has current assets of \$1.1 billion at 30 June 2012 (\$938 million at 30 June 2011), which comprise primarily cash and cash equivalents of \$984 million. This includes cash in school bank accounts of \$522 million, 53 per cent of the Department's total cash balance.

## Department Activities

The Department coordinates the delivery of education and training services in New South Wales from pre-school to tertiary. It is responsible for

- providing government school education
- vocational education and training
- certain regulatory and service responsibilities to private schools, private providers of education and training and universities.

Other responsibilities include promoting the interests of children and advancing the wellbeing of the Aboriginal people of New South Wales, providing more opportunities for participation in volunteering, sport and recreation and ensuring the sacrifices of war veterans are honoured and remembered.

For further information on the Department, refer to [www.dec.nsw.gov.au](http://www.dec.nsw.gov.au).

# New South Wales Technical and Further Education Commission

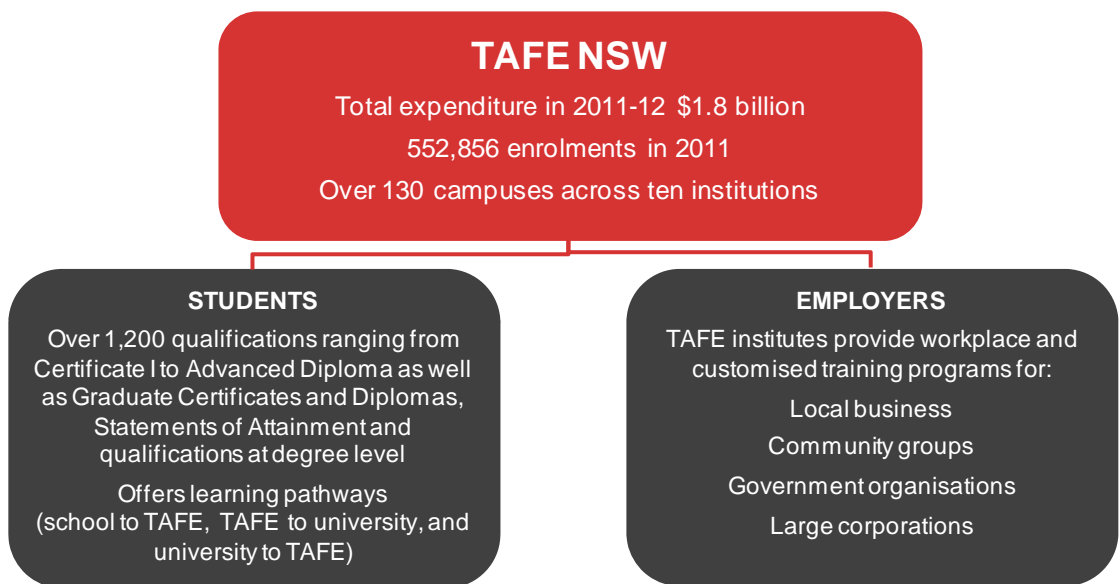
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## Audit Opinion

I qualified my audit opinion on the New South Wales Technical and Further Education Commission's (TAFE NSW) 30 June 2012 financial statements because of flaws in the process used to revalue buildings.

## Operational Snapshot

TAFE NSW is Australia's largest vocational education and training provider and is among the largest in the world.



## Key Issues

### Revaluation of TAFE NSW Buildings

During the year, TAFE NSW performed a revaluation of its buildings. My audit identified flaws in the process used and more work is needed to support the values recorded. This work may confirm the value of the buildings is correct or it may highlight further shortcomings in the revaluation process.

Refer to further commentary in the Education Overview at the beginning of this volume.

## Performance Information

### Size and Scope of TAFE NSW

Year ended 31 December	Increase/ (decrease) 2008 to 2011 %	2011	2010	2009	2008
Total enrolments	9.7	552,856	556,340	524,838	504,009
Annual student hours ('000)	5.4	118,691	119,181	119,521	112,660
Net cost of services* (\$'000)	4.3	1,239,945	1,228,779	1,221,636	1,188,845
ASH per enrolment	(4.0)	215	214	228	224
Net cost of services/enrolment (\$)	(4.9)	2,243	2,209	2,328	2,359
Net cost of services per ASH (\$)	(0.9)	10.45	10.31	10.22	10.55

Source: TAFE NSW (unaudited).

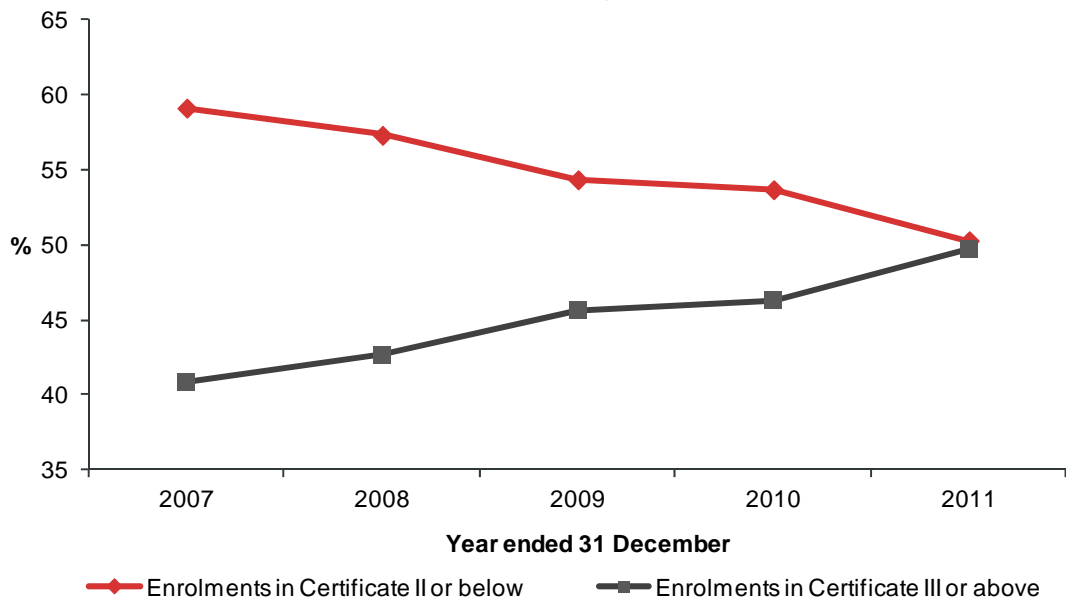
\* Net cost of services is for the parent entity for the financial year ended 30 June, whereas enrolments and student hours are for the calendar year.

The average cost per enrolment has decreased 4.9 per cent since 2008, which is consistent with a four per cent decrease in the annual student hours per enrolment.

### Higher Level Qualifications

Higher level qualifications provide better employment outcomes for students and add skills to the workplace. Increasing the number of people with higher level qualifications has been an agreed goal of the State and Australian governments for several years.

TAFE NSW Enrolments: Qualification Level



Source: TAFE NSW (unaudited).

Enrolments in Certificate III or above have increased by 35 per cent from 203,343 in 2007 to 274,527 in 2011.

The average cost per enrolment has decreased 4.9 per cent since 2008

Enrolments in higher level qualifications have increased by 35 per cent since 2007

Unemployed student enrolments have increased by 47.8 per cent since 2007

## Equity Groups

TAFE NSW has strategic initiatives in place to improve the learning outcomes for all students. Enrolment and graduation levels of equity groups (see table below) continue to show positive outcomes. However, a continued focus is required on the needs of students in regional and remote areas.

TAFE NSW provided the following enrolment and graduation information for equity groups:

Equity group	Number of enrolments 2011	Increase/(decrease) in enrolments 2007 to 2011 %	Increase/(decrease) in graduates 2007 to 2011 %	Gap
Aboriginal students	34,914	38.0	28.6	(9.4)
Unemployed students	135,736	47.8	36.3	(11.5)
Language background other than English	127,196	20.3	29.3	9.0
Regional/remote students*	225,167	14.2	(1.7)	(15.9)
Students with a disability**	56,499	21.9	15.2	(6.7)

Source: TAFE NSW (unaudited).

Notes:

\* Students from regional/remote areas live in areas classified as regional/remote under the ARIA classification produced by NCVER.

\*\* Disability enrolments include students who ask for help with their disability or have specified a type of disability on their enrolment form.

