

# AUDITOR-GENERAL'S REPORT

## FINANCIAL AUDITS

Volume Five 2008



The Legislative Assembly  
Parliament House  
Sydney NSW 2000

The Legislative Council  
Parliament House  
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Five of my 2008 Report.

Peter Achterstraat  
Auditor-General

Sydney  
November 2008

## GUIDE TO USING THIS VOLUME

This volume summarises the results of a number of our financial audits.

We have attempted to adopt a 'plain English' style of writing. This is not always easy when describing technical issues, but we recognise the diversity of our readership and their needs.

This Volume has three sections. Section One includes a Special Review and Section Two incorporates The Legislature.

Section Three is divided into ministerial portfolios, each containing one or more government agencies. Each agency's comment begins with a summary of our **Audit Opinion**. This is a key result of each audit. An 'unqualified audit opinion' means we are satisfied that the agency has prepared its financial report in accordance with Australian Accounting Standards (and other mandatory requirements). It also means we believe the report has no material misstatements and the scope of our audit has not been limited. If any of these aspects are not met we issue a 'qualified audit opinion' and explain why we did this.

The next section outlines any **Key Issues** we identified during the audit. These are matters such as:

- significant findings or outcomes of the audit
- any major developments impacting on the agency's role or activities
- key repeat findings
- recommendations to Parliament.

The Audit Opinion and the Key Issues sections represent the more important findings. By targeting these sections, readers can quickly understand the major issues facing a particular agency, or glance through a number of reports to assess the financial health of a portfolio.

**Performance Information** covers key financial and operational statistics we have identified that help understand how well the agency is performing. Wherever possible we include comparisons with similar agencies interstate.

The next two sections contain analysis of issues we identified during our audit. While many of these will include suggestions for improvement, these are not as significant as the issues outlined in the first two sections of the agency comment.

**Other Information** summarises any other matters noted during the audit of the agency that warrant inclusion in this Report

**Financial Information** summarises the essential information from each agency's financial report. While this is sufficient for a broad understanding of the agency's financial position, readers can access more detailed financial statements in the agency's annual report or website.

**Agency Activities** summarise the agency's purpose, services, structure, relevant legislation, and its web address.

While some 'agency comments' in this volume will have all of the headings outlined here, this will vary depending on the size of the organisation and the findings of our audit.

The **Agency Response** appears where the head of an agency does not believe that the commentary in our Report adequately reflects the agency's position or actions taken. As we discuss our proposed comments with agency staff during the drafting process, few agencies ask for a formal response to be included.

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## Significant Items

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The Corporation had investment losses of \$355 million for the year to 30 June 2008, compared to investment earnings of \$555 million in the previous year. These losses were due to reductions in the market value of its investments as a result of the global financial crisis. 390

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The Fines Enforcement System project had an original target completion date of June 2006. It is now anticipated that Phase 1 of the project will only be implemented in August 2009. 407

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# Section One

## Special Review

Review of Housing NSW's \$7.0 million Grant to Canterbury City Council



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# Review of Housing NSW's \$7.0 million Grant to Canterbury City Council

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## INTRODUCTION

Housing is the largest public housing provider in Australia with annual expenditure of approximately \$1.0 billion and assets in excess of \$28.0 billion. In 2005-06, it spent \$10.4 million on miscellaneous grants, including a \$7.0 million (excluding GST) grant paid to the Canterbury City Council (Council) on 28 June 2006.

In July 2007, the Independent Commission Against Corruption (ICAC) wrote to the Auditor-General about a complaint from the a member of the Legislative Council regarding the \$7.0 million grant to the Council. The ICAC advised the Auditor-General it had assessed (but not investigated) the complaint, which primarily involved examining publicly available information and material obtained from Housing. Based on this assessment, the ICAC decided the matter may warrant examination by the Audit Office of New South Wales.

In its letter, the ICAC noted the evidence obtained to-date did not identify the reasons for the decision to provide the \$7.0 million to the Council or even identify who made that decision. In particular, no evidence had emerged and no explanations had been offered as to:

- why Riverwood, ahead of any other suburb in New South Wales (including 11 suburbs with larger public housing estates), should be the beneficiary of the proposed funding
- why it was considered appropriate for the State Government, rather than the Council or some other public or private body, to fund the particular proposed projects
- how the figure of \$7.0 million was arrived at.

References in this report to position descriptions refer to the incumbent of the position at the relevant date.

## KEY FINDINGS

### Grant Approval

- The Government approved this grant without the normal departmental analysis and advice. While the Government may be able to legally do this, in my view it is inappropriate and may not lead to the best use of public funds.
- The grant application was not properly assessed and approved by a Government agency, Minister or Minister's Office as suitable for Government funding. After the grant had been paid, Housing advised its Minister it had not approved the projects and would only monitor expenditure.
- The quality of the Council's application fell well short of what would ordinarily be required before a request for such a large grant would be seriously considered for approval by a Government agency.
- It appears that the decision to approve the grant was made before the application was provided to Housing.
- It is accepted practice for each request for additional funding to specify project details. However, Housing's Briefing Note to the Minister, the Minister's letter to the Treasurer and the Treasurer's letter approving the funding did not specify the projects to be funded.