TAFE NSW advises the increase in enrolments in higher level qualifications has resulted in more students taking longer to complete their courses, resulting in an apparent decrease in graduates. This is less marked in students from language backgrounds other than English.

## Other Information

### Financial Reporting

#### *Recommendation*

**TAFE NSW should improve the quality of its financial statements and supporting work papers.**

TAFE NSW's financial statements contained errors and the supporting work papers were not always reviewed by senior management. TAFE NSW should review its processes to improve the quality of financial information and reporting.

### Fully Depreciated Plant and Equipment

#### *Recommendation*

**TAFE NSW should review the useful lives of all major asset classes to confirm they are reasonable.**

A high proportion of TAFE NSW's plant, equipment and intangible assets are fully depreciated or have carrying amounts of one dollar. Almost 58 per cent (50 per cent in 2010-11) have exceeded management's initial assessment of their useful lives. The original cost of these assets was \$141 million.

TAFE NSW should review the appropriateness of the current useful lives of its assets to confirm they are reasonable. Expected useful lives that do not match the time periods the assets are in use, distorts operating costs, adversely impacts asset management and capital expenditure planning and forecasts.



## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related	1,247,400	968,022	832,172	--
Personnel services expenses	156,980	352,176	552,127	1,272,798
Other operating expenses	351,481	363,591	351,481	363,591
Depreciation and amortisation	77,904	81,183	77,904	81,183
<b>Total expenses</b>	<b>1,833,765</b>	<b>1,764,972</b>	<b>1,813,684</b>	<b>1,717,572</b>
Government contributions	1,373,691	1,321,805	1,353,610	1,274,405
Other revenue	462,758	480,091	462,758	480,091
<b>Total revenue</b>	<b>1,836,449</b>	<b>1,801,896</b>	<b>1,816,368</b>	<b>1,754,496</b>
Other gains/(losses)	722	(2,464)	722	(2,464)
<b>Net result - surplus</b>	<b>3,406</b>	<b>34,460</b>	<b>3,406</b>	<b>34,460</b>
<b>Other comprehensive income:</b>				
Net increase from revaluation of assets	1,094,000	--	1,094,000	--
<b>Total other comprehensive Income</b>	<b>1,094,000</b>	<b>--</b>	<b>1,094,000</b>	<b>--</b>
<b>Total comprehensive income</b>	<b>1,097,406</b>	<b>34,460</b>	<b>1,097,406</b>	<b>34,460</b>

Employee related and personnel services expenses have increased by 6.4 per cent from 2010-11 primarily due to general award increases and movements in the discount rate used to value long service leave liabilities.

Other comprehensive income represents revaluation increments for land and buildings of \$167 million and \$927 million respectively.

### Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	249,065	210,656	249,065	210,656
Non-current assets	4,196,943	3,099,835	4,196,943	3,099,835
<b>Total assets</b>	<b>4,446,008</b>	<b>3,310,491</b>	<b>4,446,008</b>	<b>3,310,491</b>
Current liabilities	279,504	242,317	279,504	243,096
Non-current liabilities	1,703	779	1,703	--
<b>Total liabilities</b>	<b>281,207</b>	<b>243,096</b>	<b>281,207</b>	<b>243,096</b>
<b>Net assets</b>	<b>4,164,801</b>	<b>3,067,395</b>	<b>4,164,801</b>	<b>3,067,395</b>

Non-current assets increased largely due to the revaluation of land and buildings.

The increase in total liabilities was mainly due to an increase in deferred revenue of \$20.7 million and movements in the discount rate used to value long service leave liabilities.

## TAFE NSW Activities

TAFE NSW was constituted by the *Technical and Further Education Commission Act 1990* as a statutory body corporate subject to the control and direction of the Minister for Education.

Its principal objective is to provide relevant technical and further education services to industry, students and other client groups.

TAFE NSW provides vocational and pre-vocational education and training services through its ten institutes including the Open Training and Education Network. While the institutes, including Open Training and Education Network, observe TAFE NSW's policies and priorities, they develop their own education and training profiles and manage their own operations.

The four metropolitan institutes are Northern Sydney, South Western Sydney, Sydney and Western Sydney. The six country institutes are Hunter, Illawarra, New England, North Coast, Riverina and Western.

For further information on TAFE NSW, refer to [www.tafensw.edu.au](http://www.tafensw.edu.au).

## Controlled Entity

The following controlled entity has not been reported separately as it is not considered material by its size or nature of operations to the consolidated entity.

### **New South Wales Technical and Further Education Commission Division**

The Division provided personnel services to TAFE NSW until 1 December 2011 when it was abolished by the *Technical and Further Education Commission Amendment (Staff Employment) Act 2011*. This Act also transferred all staff, up until then employed in the Division and the Department of Education and Communities, to TAFE NSW.

# Department of Family and Community Services

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## Audit Opinion

I issued unqualified audit opinions on the Department of Family and Community Services' and its controlled entities' 30 June 2012 financial statements.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Department delivers services to some of the most disadvantaged individuals, families and communities in New South Wales. Total expenses of the Department for 2011-12 were \$5.1 billion (\$4.6 billion for 2010-11). The main divisions of the Department incurring this expenditure in 2011-12 were: Community Services \$1.6 billion; Ageing, Disability and Home Care \$2.8 billion; and Housing NSW \$611 million.

On 1 July 2011, net assets of \$135 million were transferred from the NSW Land and Housing Corporation to the Department's Housing NSW Division, which now provides tenancy management services to the Land and Housing Corporation on a fee-for-service basis. It also administers the rental assistance scheme.

## Key Issues

### IT Project Management

#### *Recommendation*

The Department should review the governance structures and project management procedures for the Assist Program IT project. Learnings from this review should be used to improve the Department's management of future IT projects.

In June 2012, the Department wrote off \$9.9 million in relation to the Assist Program IT project. The aim of the project was to redesign the Key Information Directory System to improve caseworker processes and systems, reduce navigation time, automate more processes and reduce duplication of functions. The project started in 2010-11 and was managed by its shared services provider, NSW Businesslink Pty Ltd.

The costs were written off due to ongoing programming errors and defects, which led to a high level of failures in the proposed upgraded system. These failures were so significant the goals of the upgrade could not be met. The Department advises the decision to stop work on the project was made with considerable forward planning as part of a wider information technology capability review.

### Out-of-Home Care Transition Plan

The first stage of the Out-of-Home Care transition plan was approved by the Minister for Community Services in November 2011. Children and young people who enter statutory care, and those who are currently in statutory placements provided by Community Services, are transferring to the non-government sector (NGO) from 1 March 2012 over a period of ten years.

The target number of children and young people to transfer to NGOs at 30 June 2012 was 390. One hundred and thirty seven children and young people and 91 carers had transferred by this date, and a further 243 carers were willing to start the transfer process with 362 children and young people in their care. The Department advises the delay in reaching the target was mainly due to the Out-of-Home Care service provider tender only being announced on 12 July 2012. Many carers wanted to wait until the contract tender process was complete so they could make informed decisions before proceeding.

Community Services wrote off \$9.9 million on an IT Project due to the significance of ongoing programming errors and defects with the proposed upgraded system

The Department advises:

- the budgeted cost for the transition was \$8.0 million for 2011-12. Actual costs, however, were \$15.3 million due to an additional 190 new places after the contracts with the NGOs were renegotiated for new capacity
- the cost per child at Community Services for general foster care was \$25,000 in 2011-12, which is lower than the cost at NGOs. NGOs are contracted to provide out-of-home care services for an all inclusive cost unit price on the agreed level of care, starting from \$37,000 per child for general foster care and up to \$288,000 per child for intensive residential care. However, NGO allowances to carers vary from agency to agency. Each NGO determines how to apply funding and services to support children, young people and their carers.

To ensure grants paid by the Department to NGOs result in cost efficient, quality services being purchased and delivered, Community Services advises it has the following monitoring processes in place:

- annual performance monitoring
- annual financial reporting and acquittals
- monthly reporting on actual placements filled and carers transferred
- quality reporting and reconciliation of payments against actual
- developing an out-of-home care contract governance model focused on performance.

### **Ombudsman's Special Report - Keep Them Safe**

Last year, I recommended the Department address the Ombudsman's recommendations released in August 2011. The Ombudsman recommended the Department should, within six months:

- develop an action plan for publicly reporting its responses to risk of significant harm reports
- provide public advice on its proposals for ongoing and meaningful reporting of:
  - productivity and/or efficiency outcomes achieved
  - numbers of filled positions against the agency's staffing establishment
  - its ability to successfully retain staff
- publicly advise whether it intends to adopt an intelligence driven child protection system
- publicly advise whether it intends to develop a reporting tool that can rapidly generate consolidated child protection history reports
- make public, together with the Department of Premier and Cabinet and other human service and justice agencies, the actions proposed to address key challenges in the report.

The Ombudsman also recommended Department of Premier and Cabinet should, within two months, make public its proposal for reviewing 'where we are at' in delivering on the Wood inquiry's vision.

In addressing the Ombudsman's recommendations, Community Services advises:

- the Annual Statistical Report due for publication in January 2013 will cover a range of Divisional responses to children and young people who are reported as at Risk of Significant Harm
- performance measures for staff retention are obtained via staff exit surveys. The Department's reporting on staffing occurs in its annual report and quarterly report to the minister, which are referred to by the minister in statements in parliament to advise on results and future plans
- it has initiated activities targeting child protection capacity, which are outlined in an action plan. Key productivity and efficiency outcomes identified in the action plan have been incorporated in Community Services' Divisional Plan 2012 to 2015 and will shape the Division's contribution to achieving the Department's overall objectives

- the Department agrees a consolidated child protection history report is a priority. Community Services started a staged technical and design upgrade of the Key Information Directory System in 2010-11, but this was abandoned due to the significant programme failures mentioned earlier. Work is continuing to find longer term solutions
- the Keep Them Safe Senior Officer's Group has formed a sub-committee to progress thinking on the adopting an intelligence driven child protection system and making recommendations to the government. The subcommittee will further develop policy options in the area with help from other qualified persons
- Department of Premier and Cabinet has responded directly to the Ombudsman on the key challenges outlined in his report, and on matter of reviewing 'where we are at' in delivering on the Wood inquiry's vision.

## Out-of-Home Care Accreditation

In 2003, Community Services received interim accreditation to provide out-of-home care services until June 2013. It is currently participating in the Children's Guardian's Quality Improvement Program, which requires it to meet out-of-home care standards by June 2013 to achieve full accreditation.

Community Services advises it has participated in case file audits and is participating in onsite assessments to enable the Children's Guardian to assess direct evidence of Community Services meeting out-of-home care standards. The Children's Guardian audited the files and records of approximately 3,000 children and young people between September 2011 and May 2012. Community Services advises the formal results have not been received, but informal feedback suggests an improvement on the previous audit. Further, onsite assessments for two Community Service Centres, five Intensive Support Service teams and two Child and Family Regional Units successfully demonstrated sufficient standards in casework. A further onsite assessment is scheduled for November 2012.

Community Services also advises that given the transfer of out-of-home care to the NGO sector, a key priority will be preparing cases and files for the transfer of around 5,400 children and young people over 4 years. It is projected that by June 2016 the number of children and young people in Community Services statutory out-of-home care will fall to around 2,500 as a result of the transfer. Given the resources needed to achieve the transfer, discussions are underway with the Children's Guardian in relation to Community Services achieving accreditation.

## Caseworker Workload

For the last few years I have recommended the Department make concerted efforts to fill vacant Community Services caseworker positions.

The yearly average number of vacant caseworker positions decreased from 166 in 2010-11 to 152 in 2011-12. The caseworker to child ratio in out-of-home care has fallen from 1:29 in 2010-11 to 1:25 in 2011-12. The ratio remains higher than the Keep Them Safe recommendation of one caseworker to 12 children and young persons.

The Department advises significant improvement in the caseworker to child ratio will not occur until more out-of-home care cases are transferred to NGOs. The highest caseworker to child ratio for NGOs providing general foster care is 1:12.8 and lower for children and young people with higher needs.

Ongoing out-of-home care service delivery is at significant risk if Community Services cannot maintain its accreditation

The out-of-home care caseworker to clients' ratio still remains significantly more than desired benchmark

## Out-of-Home Care Placement Reviews

I again found placement reviews for children in out-of-home care are not always performed at appropriate intervals to meet statutory requirements. Section 150 of the *Children and Young Persons (Care and Protection) Act 1998* requires placement of a child or young person to be reviewed at least every 12 months.

The Department advises timely placement reviews for all out-of-home care cases, including unallocated cases, will not be resolved until a greater percentage of out-of-home care cases are transferred to the NGO sector.

## Homes

### *Recommendation*

**The Department should complete a benefits realisation review of the 'Homes' project.**

The Department has completed a post implementation review of the Homes project and identified strategic key issues and key success factors. It has not, however, performed a benefits realisation review to demonstrate whether the Department has realised the value claimed in the Homes project business case.

Homes (formerly known as Project Meridian) replaced the Integrated Housing System. Homes supports core business activities associated with the management of tenants, applicants and the property portfolio. The Department advises the project had an approved budget of \$62.4 million and the actual costs were \$57.0 million. The target for go-live of this system was April 2010. The project was delayed by seven months and completed in November 2010. The delay was due to protracted contract negotiations over a 15 per cent reduction in contract price and issues with software development.

## Grants Acquittals

Last year, I reported Community Services had approved a project proposal to examine the acquittal process for grants made to service providers and required the results of the review be reported to the Audit and Risk Committee. Community Services advises that in 2011-12 it has conducted:

- a centralised review of unspent grants funds reported by NGOs and recouped unspent funds totalling \$4.2 million. A further review of the recoupment process is planned for 2012-13
- a review to identify future learning and development needs of regional contracting teams in the areas of financial management and acquittal procedures
- a review to identify the need for specialist support and considered future cost neutral strategies to respond to these needs

## Performance Information

### Statutory Child Protection

The table below provides statistics relating to child protection.

Year ended 30 June	2012	2011	2010	2009	2008
Total child and young person concern/child protection reports	228,821	215,272	256,088	309,676	303,121
Rate per 1,000 children and young people 0-17 years who were subject of risk of significant harm/referred report	38.3	37.3	55.4	71.1	65.7
Number of risk of significant harm/referred reports	99,283	98,845	163,200	226,946	209,015
Volume of Helpline calls entered	145,425	151,213	174,597	188,580	170,818
Volume of Helpline calls answered	114,020	120,931	151,303	166,228	152,037
Average waiting time (minutes:seconds)	4:46	3:49	2:58	2:51	2:56

Source: Department of Family and Community Services (unaudited).

The decrease in the first three statistics when compared to 2009 reflects the impact of legislative changes effective from 24 January 2010. The main change included raising the reporting threshold from 'risk of harm' to the 'risk of significant harm'.

The volume of Helpline calls entered and answered decreased by 3.8 per cent and 5.7 per cent respectively compared to 2010-11, while the average waiting time per call increased by almost one minute to four minutes 46 seconds, exceeding the Helpline's target of three minutes.

The Department advises the decrease in the volume of Helpline calls answered and the increase in average waiting time per call were influenced by the following factors in 2010-11 and 2011-12:

- a rise in the number of 'risk of harm' reports, which need almost as much handling time as 'risk of significant harm' reports
- mandatory reporters adjusting to a new statutory child protection reporting system
- the volatility in demand with unexpected call spikes across the period.

#### Real Recurrent Expenditure on Child Protection Services

The 'Productivity Commission Report on Government Services 2012' shows expenditure on child protection services 'per notification', 'investigation' and 'substantiation' varies greatly between the States and Territories.

- A 'notification' is contact with an authorised department by persons or other bodies making allegations of child abuse, neglect, or harm to a child.
- An 'investigation' is looking into child abuse and neglect that involves identifying harm or risk of harm to the child, determining an outcome and assessing protective needs.
- A 'substantiation' concludes there is reasonable cause to believe a child has been, is being or is likely to be abused, neglected or otherwise harmed.

The Department advises care must to be taken when interpreting the data, because no two jurisdictions use the same expenditure criteria. The data cannot be reliably compared across jurisdictions due to differences in legislation, policy and practice. New South Wales adopted a new methodology for expenditure reporting in 2009-10 and has the widest definition of the term 'notification', which captures a broader range of child protection issues than in most other states.

Between 2009-10 and 2010-11, NSW's expenditure on child protection services increased by more than 30 per cent per notification, investigation and substantiation. The Department advises this is largely due to changes in both the reporting threshold mentioned above and improvements to the financial methodology.