### Selection of Suitable Projects

- Housing only identified which of the six projects included in the grant application would be supported after the funds had been approved by the Treasurer.
- The projects included \$4.0 million for an indoor sports centre. Although Housing has previously funded recreational facilities, funding for these sorts of projects would normally be through the Department of the Arts, Sport and Recreation.

### Cost Estimation

- The Council has still not provided Housing with detailed plans and cost estimates for the indoor sport centre project as development approval was only obtained in June 2008.
- Less than one month after the Council received the grant, it formally advised Housing that project costings would increase by an average of nearly 20 per cent. During June 2006, Council briefed Housing on these likely increases.
- Housing paid the grant to the Council without having firm estimates of project costs.
- Only \$3.1 million of the \$7.0 million had been spent or committed by the Council at June 2008, two years after the grant was paid. In effect, Housing has provided the Council with a significant unsecured interest free loan, with the Council benefiting from interest earned on the unspent funds. Housing's officers advised us the Council includes the unspent grant funds and related interest in its investment portfolio and discloses that these funds are subject to external restrictions in its financial statements.
- The \$7.0 million grant was significantly more than any other grant paid by Housing to individual organisations over the last three years. The next highest grant was \$5.3 million paid to St George Community Housing Co-Operative in 2006 as part of the Community Housing Assistance Program.

### Grant Management

- A Memorandum of Understanding (MOU) between Housing and the Council was not signed until 28 June 2007, although Housing had sent a draft document to the Council on 15 March 2007.

### Other

- Housing's record keeping was not always of a satisfactory standard.

## RECOMMENDATIONS

We recommend the Government:

- strongly remind all Ministers to ensure additional funding requests from agencies contain specific details of the projects to be funded and any subsequent change in the projects or their costings be approved by the agency, Minister and/or Treasurer
- require all Ministers to refer grant applications to the appropriate agency
- require all agencies to refer grant applications not within their jurisdiction to the appropriate agency
- ensure all agencies have appropriately documented policies and procedures for receiving, analysing, assessing and approving grant applications
- require all agencies to manage recipient's performance by using appropriate funding mechanisms, including one where payment of a proportion of each grant occurs only when milestones are achieved
- request agencies to include compliance audits of grant approvals in their internal audit programs
- ensure responsible Ministers provide written Ministerial Directions to agencies when the Government decides to pay grants to entities without normal departmental analysis and advice
- ensure all agencies disclose the nature and content of all Ministerial Directions and the actions, implications and outcomes of those directions in its annual report.

We recommend Housing:

- ensure it has appropriately documented policies and procedures for receiving, analysing, assessing and approving all types of grant applications
- ensure relevant employees are aware of, understand and follow the appropriate policies and procedures for approving grant applications
- encourage its employees to advise a supervisor when a grant application is not being processed in accordance with established policies and procedures.

## GRANT APPROVAL

### Summary of Audit Findings

- The Government approved this grant without the normal departmental analysis and advice. While the Government may be able to legally do this, in my view it is inappropriate and may not lead to the best use of public funds.
- The grant application was not properly assessed and approved by a Government agency, Minister or Minister's Office as suitable for Government funding. After the grant had been paid, Housing advised its Minister it had not approved the projects and would only monitor expenditure.
- The quality of the Council's application fell well short of what would ordinarily be required before a request for such a large grant would be seriously considered for approval by a Government agency.
- It appears that the decision to approve the grant was made before the application was provided to Housing.
- It is accepted practice for each request for additional funding to specify project details. However, Housing's Briefing Note to the Minister, the Minister's letter to the Treasurer and the Treasurer's letter approving the funding did not specify the projects to be funded.

From the commencement of the transaction, Housing officers do not appear to have been well informed about the grant proposal. Information provided by the Council was brief and the request for supplementary funds was drafted by the Minister's Office. The lack of information provided to Housing, and the very short time frame, did not give Housing sufficient time to conduct a proper assessment of the grant application before funding was approved.

In early April 2006, the Council sent two funding applications to the Premier's Office and the Minister's Office. The applications covered six projects totalling \$11.3 million. The Deputy Secretary of The Treasury (Treasury) advised us that the Treasurer's Office contacted him in late April 2006 and asked if there were funds available before 30 June 2006 for a number of Government priorities requested by the Premier's Office. Treasury confirmed funds were available and the Treasurer's Office provided the Deputy Secretary with a list of priority transactions. We sighted the list and noted the two Housing transactions (\$10.0 million for housing stock and a \$7.0 million grant to the Council). The Deputy Secretary advised the Treasurer's Office that if funds were to be given to Housing then documentation was needed to support the request. He also asked a Treasury officer to make enquiries of Housing on these matters.

On 28 April 2006, a Housing officer emailed two other Housing officers asking if they knew anything about a request to the Premier's Office for \$7.0 million by the Council. One Housing officer emailed back and advised she had contacted Treasury and asked them to speak to the Deputy Director-General on the matter. On 1 May 2006, the Deputy Director-General emailed Housing's Chief Financial Officer and two other Housing officers to confirm he had advised Treasury that Housing had no plans to make a \$7.0 million grant to the Council.



On 2 May 2006, the Minister's Office emailed the Director Ministerial and Executive Services a draft letter from the Minister to the Treasurer seeking a \$7.0 million (excluding GST) budget enhancement to support a range of projects proposed by the Council. The Minister's Office called the Director Ministerial and Executive Services to ask her to review the letter and to prepare a Briefing Note to support the Minister's request. The Minister's Office advised Housing it held discussions with the Treasurer's Office and indicated there was already agreement to provide funding. The Minister's Office also faxed the Council's proposals to the Director Ministerial and Executive Services. She distributed them to the appropriate Housing officers to ensure they were consistent with Housing's general approach to community renewal and to consider processes Housing would use to ensure moneys were properly spent by the Council. Treasury also spoke to Housing's Chief Financial Officer about the grant proposal that day.

On 3 May 2006, Treasury emailed officers at Housing advising:

- the Minister was progressing a written request for a \$7.0 million grant to the Council
- the Minister's request for \$7.0 million budget enhancement was 'likely to be approved'.

The Treasury officer has subsequently explained to us that 'this was an officer level view formed on the basis of the advised priority and merits of the proposal, and its consistency with the objectives of Housing around addressing social disadvantage in public housing. The statement is not a definitive "will be approved" and implies that approval is subject to further considerations. However, the statement was intended to allow Housing to consider how this funding, upon the relevant approval being granted, would be accounted for in the data associated with the 2005-06 Budget'.

In the email, Treasury also asked how Housing wanted to show the grant given that it was 'outside normal grants payments'. The Treasury officer explained to us that the context of this comment was in relation to the accounting treatment of the grant. Housing's chart of accounts had a limited number of general ledger codes and the Treasury officer was questioning how this payment would be recorded. A Housing officer advised us the transaction was outside the normal budget bidding process but not unusual for a Minister to seek such moneys.

The Director Ministerial and Executive Services faxed two documents to the Minister's Office on 3 May 2006, a signed Briefing Note supporting the Minister's request for \$7.0 million of supplementary funding and a draft letter from the Minister to the Treasurer (unchanged from that drafted by the Minister's Office). These documents did not specify individual Council projects. Housing officers advised us they considered it was more practical not to tie funding at the individual project level because:

- in early May 2006 some individual project costings were still preliminary and Council had agreed to provide more detail later
- there was limited time available to request and spend a grant by 30 June 2006 (unspent Treasury funding could not be carried forward to the next financial year)
- overall program funding was capped at \$7.0 million.

A signed Briefing Note by Housing (prepared on 21 July 2006) to the Minister states Housing was only responsible for monitoring the expenditure by the Council and not for the approval of the projects themselves. On 4 June 2007, the Director-General wrote to the ICAC and advised that Housing did not assess or approve the grant application. He clarified that Housing merely assessed the documents to ensure that allocated funding would be directed to projects most beneficial to social housing tenants. This information was not included in the Briefing Note to the Minister on 3 May 2006. Additionally, Housing officers advised us that they considered the transaction was a Ministerial Direction and that Housing had recorded it that way in Briefing Notes. Commonwealth funding had fallen by approximately \$870 million over the course of recent Commonwealth State Funding Agreements and that an extra \$7.0 million was welcome to provide permanent improvements in the Riverwood area.

On 8 May 2006, a Treasury officer prepared a \$17.0 million supplementation funding request to the Treasurer for two Housing initiatives (it was approved by the Executive Director on 12 May 2006). Details are:

- The Premier and the Minister have requested supplementation funding totalling \$17.0 million from the Treasurer's Advance for 2005-06 for two Housing initiatives:
  - \$10.0 million for the acquisition of 30 additional public housing stocks to respond to demand for public housing and current waiting lists
  - provision of a \$7.0 million grant to the Council for community related infrastructure as part of the urban renewal program for the Riverwood Housing Estate. The Council projects integrate with Housing's own redevelopment work in the area to meet perceived social and community benefits.

Treasury supported these two proposals. The \$17.0 million of funding came out of savings from the Crown Finance Entity (Crown Entity). Treasury officers advised us that the transaction probably had less supporting documentation than normal to support the claim but was acceptable and recommended to the Treasurer for approval because:

- support was already expressed by the Treasurer's Office
- funds were being transferred from one government bank account (Crown Entity) to another government agency's bank account (Housing)
- there was sufficient background information, including consistency with Housing's policy and objectives and what was needed to improve the community in and around housing estates
- the grant was a priority as the Council was already conducting community refurbishments around the Riverwood area at the time
- in the initial 2005-06 budget estimates, Housing had anticipated a \$50.0 million enhancement for 'reshaping public housing reforms' but this was reduced to \$25.0 million for the final 2005-06 New South Wales State Budget.