The average waiting time per Helpline call increased by almost one minute to four minutes 46 seconds, exceeding the Helpline's target of three minutes

The increase in average Helpline waiting times is attributed to a rise in the number of 'risk of harm reports'

The data below compares NSW's expenditure on child protection services in 2010-11 with other jurisdictions:

- at \$3,633 per notification, New South Wales was lower than the national average of \$4,478. Queensland had the highest expenditure at \$13,634 per notification, whilst the Australian Capital Territory had the lowest at \$871
- at \$5,031 per investigation, New South Wales was the lowest of all States and Queensland had the highest expenditure of \$13,634
- at \$19,312 per substantiation, New South Wales was lower than the national average of \$23,857. Queensland had the highest expenditure at \$44,748 per notification, and Tasmania had the lowest at \$16,001.

The Department advises work is underway nationally to develop a national activity-based costing method, which will allow more comprehensive and accurate reporting of efficiency indicators. At the State level, the Keep Them Safe reforms are reshaping the way family and community services are delivered so children, young people and families receive support and services before problems escalate, largely through prevention, early intervention and restoration. These priorities are changing the processes and emphasis placed on different service delivery models, which will impact the cost effectiveness of different components of the child protection system.

### Children Aged 0 to 17 Years in Protection Notifications, Finalised Investigations and Substantiations

Indigenous children continue to be over-represented in the child protection system.

Indigenous children continue to be over-represented in the child protection system

Year ended 30 June	NSW	National average	NSW	National average	NSW	National average
	2011*	2011*	2010**	2010**	2009***	2009***
<b>Children aged 0 to 17 years in notifications (rates per 1,000 children) (a)</b>						
Indigenous (a)	166.2	122.8	218.3	140.2	260.9	152.2
Non-indigenous	28.1	24.1	40.8	27.1	63.7	37.8
All children	37.3	31.9	54.2	36.8	72.2	43.1
<b>Children aged 0 to 17 years in finalised investigations as a proportion of children in notifications (b)</b>						
Indigenous %	65.9	60.9	73.5	61.8	71.1	61.8
Non-indigenous %	57.3	45.6	59.4	49.7	53.5	46.9
All children %	55.8	46.7	57.4	47.9	56.3	49.3
<b>Children aged 0 to 17 years in substantiations as a proportion of children in finalised investigations (b)</b>						
Indigenous %	42.5	46.2	32.8	40.7	30.7	39.2
Non-indigenous %	32.4	41.2	24.8	34.1	20.5	30.4
All children %	33.8	41.2	25.8	34.9	22.5	32.2

Sources: (unaudited).

\* Productivity Commission Report on Government Services 2012.

\*\* Productivity Commission Report on Government Services 2011.

\*\*\* Productivity Commission Report on Government Services 2010.

b Data on the number of notifications by Indigenous status should be interpreted with care. The data is collected very early in the child protection process and often before the agency has full knowledge of the child's family circumstances. As a result of this lack of full knowledge and the other inherent difficulties in identifying Indigenous status, the data is not considered to have a high level of reliability.

c Prior to 2009-10, rates of children in notifications, investigations and substantiations were calculated as the number of children aged 0 to 16 years in each category (including children whose ages were not stated) divided by the estimated population of children aged 0 to 16 years at 31 December, multiplied by 1,000. For Indigenous children, the June projections for two years were averaged to obtain a population figure for December of the relevant year. For 2009-10, rates of children in notifications, investigations and substantiations are calculated as the number of children aged 0 to 17 years in each category (including children whose ages were not stated) divided by the estimated population of children aged 0 to 17 years at 31 December, multiplied by 1,000.



Over the past three years, the gap in the number of indigenous children in notifications per 1,000 children aged 0 to 17 in New South Wales has decreased compared to the national average. In 2009, the gap was 108.7 compared to 43.4 in 2011. The Department advises that before the introduction of the 'at risk of significant harm' threshold on 24 January 2010, New South Wales had a wider definition of notification, which led to a higher rate of notifications.

In 2011, the proportion of indigenous children subject to substantiation in New South Wales has increased from 30.7 per cent in 2009 to 42.5 per cent in 2011, but remains below the national average.

### Supported Accommodation for People with a Disability

This service group covers adequate alternative support arrangements for people with disability to help them live in suitable accommodation and participate in the community. Services are provided directly by Ageing, Disability and Home Care or through funded NGOs.

The table below provides statistics for the past five years on clients in supported accommodation.

Year ended 30 June	2012	2011	2010	2009	2008
Number of supported accommodation places	10,041	9,540	9,283	8,766	7,560
Number of supported accommodation places provided by Ageing, Disability and Home Care	2,642	2,733	2,666	2,711	2,642
Number of supported accommodation places provided by NGOs	7,399	6,807	6,617	6,055	4,918
<b>Total expenditure incurred on supported accommodation (\$'000)</b>	<b>1,164,709</b>	<b>1,090,122</b>	<b>1,105,550</b>	<b>1,006,356</b>	<b>938,096</b>

Source: Department of Family and Community Services (unaudited).

Ageing, Disability and Home Care advises the increase of 501 supported accommodation places in 2011-12 was due to an additional appropriation provided through Stronger Together 2.

### Community Support for People with a Disability, their Family and Carers

This service group covers services that help older people and people with disability live in their own home environment and participate in the community with some ongoing support.

The following table shows information for the past four years relating to Community Support services.

Year ended 30 June	2012	2011	2010	2009
Number of Home and Community Care services	1,840	1,739	1,818	1,767
Number of disability services	4,832	4,841	4,552	4,295
Number of people accessing disability and Home and Community Care services	324,000	323,000	297,000	280,000
Number of people receiving respite services	67,000	65,000	61,000	51,100
Number of people receiving personal assistance	204,000	203,000	188,000	191,000
<b>Total expenses incurred on ongoing community support (\$'000)</b>	<b>1,209,561</b>	<b>978,618</b>	<b>872,417</b>	<b>817,052</b>

Source: Department of Family and Community Services (unaudited).

Total expenditure on Community Support rose by 23.6 per cent in 2011-12 compared to 2010-11. The increase was made possible by \$117 million transition funding from the Australian Government for changes in responsibilities for aged care and disability services under the National Partnership Agreement. Other contributions were \$27.2 million funding for Stronger Together 2 initiatives and \$37.5 million for the Home and Community Care program.

Ageing, Disability and Home Care advises that under the National Health Reform Agreement and accompanying National Partnership Agreement on Transitioning Responsibilities for Aged Care and Disability Services, the NSW Government agreed to a split of funding responsibility at age 65 (50 for Indigenous Australians) from 1 July 2011. The Australian Government assumed full operational responsibility for aged care services under the Home and Community Care program from 1 July 2012.

## Other Information

### **Repeat Management Letter Issues**

There has been some improvement in addressing repeat management letter issues, but some areas remain where the Department may be exposed to business risks. These repeat management letter issues relate to excessive annual leave balances, salary overpayments and out-of-home care placement reviews.

### **National Disability Insurance Scheme**

The National Disability Insurance Scheme is aimed at providing long-term, high quality support for around 410,000 people who have a permanent disability that significantly affects their communication, mobility, self-care or self-management.

The Australian Government has committed \$1.0 billion to support the first stage of National Disability Insurance Scheme for 2012-13. In New South Wales, the first stage will cover 10,000 people in the Hunter local government areas of Lake Macquarie, Newcastle and Maitland over three years.

The Department advises there is still work to be done nationally to build the design, governance and policy parameters before starting the National Disability Insurance Scheme in the Hunter area. The Department's Strategy and Policy Division will continue to work with the National Disability Insurance Scheme Taskforce, the Department of Premier and Cabinet and Treasury in this area. I will continue to monitor progress of these intended actions.

## Financial Information

### Abridged Consolidated Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related	1,620,043	1,674,210	1,448,642	1,508,449
Depreciation and amortisation	73,951	65,158	71,102	62,881
Grants and subsidies	3,005,858	2,424,136	3,195,287	2,608,380
Other expenses	442,018	410,063	388,777	359,231
<b>Total expenses</b>	<b>5,141,870</b>	<b>4,573,567</b>	<b>5,103,808</b>	<b>4,538,941</b>
Government contributions	4,950,471	4,244,297	4,950,471	4,244,297
Sale of goods and services	190,079	381,711	161,253	352,393
Investment revenue	12,676	14,836	9,435	10,563
Other revenue	45,836	32,751	46,478	28,259
<b>Total revenues</b>	<b>5,199,062</b>	<b>4,673,595</b>	<b>5,167,637</b>	<b>4,635,512</b>
Other gains/(losses)	18,299	(10,848)	17,342	(11,248)
<b>Net result - surplus</b>	<b>75,491</b>	<b>89,180</b>	<b>81,171</b>	<b>85,323</b>
<b>Other comprehensive income</b>				
Superannuation actuarial gains/(losses)	(42,507)	2,294	(38,427)	2,375
Other losses	--	(89)	--	(89)
<b>Total other comprehensive income/(expense)</b>	<b>(42,507)</b>	<b>2,205</b>	<b>(38,427)</b>	<b>2,286</b>
<b>Total comprehensive income</b>	<b>32,984</b>	<b>91,385</b>	<b>42,744</b>	<b>87,609</b>

The administrative restructure from the NSW Land and Housing Corporation to Housing NSW at 1 July 2011 accounted for:

- \$366 million of the increase in grants and subsidies expense
- \$234 million of the decrease in the sale of goods and services via personnel services.

These variations were funded by additional government contributions of \$601 million.

Other gains mostly reflects a \$28.8 million increase in the valuations of Ageing, Disability and Home Care's land and buildings, offset by a \$9.9 million write-off of IT project costs. The valuation of Ageing, Disability and Home Care's assets decreased in 2010-11 by \$55.2 million, offset by a \$45.8 million increase in the valuation for Juvenile Justice's land and buildings.

The Department recorded a \$42.5 million loss resulting from an actuarial assessment of its defined benefit superannuation liabilities in 2011-12. This compared to a \$2.3 million gain in 2010-11. A decrease in the bond rate used to discount these liabilities to present values was the main reason for the loss.

## Abridged Consolidated Statement of Financial Position

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	435,447	409,876	373,576	344,371
Non-current assets	949,535	824,847	919,500	795,284
<b>Total assets</b>	<b>1,384,982</b>	<b>1,234,723</b>	<b>1,293,076</b>	<b>1,139,655</b>
Current liabilities	300,729	333,854	262,686	298,688
Non-current liabilities	94,598	62,860	79,714	51,697
<b>Total liabilities</b>	<b>395,327</b>	<b>396,714</b>	<b>342,400</b>	<b>350,385</b>
<b>Net assets</b>	<b>989,655</b>	<b>838,009</b>	<b>950,676</b>	<b>789,270</b>

The increase in non-current assets was mainly due to the administrative restructure and the \$28.8 million revaluation increment in Ageing, Disability and Home Care's land and buildings.

Current liabilities fell due to a reduction in long service leave oncosts of \$36.1 million and a fall in recreation leave of \$11.4 million, both predominantly due to the transfer of leave entitlements to the Department of Finance and Services for Land and Housing Corporation staff who were transferred during the year.

Non-current liabilities rose predominately due to the loss in the defined benefit superannuation scheme based on actuarial assessment.

## Abridged Service Group Information

The Department's consolidated net result by service group is detailed below.

Year ended 30 June	Net result surplus/(deficit)		Net assets/ (net liabilities)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Ageing, Disability and Home Care</b>				
Supported accommodation for people with a disability	(1,121,497)	(1,045,407)	608,253	560,084
Community support for people with a disability, their family and carers	(1,197,519)	(969,483)	108,057	102,276
Short-term interventions for people with a disability, their family and carers	(433,615)	(387,330)	93,111	91,489
Not attributable	2,803,910	2,490,236	24,473	--
<b>Community Services</b>				
Out-of-home care	(749,090)	(700,032)	(17,600)	(3,792)
Statutory child protection	(355,658)	(386,488)	(16,829)	9,588
Community development and support	(273,282)	(246,734)	(675)	3,109
Child, youth and family prevention and early intervention services	(202,392)	(276,963)	(3,833)	4,807
Not attributable	1,524,217	1,593,790	20,076	22,951
<b>Juvenile Justice</b>	**	7,274	**	**
<b>Housing NSW</b>	5,851	17,030	122,306	--
<b>Home Care Service of New South Wales</b>	(6,526)	3,880	30,014	40,601
Other*	81,092	(10,593)	22,302	6,896
<b>Total all service groups</b>	<b>75,491</b>	<b>89,180</b>	<b>989,655</b>	<b>838,009</b>

\* Includes the following divisions: John William Memorial Charitable Trust, Aboriginal Affairs (from July 2010 to March 2011), Office of Women (from April to June 2012), Housing NSW and the group of staff for Aboriginal Housing Office and NSWbusinesslink.

\*\* Juvenile Justice was transferred out of the Department on 1 April 2011.

## Department Activities

The Department delivers services to some of the most disadvantaged individuals, families and communities in New South Wales. The Department also provides employee related support to a number of other government agencies including the Aboriginal Housing Office and NSW Businesslink Pty Ltd.

The Department's work aims to:

- enable each child in New South Wales to have the best possible start to life
- help vulnerable young people build their capacity for a good future
- improve social and economic outcomes for Aboriginal people
- provide support to vulnerable adults and families so that they can participate fully in community life
- build strong and inclusive communities.

For further information on the Department, refer to [www.facs.nsw.gov.au](http://www.facs.nsw.gov.au).

## Controlled Entities

### Home Care Service of New South Wales

Separate comment on Home Care Service of New South Wales and its controlled entity Home Care Service Division is included elsewhere in this report.

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
John Williams Memorial Charitable Trust	*

\* This entity does not have a website.

# Home Care Service of New South Wales

## Audit Opinion

I issued an unqualified audit opinion on Home Care Service of New South Wales' and its controlled entity's 30 June 2012 financial statements.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

Home Care is a statutory authority and a controlled entity of the Department of Family and Community Services. It provides domestic assistance, personal care and a range of ancillary services for older people, younger people with a disability, and their families and carers within their own homes. Total expenses were \$234 million in 2011-12 (\$224 million in 2010-11) funded by grants and contributions of \$195 million (\$190 million) and other sources of revenue, including \$28.8 million (\$29.3 million) from fees for services provided.

## Performance Information

Home Care met its performance target for hours of service provided in 2011-12, as shown below.

Year ended 30 June	Target	Actual				
	2012	2012	2011	2010	2009	2008
Total hours of service provided ('000s)	3,867	3,896	3,910	3,853	4,048	3,903
Total number of clients serviced ('000s)	na	50	52	52	50	55
Average hours per client per annum	na	78	75	74	81	71
Direct average staffing (Full-time equivalent)	na	2,923	2,968	2,939	3,038	2,972

Source: Home Care (unaudited).

na Not applicable, as no target was set.

## Other Information

### Vacant Permanent Staff Positions

The table below details the vacant and available full-time equivalent (FTE) positions:

Year ended 30 June	Shift workers		Administration staff	
	2012	2011	2012	2011
Average number of vacant FTE positions	141	243	65	62
Average number of available FTE positions	2,291	2,389	593	600

Source: Home Care (unaudited).

Improvements have been made in filling vacant shift workers positions in 2011-12. For shift workers, the proportion of vacant FTE positions decreased from 10.2 per cent in 2010-11 to 6.2 per cent in 2011-12. Home Care advises the decrease in available and vacant positions reflects the realignment of planned staffing requirements to better fit actual workloads and practices.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related	171,401	165,760	--	--
Personnel services expenses	--	--	175,493	162,733
Depreciation and amortisation	2,741	2,173	2,741	2,173
Other expenses	60,214	55,718	60,214	55,718
<b>Total expenses</b>	<b>234,356</b>	<b>223,651</b>	<b>238,448</b>	<b>220,624</b>
Grants and contributions	194,993	189,825	194,993	189,825
Sale of goods and services	28,826	29,318	28,826	29,318
Investment revenue	3,096	4,138	3,096	4,138
Other revenue	819	3,868	819	709
<b>Total revenues</b>	<b>227,734</b>	<b>227,149</b>	<b>227,734</b>	<b>223,990</b>
Other gains	96	381	108	432
<b>Net result - surplus/(deficit)</b>	<b>(6,526)</b>	<b>3,879</b>	<b>(10,606)</b>	<b>3,798</b>
<b>Other comprehensive income</b>				
Net increase in revaluation of assets	19	77	19	77
Superannuation actuarial losses	(4,080)	(81)	--	--
<b>Total other comprehensive income/(expense)</b>	<b>(4,061)</b>	<b>(4)</b>	<b>19</b>	<b>77</b>
<b>Total comprehensive income/(expense)</b>	<b>(10,587)</b>	<b>3,875</b>	<b>(10,587)</b>	<b>3,875</b>

The decrease in other revenue was due to a reduced workers' compensation insurance hindsight premium adjustment. In 2011-12, Home Care paid \$1.5 million for workers' compensation insurance, compared to a \$3.2 million refund of premium in 2010-11.