A Treasury officer also advised us that the 'Premier' was mentioned in the supplementary funding request, as noted above, based on comments made to him by Housing officers suggesting the Minister had spoken to the Premier and/or his office on the transaction.

The Minister sent a letter to the Treasurer (date unclear - between 3 May 2006 and 12 May 2006) seeking a \$7.0 million funding enhancement. The letter stated Housing was supporting very worthwhile and important projects in Riverwood proposed by the Council that would greatly boost the physical and social amenity of the Riverwood area. On 17 May 2006, the Treasurer wrote back to the Minister approving the \$7.0 million in supplemental funding stating that:

- he understood Housing was proposing provision of a \$7.0 million grant to the Council for community related infrastructure for Riverwood Housing Estate
- he had been advised that the grant to the Council would fund additional physical and social amenities in Riverwood.

Even though supplementary budget funding was approved by the Treasurer, there is no evidence the grant application was appropriately assessed and approved by an agency, Minister or Minister's Office as suitable for an appropriate agency to fund. Housing officers advised us that if they were in charge of the grant application from the start, they would have used existing internal processes for determining priorities for enhancement funding and followed the normal formal Treasury enhancement process, including using the Treasury template for requesting additional funding. Treasury officers advised us that there is no formal process for Treasury to review the correspondence an agency directly receives in regards to a grant request. Treasury expects agencies, including Housing, to complete a rigorous due diligence on the proposal's merits and its prioritisation against other projects, to monitor expenditures and to ensure excess moneys are returned.

The December 2002 Auditor-General's Performance Audit Report on Managing Grants highlighted that when evaluating grant proposals, there needs to be a clear alignment of the project outcomes with the agency's corporate objectives (this guidance was used as the Government's guidance was not issued until August 2006). The grant application was predominantly pictures, background information and description of proposed assets. There was very limited discussion in the application on how the proposed projects would align to Housing's corporate objectives. Housing's own records did not clarify this matter at the time. However, Housing's management has since provided us with documentation indicating such alignment.

## SELECTION OF SUITABLE PROJECTS

### Summary of Audit Findings

- Housing only identified which of the six projects included in the grant application would be supported after the funds had been approved by the Treasurer.
- The projects included \$4.0 million for an indoor sports centre. Although Housing has previously funded recreational facilities, funding for these sorts of projects would normally be through the Department of the Arts, Sport and Recreation.

There appears to have been little time for Housing to adequately analyse, assess, approve and recommend to the Minister which projects the Minister should seek funding for from the Treasurer. Housing took only one day to make a recommendation for supplementary funding to the Minister after receiving a copy of the grant application.

The Minister's letter to the Treasurer in early May 2006 and the Treasurer's response on 17 May 2006 did not detail the specific projects to be funded. The Council did not know which projects the grant was to support and emailed Housing's Chief Financial Officer on 30 May 2006 requesting these details. Housing officers advised us that as the Council's proposals were not detailed, they sought further information from Council in order to select appropriate projects for funding.

In mid-June 2006, Housing's Director Ministerial and Executive Services, Chief Financial Officer and Deputy Director-General agreed on the Council projects that would be funded by Housing. These were the Rotary Park improvements, construction of an indoor sports centre, the Riverwood community centre improvements and the Salt Pan Creek wetlands development. On 27 June 2006, the Council wrote to the Deputy Director-General thanking him for his letter confirming which projects were to be funded and agreeing to accountability arrangements and providing more details on projects as they were developed.

It is unusual that Housing was asked to fund an indoor sports centre which prima-facie might be an activity funded by the Department of the Arts, Sport and Recreation. Housing recorded similar concerns in the Briefing Note for the Minister it faxed from the Ministerial Communication Unit on 3 May 2006.

## COST ESTIMATION

### Summary of Audit Findings

- The Council has still not provided Housing with detailed plans and cost estimates for the indoor sport centre project as development approval was only obtained in June 2008.
- Less than one month after the Council received the grant, it formally advised Housing that project costings would increase by an average of nearly 20 per cent. During June 2006, Council briefed Housing on these likely increases.
- Housing paid the grant to the Council without having firm estimates of project costs.
- Only \$3.1 million of the \$7.0 million had been spent or committed by the Council at June 2008, two years after the grant was paid. In effect, Housing has provided the Council with a significant unsecured interest free loan, with the Council benefiting from interest earned on the unspent funds. Housing's officers advised us the Council includes the unspent grant funds and related interest in its investment portfolio and discloses that these funds are subject to external restrictions in its financial statements.
- The \$7.0 million grant was significantly more than any other grant paid by Housing to individual organisations over the last three years. The next highest grant was \$5.3 million paid to St George Community Housing Co-Operative in 2006 as part of the Community Housing Assistance Program.