Home Care reported a \$4.1 million loss in the defined benefit superannuation scheme in 2011-12, compared to an \$81,000 loss in 2010-11. The increased loss was due to a fall in the bond rate used to discount superannuation liabilities to present values.

### Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	59,416	62,440	58,902	61,990
Non-current assets	23,472	24,420	23,472	24,420
<b>Total assets</b>	<b>82,888</b>	<b>86,860</b>	<b>82,374</b>	<b>86,410</b>
Current liabilities	37,992	35,096	37,478	34,646
Non-current liabilities	14,882	11,163	14,882	11,163
<b>Total liabilities</b>	<b>52,874</b>	<b>46,259</b>	<b>52,360</b>	<b>45,809</b>
<b>Net assets</b>	<b>30,014</b>	<b>40,601</b>	<b>30,014</b>	<b>40,601</b>

The increase in non-current liabilities was primarily due to the increase in superannuation liabilities. This was due predominately to the loss in the defined benefit superannuation scheme because of a fall in the bond rate mentioned above.



## Home Care Activities

The *Home Care Service Act 1988* established Home Care as a Statutory Authority. Home Care provides domestic assistance, personal care and a range of ancillary services for individuals and families within their own homes. Its operations are conducted through branches and service outlets, state-wide.

For further information on Home Care, refer to [www.facs.nsw.gov.au](http://www.facs.nsw.gov.au).

## Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

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**Entity Name**

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Home Care Service Division

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\* This entity does not have a website.

# NSW Businesslink Pty Ltd

## Audit Opinion

I issued an unqualified audit opinion on NSW Businesslink Pty Ltd's 30 June 2012 financial statements.

## Operational Snapshot

The Company received fees of \$206 million in 2011-12 for providing shared corporate services to the Department of Family and Community Services and other agencies and made a deficit of \$17.7 million.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Fees for services	206,069	193,199
Other	16,581	13,068
<b>Total revenue</b>	<b>222,650</b>	<b>206,267</b>
Personnel services expenses	102,295	64,297
Contractors and short term staff	66,820	63,190
Information technology	24,144	19,787
Depreciation and amortisation	23,868	16,600
Other expenses	23,255	23,038
<b>Total expenditure</b>	<b>240,382</b>	<b>186,912</b>
<b>Net result - surplus/(deficit)</b>	<b>(17,732)</b>	<b>19,355</b>
<b>Total comprehensive income/(expense)</b>	<b>(17,732)</b>	<b>19,355</b>

The increase in personnel services was mainly due to a \$34.5 million expense for defined benefit superannuation liabilities in 2011-12, compared to a \$4,000 expense in 2010-11. The fall in the government bond rate used to discount these liabilities to present values was the main reason for the increased expense.

The increase in depreciation and amortisation is mainly due to asset additions and the completion of assets under construction in 2011-12.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	36,596	45,349
Non-current assets	93,178	68,756
<b>Total assets</b>	<b>129,774</b>	<b>114,105</b>
Current liabilities	116,277	93,046
Non-current liabilities	10,888	718
<b>Total liabilities</b>	<b>127,165</b>	<b>93,764</b>
<b>Net assets</b>	<b>2,609</b>	<b>20,341</b>

Current assets decreased largely due to a fall in cash holdings of \$5.8 million.

The increase in non-current assets was due primarily to computer equipment purchases and computer software under construction.

Current liabilities rose mainly due to an increase in payables to the Department of Family and Community Services of \$30.8 million.

Despite a working capital deficiency of \$79.7 million at 30 June 2012, the Company does not believe it has a going concern issue because:

- a significant portion of the current payable to Department of Family and Community Services, \$81.0 million, for personnel services, including superannuation obligations, is not expected to be settled in the next 12 months
- the Company is able to increase its prices to achieve a break even position and, if needed, the prices can be increased retrospectively
- a significant proportion of cash outflows projected for 2012-13 and beyond relates to capital expenditure, some of which is non-discretionary, but most is classified as discretionary. As a result, capital expenditure can be delayed or even cancelled to align the Company's cash outflows with cash inflows
- the Company has a 'Line of Credit Loan Facility' with New South Wales Treasury Corporation that enables it to borrow up to \$19.1 million. At 30 June 2012 the Company had borrowings of \$12.7 million. Furthermore, the Company can borrow up to \$60.0 million subject to Treasury approval.

The Company believes these measures will ensure it is able to meet its debts as and when they become due and payable.

## Company Activities

The Company is a State Government owned company established under the *Corporations Act 2001*. It is the shared corporate service provider for administrative services, such as human resources, property and records management, information technology services and other financial services for the Department of Family and Community Services and other agencies. It supports these agencies' service delivery by providing better and more efficient services through economies of scale, productivity gains and process improvements.

The Company shareholders are the Treasurer, the Minister for Family and Community Services and the Minister for Ageing and Disability Services.

For more information on the Company, refer to [www.businesslink.nsw.gov.au](http://www.businesslink.nsw.gov.au).

# Historic Houses Trust of New South Wales

## Audit Opinion

I issued unqualified audit opinions on the Historic Houses Trust of New South Wales' and its controlled entities' 30 June 2012 financial statements.

The comments below relate to the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Trust manages and conserves 21 diverse properties within New South Wales. It provides cultural heritage, educational and commercial experiences through its museum facilities, public and commercial events, exhibitions at particular sites and travelling exhibitions in regional areas of the State and other parts of Australia.

The Trust, with the support of the Foundation for the Historic Houses Trust of New South Wales, established the Endangered House Fund. The fund acquires historic State buildings at risk, performs restoration works and finds new uses for the buildings.

In 2011-12, the Trust incurred expenditure of \$31.5 million and made a net surplus of \$366,000.

## Performance Information

The Trust provided the following information about its performance.

Trust visitor numbers and related revenues were stable

Year ended 30 June	2012	2011	2010	2009	2008
Visitor numbers ('000s)	920	930	829	913	1,012
Admission and function fees (\$m)	3.0	3.0	2.7	2.8	2.8
Temporary exhibitions	19	12	9	11	10
<b>Properties</b>					
Number	21	21	19	18	16
Value (\$m)	284	282	271	201	203
<b>Collections</b>					
Total items ('000s)*	300	298	298	296	296
Total value (\$m)	38	38	37	36	35
<b>Acquired this year</b>					
Total items	171	645	176	353	738
Total value (\$'000)	170	149	213	112	749

Source: Historic Houses Trust of New South Wales (unaudited).

\* includes archaeological artefacts estimated to number 250,000.

Although paid admissions fell to 303,670 in 2011-12 from 358,249 in 2010-11, revenue from admissions and functions fell by less than one per cent because of higher admission prices.

The fall in paid admissions did not impact total visitor numbers. Free entry visitor numbers grew by 11 per cent during 2011-12 to 550,048. Free entry visitors include complimentary tickets, admission to Government House and entry to the Trust's cafes and shops. The Trust had more than 920,000 visitors to its sites, exhibitions and activities in 2011-12.

In addition to the visitors above, 1.2 million (1.2 million in 2010-11) people visited the grounds of Hyde Park Barracks Museum, the Museum of Sydney and Vaucluse House. The Trust does not charge admission fees for entry to these sites.

Digital media provide people with information on the Trust's exhibitions and other events. It has Facebook, Twitter, Vimeo and other social media accounts. The Trust is expanding its digital presence and recorded over 2.9 million digital interactions in 2011-12.

## Endangered Houses Fund

Since inception, the Endangered Houses Fund has acquired six (six at 30 June 2011) properties valued at \$7.3 million (\$6.7 million). The Trust is marketing one property for sale.