### Project Costs Supporting the \$7.0 million Grant

We believe the speed of the grant process and the lack of clarity of Housing's role in the process contributed to a passive approach by Housing towards its assessment of the cost estimates provided by the Council. The estimated costs for three of the four projects changed significantly in a short period of time.

Details of the Council's estimated project costs were:

Council Proposed Project	Original Cost Estimates April 2006 \$'000	Revised Cost Estimates 21 July 2006 \$'000	Change \$'000	Change %				
<b>Funding Application# 1</b>								
Rotary Park	1,500	1,000	(500)	(33.3)				
<b>Funding Application# 2</b>								
\$5.9 million	}							
Indoor Sports Centre					2,500	4,000	1,500	60.0
Community Centre offices					500	500	--	0.0
Salt Pan Creek Wetlands					1,360	1,500	140	10.3
Library and Senior Citizens					2,100			
Salt Pan Creek tip site	3,300							
	9,760							
<b>Total</b>	11,260	7,000	1,140	19.5				

Source: Council's two fund applications.

The original Council funding applications sent to the Premier's Office and the Minister's Office in early April 2006 included estimated project costs of \$5.9 million for the four projects Housing ultimately funded. On 1 August 2006, Housing received a Council report dated 21 July 2006 showing that estimated costs for those four projects had increased to \$7.0 million, with no explanation. There is little evidence Housing questioned this 19.5 per cent increase. A file note by Housing's Chief Financial Officer in a conversation with the Council in June 2006 noted the Council advising of errors in its estimation of project costs. Also, Housing's officers advised us it was normal that an outline of costings would be submitted, then costings refined once funding was approved.

Briefing Notes from Housing to the Minister dated 23 June 2006 and 21 July 2006 advised that project specifications were broad, costings were only preliminary, and detailed project plans, costings and cash flows would be provided by the Council at a later stage. Some six months later, on 19 December 2006, the Council emailed Housing to advise they were still in the early stages of developing project plans and seeking planning approvals. They also advised that costs to-date on the four projects totalled \$342,000. Detailed plans and costings were still not available for all the projects when the Council emailed Housing on 4 June 2007 and advised total costs incurred to-date plus commitments for the four projects had reached \$1.6 million.

Housing's officers advised us the Council includes the unspent grant funds and related interest in its investment portfolio and discloses that these funds are subject to external restrictions in its financial statements. Housing's officers also advised us they went to the Council's premises in May 2008 and were satisfied the progress reports were accurate and the \$7.0 million was being spent in accordance with the agreed intentions. They also provided us with further Council documentation indicating:

- by June 2008 the total costs incurred to-date on the four projects plus commitments had reached approximately \$3.1 million
- progress on the Rotary Park project stopped in April 2008 as bore hole investigations revealed the site is affected by asbestos
- the development application for the indoor sports centre was approved by Council in June 2008 and the centre would not be completed before January 2010 (at the time of printing no construction work had commenced on this project)
- the community centre offices should be completed by October 2008 (management subsequently advised this will be completed by 30 November 2008).

## Comparison of the \$7.0 million Grant Value to Other Housing Grants

Details of funds granted by Housing to non-government community groups:

Year ended 30 June	2004 \$'000	2005 \$'000	2006 \$'000
Community Housing Assistance Program-leasing subsidies	42,781	45,258	50,749
Crisis accommodation program-leasing subsidies	1,324	1,503	1,554
Resourcing agencies	1,372	1,382	1,464
Tenancy guarantee program	10	76	152
Housing communities assistance program	530	594	675
Community regeneration program	300	793	665
Tenant participation	951	1,299	1,312
Community solutions and crime prevention strategy	127	--	--
Community development and resourcing program	--	35	1
Home purchase assistance program	--	48	--
WorkiT program	--	600	--
Local government housing initiatives program	--	--	225
Other grants	2,740	2,642	10,423*
<b>Total</b>	<b>50,135</b>	<b>54,230</b>	<b>67,220</b>

Source: Housing's Annual Reports, Appendix 13.

\* Includes \$7.0 million grant to Council.

The \$7.0 million grant to the Council was the largest individual grant Housing made between 2004 and 2006. Grants supporting the Community Housing Assistance Program are paid to approximately 45 different organisations and relate to leasing properties from the private sector to accommodate households on low incomes. The largest grant paid to any one organisation under the community housing program in any of the three years was \$5.3 million to St George Community Housing Co-Operative in 2006.

## GRANT MANAGEMENT

### Summary of Audit Findings

- A MOU between Housing and the Council was not signed until 28 June 2007, although Housing had sent a draft document to the Council on 15 March 2007.

From the commencement of initial discussions between Housing and the Council, details on the monitoring of grant expenditure were brief. This contributed to superficial Council reporting over the first nine months. Housing's officer advised us they considered a robust approach was in place, including an appropriate reporting regime once they knew of the \$7.0 million of funding.

The Council's email to Housing's Chief Financial Officer on 30 May 2006 stated that the Council would only agree on a process for the administration and accountability for the works after receiving written confirmation of which projects had been approved and for how much. However, on 5 June 2006 Housing's Chief Financial Officer emailed a draft letter to Council requiring it to provide detailed project plans for each project when developed, detailed costings and a commitment to report against these at identified key project milestones. This arrangement was confirmed in a Briefing Note to the Minister dated 23 June 2006 and Council agreed with these arrangements in a letter to the Acting Director-General on 27 June 2006. Even though the Briefing Note and letter identified the projects they did not specify the funding amount for each.

On 29 September 2006, a Housing officer met with Council representatives and agreed bi-monthly meetings would occur between the parties and a Service Level Agreement (SLA) would be prepared. However, no SLA had been developed when the parties met on 12 February 2007 and agreed one was needed. Housing sent a draft SLA to Council on 15 March 2007 which Council agreed to on 26 March 2007. However, the Director-General did not send MOU and SLA (unconfirmed) to the Council until 4 June 2007. The Council signed and returned the MOU to Housing on 28 June 2007.

The MOU states correspondence on 26 June 2006 (from Housing to Council) and 27 June 2006 (from Council to Housing) forms part of the arrangements. Housing's management advised us that:

- only one document was to be officially signed by the parties, even though at times a SLA was referred to
- there is nothing missing from the MOU.

The MOU also clarifies that the Council would indemnify Housing for any improper use of the funds. Housing's officers advised us that if actual costs were less than the estimates at the completion of a project, then Council could approach Housing and ask for permission to spend those excess funds on an incomplete project.

## OTHER

### Summary of Audit Findings

- Housing's record keeping was not always of a satisfactory standard.

### Records Management

Housing's record keeping could have been improved. Examples of poor records management include:

- records were not always filed centrally in a timely manner. On 18 May 2007, the Manager Business Assurance forwards a memorandum to the Director-General advising him that a submission will go to the ICAC today and includes three new records not previously filed centrally or discussed. Two further emails (with Council progress reports attached) dated 19 December 2006 and 26 March 2007 were not sent to ICAC until 6 June 2007
- in 2008, Housing's officers confirmed to us this transaction was a Ministerial Direction and that it was recorded as such in Briefing Notes. However, Housing did not advise us of this Ministerial Direction during the audit of Housing's 2006 Financial Report
- Housing asking Council for a copy of the grant proposals when copies already existed at Housing.





# Section Two



## The Legislature

This Section provides a summary of Performance Audit Reports presented to Parliament. The full Reports are available on the Audit Office website at [www.audit.nsw.gov.au/reports.htm](http://www.audit.nsw.gov.au/reports.htm)



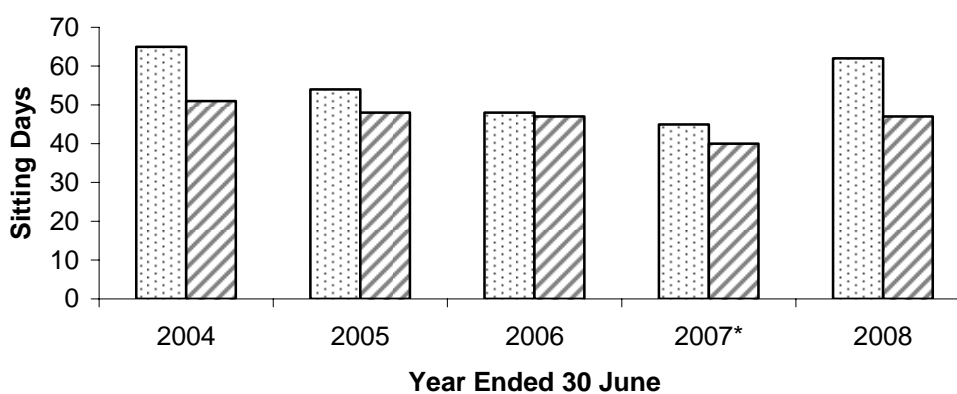
# The Legislature

## AUDIT OPINION

The audit of The Legislature's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

### NSW Legislature Sitting Days



▣ Legislative Assembly ▨ Legislative Council

\* an election was held in this year.

Year ended 30 June	Legislative Assembly			Legislative Council		
	2006	2007	2008	2006	2007	2008
Sitting days held	48	45	62	47	40	47
Sitting hours	429	388	469	401	324	343
<b>Bills</b>						
Introduced	127	119	118	na	na	na
Initiated in Council	na	na	na	7	11	38
Received from Assembly	na	na	na	110	103	106
Passed	111	105	118	99	107	128
Disposed of/lapsed	31	32	--*	20	1	11
<b>Questions asked</b>						
On notice (written)	2,040	1,545	3,005	1,844	585	1,849
Without notice	452	384	482	850	718	908

Source: The Legislature (unaudited).

na: not applicable.

\* Note: nine bills were rejected at the Agreement in Principle Stage.

Parliamentary sitting days are determined by the Government, with the number of sitting days reflecting the legislative and policy programs of the Government. The Legislative Assembly and the Legislative Council sitting days for 2008 increased by 37.8 per cent and 17.5 per cent respectively from the previous year. The Legislative Assembly's 62 days in 2008 exceeded the five year average of 55 days while the Legislative Council maintained the average of 47 days for the same period.