The fund is a Trust program that identifies properties with heritage significance at risk of demolition or unsympathetic development. The Trust acquires these properties to conserve and protect them, and offers them for purchase or lease by the community. The fund is intended to be self-sustainable. The seed funding came from the sale of Lyndhurst in Glebe, and subsequent funding has come through public fundraising.

## Other Information

### Human Resources

Last year, I recommended the Trust implement procedures to reduce excess annual leave balances. The Trust advises management is notified quarterly of excess leave balances and works with staff to reduce the leave balances. By March 2013, leave balances will be reduced by staff taking planned leave and voluntary redundancies.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Personnel services expenses	19,089	18,572	19,027	18,572
Other expenses	12,447	12,388	12,313	12,187
<b>Total expenses</b>	<b>31,536</b>	<b>30,960</b>	<b>31,340</b>	<b>30,759</b>
Grants and contributions	25,920	24,940	25,812	24,845
Other revenue	6,242	6,772	6,077	6,600
<b>Total revenue</b>	<b>32,162</b>	<b>31,712</b>	<b>31,889</b>	<b>31,445</b>
Loss on disposals	(17)	(53)	(17)	(53)
Other gains/(losses)	(243)	3	(243)	3
<b>Net result - surplus</b>	<b>366</b>	<b>702</b>	<b>289</b>	<b>636</b>
<b>Other comprehensive income</b>				
Net increase/(decrease) in revaluation of assets	(29)	1,826	(29)	1,826
Other	(3)	--	3	--
<b>Total other comprehensive income/(expense)</b>	<b>(32)</b>	<b>1,826</b>	<b>(26)</b>	<b>1,826</b>
<b>Total comprehensive income</b>	<b>334</b>	<b>2,528</b>	<b>263</b>	<b>2,462</b>

The increase in personnel services expenses reflects higher award rates, temporary staffing requirements for functions and events and redundancy payments of \$587,000.

Included in grants and contributions revenue for 2011-12 is \$1.5 million to fund redundancy costs. These monies funded the Trust's redundancy costs over the past two years.

## Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	9,880	11,813	6,863	8,864
Non-current assets	320,726	319,691	319,818	318,783
<b>Total assets</b>	<b>330,606</b>	<b>331,504</b>	<b>326,681</b>	<b>327,647</b>
Current liabilities	3,772	5,011	3,758	4,994
Non-current liabilities	19	12	19	12
<b>Total liabilities</b>	<b>3,791</b>	<b>5,023</b>	<b>3,777</b>	<b>5,006</b>
<b>Net assets</b>	<b>326,815</b>	<b>326,481</b>	<b>322,904</b>	<b>322,641</b>

The reduction in current liabilities and current assets was mainly due to the payment of \$890,000 in redundancy costs during the year.

## Trust Activities

The principle functions of the Trust are to:

- manage and conserve historic buildings or places which have been acquired by or vested in it
- collect, manage, maintain and conserve objects and materials associated with those buildings and places
- research and interpret the significance of those buildings, places, objects and materials
- provide educational, cultural and professional services (including research, publications, information, public programs and activities) in respect of those buildings, places, objects and materials.

Under the *Historic Houses Act 1980*, the Trust is subject to the direction and control of the Minister for Heritage.

For further information on the Trust, refer to [www.hht.nsw.net.au](http://www.hht.nsw.net.au).

## Controlled Entities

The following controlled entities have not been reported separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Where available, we have listed the websites for further information on these entities.

Entity Name	Website
Foundation for the Historic Houses Trust of New South Wales	<a href="http://www.hht.net.au/support_us/foundation">www.hht.net.au/support_us/foundation</a>
Foundation for the Historic Houses Trust of New South Wales Limited	*
Hamilton Rouse Hill Trust	*
Rouse Hill Hamilton Collection Pty Limited	*

\* This entity does not have a website.

# Wentworth Park Sporting Complex and Trust

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## Audit Opinion

I issued an unqualified opinion on the Wentworth Park Sporting Complex Trust's 30 June 2012 financial statements.

## Key Issues

### Unresolved Loan Repayment (Repeat Issue)

#### *Recommendation*

I have previously recommended the Trust endeavour to agree with Greyhound Racing NSW the treatment of monies provided to it in 1985-87 by the former Racecourse Development Fund. The matter remains unresolved.

The Trust records a loan of \$6.5 million payable to Greyhound Racing NSW. The money was provided in the period 1985-87 by the former Racecourse Development Fund to finish constructing the main grandstand. At that time, grant status was not attached to the loan. The loan was transferred to Greyhound Racing NSW after privatisation of the TAB and winding up of the fund.

The Trust's Board advises it does not have the capacity to repay the loan and believes, with respect to the original arrangements, there is no obligation for repayment.

The Trust is working with the Minister for Regional Infrastructure and Services and the Department of Trade and Investment, Primary Industries and Services to resolve the matter. Responsibility for the Trust transferred from the Minister for Primary Industries during the year. The matter remains unresolved.

# Sydney Cricket and Sports Ground Trust

## Audit Opinion

I issued unqualified audit opinions on the Sydney Cricket and Sports Ground Trust's and its controlled entity's 29 February 2012 financial statements.

## Operational Snapshot

The Trust owns and operates the Sydney Cricket Ground and Allianz Stadium. It hosted around 1.2 million people at its venues during the year ended 29 February 2012. The following table shows total attendances by event type:

Year ended 28 February	2012	2011
Rugby League	357,000	353,300
Cricket	238,500	256,900
Australian Rules	201,600	231,800
Football (Soccer)	137,700	203,700
Rugby Union	105,900	112,600
Special events and concerts	121,900	107,700
<b>Total</b>	<b>1,162,600</b>	<b>1,266,000</b>

Source: Sydney Cricket and Sports Ground Trust (unaudited).

## Other Information

The Trust has started a \$186 million redevelopment of the Sydney Cricket Ground.

The NSW Government will contribute \$86.0 million to the project and the Australian Government \$50.0 million. The Trust will fund the remaining \$50.0 million through borrowings.

Replacement of the Noble (constructed 1936), Bradman (1973) and Messenger (1986) stands is aimed at improving spectator enjoyment and providing state-of-the-art facilities for corporate and media interests. Plans also include the largest video screen at any Australian sporting ground, a 700 person dining room, three new bar areas and secure player facilities. Once construction is complete the capacity of the Sydney Cricket Ground will increase from 45,000 to 48,000.

In March 2012, there was a \$33.0 million write-down of the existing stands when demolition started.

The Trust has started a \$186 million redevelopment of the Sydney Cricket Ground



## Financial Information

Unless otherwise stated, the following commentary relates to the consolidated entity.

### Abridged Statement of Comprehensive Income

Year ended 29 February	Consolidated	
	2012 \$'000	2011* \$'000
Membership income	17,973	16,493
Catering	13,593	14,584
Advertising and sponsorship	9,061	7,855
Hire fees	8,115	9,361
Corporate seating sales	5,808	6,513
Other revenue	11,925	9,838
<b>Total revenue</b>	<b>66,475</b>	<b>64,644</b>
Operating costs	35,761	36,601
Employee related expenses	14,492	13,940
Other expenditure	13,434	13,876
<b>Total expenditure</b>	<b>63,687</b>	<b>64,417</b>
Gain on disposal of non-current assets	42	4,472
<b>Net result - surplus</b>	<b>2,830</b>	<b>4,699</b>
<b>Other comprehensive income</b>		
Superannuation actuarial losses	(190)	(54)
<b>Total comprehensive income</b>	<b>2,640</b>	<b>4,645</b>

\* The prior reporting period ended on 28 February.

Other revenue includes \$2.5 million in government grants towards the Sydney Cricket Ground redevelopment.

The 2010-11 gain on disposal of non-current assets included a one-off amount from the long-term licence of land to the NRL used to construct Rugby League Central.

### Abridged Statement of Financial Position

At 29 February	Consolidated	
	2012 \$'000	2011* \$'000
Current assets	13,268	11,769
Non-current assets	571,806	569,890
<b>Total assets</b>	<b>585,074</b>	<b>581,659</b>
Current liabilities	25,455	26,426
Non-current liabilities	37,208	35,462
<b>Total liabilities</b>	<b>62,663</b>	<b>61,888</b>
<b>Net assets</b>	<b>522,411</b>	<b>519,771</b>

\* The prior reporting period ended on 28 February.

Non-current assets mainly comprise property, plant and equipment, being mainly stadium infrastructure.