The Legislature's activities and costs are linked to the activities of the Parliament. The Legislature views comparisons with other jurisdictions as not meaningful due to structural differences in the method of operations.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	49,766	50,120
Other expenses	67,521	68,084
<b>TOTAL EXPENSES</b>	<b>117,287</b>	<b>118,204</b>
<b>TOTAL REVENUE</b>	<b>7,014</b>	<b>7,508</b>
Loss on disposal of non-current assets	51	59
<b>NET COST OF SERVICES</b>	<b>110,324</b>	<b>110,755</b>
Government contributions	112,793	111,642
<b>SURPLUS</b>	<b>2,469</b>	<b>887</b>

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	5,857	4,375
Non-current assets	191,697	181,239
<b>TOTAL ASSETS</b>	<b>197,554</b>	<b>185,614</b>
Current liabilities	9,566	9,624
Non-current liabilities	35	38
<b>TOTAL LIABILITIES</b>	<b>9,601</b>	<b>9,662</b>
<b>NET ASSETS</b>	<b>187,953</b>	<b>175,952</b>

## Abridged Program Statement

The table below details the Legislature's net cost of services on a program basis:

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Parliamentary Government - Legislative Council	444	23,715	23,271	24,092
Parliamentary Government - Legislative Assembly	651	69,339	68,688	67,747
Parliamentary Support Services - Joint Services	5,919	24,284	18,365	18,916
<b>Total all programs</b>	<b>7,014</b>	<b>117,338</b>	<b>110,324</b>	<b>110,755</b>

## LEGISLATURE ACTIVITIES

The Legislature provides the Parliamentary Government for New South Wales. Its main function is to make laws or amend existing laws for the peace, welfare and good government of the State in all matters not specifically reserved for the Commonwealth Parliament. It also has a role in holding Executive Government accountable for its use of taxpayers' moneys, powers and resources.

The Legislature is responsible for providing administrative and support services for parliamentary representation comprising the Members of the Legislative Assembly and the Legislative Council. Support services comprise House Departments and the Department of Parliamentary Services which includes: the Parliamentary Library, Hansard, building, catering and special services at Parliament House.

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



# Section Three



## Commentary on Government Agencies





# Attorney General

Law and Order Overview

Attorney General's Department

Legal Aid Commission of New South Wales

Office of the Director of Public Prosecutions

Office of the Protective Commissioner and Public Guardian

Public Trustee NSW

Refer to Appendix 1 for:

Judicial Commission of New South Wales

Legal Profession Admission Board



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# Law and Order Overview

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## LAW AND ORDER SERVICES

The following Government entities provide, facilitate and regulate the State's Law and Order services.

### Organisations/Entities

- Attorney General's Department
- New South Wales Crime Commission
- Department of Corrective Services
- Department of Juvenile Justice
- Independent Commission Against Corruption
- Judicial Commission of New South Wales
- Legal Aid Commission of New South Wales
- Ministry for Police
- NSW Police Force
- Office of the Director of Public Prosecutions
- Police Integrity Commission.

## AUDIT OPINIONS

The audits of the above entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## PERFORMANCE INFORMATION

A high level summary of performance for the three largest Law and Order agencies is included below. This information is based on performance in 2006-07 which is the latest publicly available national data.

### Attorney General's Department

- Case backlog in four of the six court jurisdictions increased during the year.
- New South Wales had some of the best results for court timeliness compared to other States and Territories.
- Slightly more than a third of the costs of operating Civil Courts is recovered through court fees.

### NSW Police Force

- Generally the number of crimes against people in New South Wales has fallen over the last five years, although the rate of decline has reduced in the last three years.
- While overall investigation clearance rates in New South Wales remain below the national average, rates have improved in investigations involving proceedings against offenders.

## Department of Corrective Services

- In New South Wales, the proportion of the adult population sent to prison was 10.2 per cent above the national rate.
- New South Wales consistently performs better than the national rate for the successful completion of community correction orders, 81 per cent compared to 69.6 per cent.
- The State's rate of an individual's return to prison, 43.8 per cent, continues to be significantly higher than the national average of 37.5 per cent.

Further comment on each agency's activities and performance is included elsewhere in this Report.

On 14 November 2006, the New South Wales Government released the 'State Plan: A New Direction for New South Wales'. Among other things, it defines future strategies and priorities that Law and Order organisations will need to address. These include:

- reducing rates of crime, particularly violent crime:
  - reduce the incidence of property crimes against households by 15 per cent by 2016
  - reduce the incidence of violent crimes against individuals by ten per cent by 2016.
- reducing re-offending:
  - reduce the proportion of all offenders who re-offend within 24 months of being convicted by a court or having been dealt with at a conference by ten per cent by 2016.
- reducing the level of antisocial behaviour:
  - reduce the proportion of people who perceive problems in their local area with
    - louts
    - noisy neighbours
    - public drunkenness
    - hoon drivers.