## Trust Activities

The Trust is constituted under the *Sydney Cricket and Sports Ground Act 1978*. The Trust is subject to the control and direction of the Minister for Sport and Recreation.

The Trust consists of 15 members, 13 appointed by the Governor and two elected by members. Each Trustee is appointed for a term of up to four years.

For further information on the Trust, refer to [www.scgt.nsw.gov.au](http://www.scgt.nsw.gov.au).

## Controlled Entity

The following controlled entity has not been reported separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Sydney Cricket and Sports Ground Trust Division	*

\* This entity does not have a website.

# Venues NSW

## Audit Opinion

I issued unqualified audit opinions on Venues NSW's and its controlled entity's 30 June 2012 financial statements.

## Operational Snapshot

Venues NSW operates NSW Government owned sporting and entertainment venues in the Hunter, Western Sydney and Illawarra regions. During 2011-12, the entity's venues hosted around 210 events with nearly 1.4 million people attending. The following table shows total attendances by event type:

Year ended 30 June 2012 *	Western Sydney	Illawarra	Hunter	Total
Rugby league	137,000	100,000	308,000	545,000
Football (soccer)	--	4,000	157,500	161,500
Basketball	--	34,000	--	34,000
Rugby union	--	--	20,000	20,000
Netball	--	--	8,000	8,000
Functions and concerts	500	139,000	461,500	601,000
<b>Total</b>	<b>137,500</b>	<b>277,000</b>	<b>955,000</b>	<b>1,369,500</b>

Source: Venues NSW (unaudited).

\* The information is shown for the full 2011-12 financial year.

## Key Issues

### Creation of Venues NSW

Venues NSW was created on 2 March 2012, amalgamating the former Illawarra Venues Authority, Parramatta Stadium Trust and the Hunter Region Sporting Venues Authority into one organisation. The net assets transferred to Venues NSW from the abolished entities are shown below:

Venue Authorities	\$'000
Hunter Region Sporting Venues Authority	154,983
Parramatta Stadium Trust	59,194
Illawarra Venues Authority	91,488
<b>Total</b>	<b>305,665</b>

Net assets transferred mainly comprised property, plant and equipment assets.

The abolished entities each prepared financial statements for the period ended 1 March 2012. I issued unqualified audit opinions on each of these entities' financial statements.

The Hunter Sports Group has long outstanding debts relating to the Knights' use of the stadium and the use of catering services

## Financial performance of Hunter Stadium

Venues NSW incurred a \$2.4 million operating deficit for the period ended 30 June 2012. Hunter Stadium's operations made up \$1.6 million of the deficit. Whilst Hunter Stadium is not a separate legal entity, its operations and long outstanding debts created cash flow difficulties for the Stadium during 2011-12.

Hunter Stadium is the home ground of the Newcastle Knights (National Rugby League) and the Newcastle Jets (A-League), both owned by the Hunter Sports Group. By September 2012, the Hunter Sports Group had long outstanding debts of \$1.3 million for the Knights' use of the stadium and catering services. In October 2012, the group agreed to pay \$883,000, of which \$300,000 has been subsequently paid. The remaining balance is still under negotiation.

During 2011-12, Venues NSW transferred funds between business units to help Hunter Stadium meet cash flow needs. Venues NSW has since centralised all operating bank accounts into one entity account.

## Financial Information

Unless otherwise stated, the following commentary relates to the consolidated entity.

### Abridged Statement of Comprehensive Income

Period ended 30 June	Consolidated
	2012* \$'000
Event related costs	1,497
Personnel services expenses	1,467
Depreciation	2,913
Finance costs	2
Other expenses	4,261
<b>Total expenses</b>	<b>10,140</b>
Event related revenue	4,330
Investment revenue	271
Grants and contributions	846
Other	2,341
<b>Total revenue</b>	<b>7,788</b>
Other losses	(3)
<b>Net result-deficit</b>	<b>(2,355)</b>
<b>Total comprehensive expense</b>	<b>(2,355)</b>

\* Figures are for the four months ended 30 June 2012.

## Abridged Statement of Financial Position

At 30 June	Consolidated
	2012 \$'000
Current assets	21,023
Non-current assets	297,349
<b>Total assets</b>	<b>318,372</b>
Current liabilities	11,177
Non-current liabilities	3,910
<b>Total liabilities</b>	<b>15,087</b>
<b>Net assets</b>	<b>303,285</b>

Non-current assets comprise property, plant and equipment, being mainly venues infrastructure.

### Venues NSW Activities

Venues NSW is constituted under the *Sporting Venues Authorities Act 2008*. It is subject to the control and direction of the Minister for Sport and Recreation.

For further information on the Authority, refer to [www.communities.nsw.gov.au/venuesnsw](http://www.communities.nsw.gov.au/venuesnsw).

### Controlled Entity

The Newcastle International Sports Centre Club is a controlled entity of Venues NSW. It was previously a controlled entity of the former Hunter Region Sporting Venues Authority.

The club ceased trading in 2008 due the demolition of the old Western Grandstand at Hunter Stadium. It still holds 15 gaming machine entitlements, which are not in use.

The club has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

# Appendix

## Agencies not commented on in this volume, by minister

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity Name	Website	Period/year ended
<b>Minister for the Arts</b>		
Art Gallery of New South Wales Foundation	<a href="http://www.artgallery.nsw.gov.au">www.artgallery.nsw.gov.au</a>	30 June 2012
The Brett Whiteley Foundation	<a href="http://www.artgallery.nsw.gov.au">www.artgallery.nsw.gov.au</a>	30 June 2012
<b>Minister for Citizenship and Communities</b>		
Community Relations Commission for a Multicultural NSW	<a href="http://www.crc.nsw.gov.au">www.crc.nsw.gov.au</a>	30 June 2012
NSW Commission For Children and Young People	<a href="http://www.kids.nsw.gov.au">www.kids.nsw.gov.au</a>	30 June 2012
<b>Minister for Education</b>		
Arts Education Foundation Trust	*	30 June 2012 and 30 June 2012
Board of Studies	<a href="http://www.boardofstudies.nsw.edu.au">www.boardofstudies.nsw.edu.au</a>	30 June 2012
Board of Studies Casual Staff Division	<a href="http://www.boardofstudies.nsw.edu.au">www.boardofstudies.nsw.edu.au</a>	30 June 2012
Coffs Harbour Technology Park Limited	<a href="http://www.coffstechpark.com.au">www.coffstechpark.com.au</a>	30 June 2012
NSW Board of Vocational Education And Training	<a href="http://www.bvet.nsw.gov.au">www.bvet.nsw.gov.au</a>	30 June 2012
NSW Institute of Teachers	<a href="http://www.nswteachers.nsw.edu.au">www.nswteachers.nsw.edu.au</a>	30 June 2012
Office of the Board of Studies	<a href="http://www.boardofstudies.nsw.edu.au">www.boardofstudies.nsw.edu.au</a>	30 June 2012
Office of the Institute of Teachers	<a href="http://www.nswteachers.nsw.edu.au">www.nswteachers.nsw.edu.au</a>	30 June 2012
Universities Admissions Centre (NSW & ACT) Pty Limited	<a href="http://www.uac.edu.au">www.uac.edu.au</a>	30 June 2012
<b>Minister for Sports and Recreation</b>		
Combat Sports Authority of NSW	<a href="http://www.dsr.nsw.gov.au/aboutus/industry_combat.asp">www.dsr.nsw.gov.au/aboutus/industry_combat.asp</a>	30 June 2012
New South Wales Institute of Sport	<a href="http://www.nswis.com.au">www.nswis.com.au</a>	30 June 2012
Institute of Sport Division	<a href="http://www.nswis.com.au">www.nswis.com.au</a>	30 June 2012
Sydney Olympic Park Authority	<a href="http://www.sopa.nsw.gov.au">www.sopa.nsw.gov.au</a>	30 June 2012
<b>Minister for Tourism, Major Events, Hospitality and Racing</b>		
Independent Liquor and Gaming Authority	<a href="http://www.clgca.nsw.gov.au">www.clgca.nsw.gov.au</a>	30 June 2012
Responsible Gambling Fund	<a href="http://www.olgr.nsw.gov.au/gaming_rgf.asp">www.olgr.nsw.gov.au/gaming_rgf.asp</a>	30 June 2012

\* This entity does not have a website.

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