The Government identified 'Keeping People Safe' and 'Building Harmonious Communities' as goals in its State Plan. Strategies to address these goals and the Law and Order objectives contribute to greater activity and costs for Law and Order agencies.

The provision of Law and Order services by the above agencies is frequently interrelated as matters can progress from the investigation of a crime, prosecution of an offender, and management of sentences imposed. As such, the activities on one agency can significantly impact others.

As indicated in New South Wales Budget Papers, increased policing activities and investigations have affected the court system. This, together with changes in penalties and sentencing guidelines, has led to more inmates in correctional facilities over the last five years.

## **OTHER INFORMATION**

### **2007-08 Expenditure and Results**

Law and Order agency expenditure during 2007-08 totalled \$4.6 billion, an increase of \$342 million or eight per cent on 2006-07. This included \$2.4 billion for the NSW Police Force, \$925 million for the Department of Corrective Services and \$727 million for the Attorney General's Department.

For information on expenditure on 2007-08 Law and Order related budget initiatives, refer to the 'Expenditure on Significant Budget Initiatives' section of Volume Three of the Auditor-General's 2008 Report to Parliament.

### **2008-09 Funding Announcements**

The 2008-09 Budget includes \$4.5 billion for Law and Order services. This is a decrease on actual 2007-08 expenditure of \$83.3 million.

# Attorney General's Department

## AUDIT OPINION

The audits of the Department and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

### Clearance Rate

The clearance rate indicates whether a court is keeping up with its workload. It measures the number of cases finalised as a percentage of the cases registered in the same period. A clearance rate above 100 per cent indicates a court is clearing its backlog of cases, whereas a percentage below 100 per cent indicates that the backlog is increasing.

While clearance rates in New South Wales Civil courts increased or remained static, clearance rates in all Criminal courts decreased from the prior year. The table below indicates that the case backlog in New South Wales is increasing in four of the six courts, while the backlog in the other two has reduced.

Year ended 30 June	2007 Clearance Rate							
	NSW %	Vic %	Qld %	WA %	SA %	Tas %	ACT %	NT %
<b>Criminal</b>								
Local/Magistrates	99.7	94.0	99.5	109.4	104.2	83.7	106.0	98.7
District/County courts	93.7	88.2	96.0	113.0	93.0	na	na	na
Supreme/Federal courts	97.7	103.3	102.3	119.9	114.7	110.0	89.6	100.7
<b>Civil</b>								
Local/Magistrates courts	94.6	83.5	106.9	108.3	98.2	105.1	112.0	85.9
District/County courts	110.3	98.2	122.7	111.4	112.2	na	na	na
Supreme/Federal courts	106.8	115.9	97.2	130.3	93.3	146.9	117.8	108.5

Source: Productivity Commission's Report on Government Services 2008.  
na: not applicable.

### Case Completion Times

The backlog is an indicator used to measure court timeliness. Backlog is defined as the percentage of pending cases within a jurisdiction that are older than the court's case disposal time standards.

New South Wales had some of the best results for court timeliness compared to other States and Territories. Local and District courts in New South Wales had the lowest backlog of cases over 12 months old for non-appeal criminal cases. The District court was the lowest and Supreme court was the second lowest for civil non-appeal matters.

The table below shows the percentage of non-appeal pending cases older than 12 months.

Year ended 30 June	2007 Backlog							
	NSW %	Vic %	Qld %	WA %	SA %	Tas %	ACT %	NT %
<b>Criminal</b>								
Local/Magistrates courts	1.5	5.5	16.9	9.3	15.2	7.9	7.1	nav
District/County courts	9.5	23.6	18.5	29.1	28.0	na	na	na
Supreme/Federal courts	13.2	33.9	19.2	4.5	25.0	13.3	23.8	14.7
<b>Civil</b>								
Local/Magistrates courts	nav	10.5	7.0	5.0	9.5	4.7	11.9	29.0
District/County courts	26.2	35.6	26.4	28.8	43.1	na	na	na
Supreme/Federal courts	26.8	26.3	28.1	43.4	34.2	42.9	47.9	59.2

Source: Productivity Commission's Report on Government Services 2008.

nav: not available.

na: not applicable.

#### Average Cost per Case Finalised

In 2006-07, the cost of court administration per matter in New South Wales was on par with the national average. The average cost per matter in the New South Wales Supreme and District courts was less than the national average, while the Local courts' costs were slightly higher. The Department advises that the higher costs in Local courts is due to the cost of providing the public with access to 168 courthouses compared to about 50 courthouses in Victoria.

The table below shows the average net cost per finalisation (civil and criminal) in 2006-07 (latest available data).

Court Costs per Finalisation (Average Net Cost per Case Finalised)	2007	
	NSW (\$)	National Average (\$)
Local	349	302
District	3,965	4,345
Supreme	3,302	5,687
<b>Total</b>	<b>647</b>	<b>636</b>

Source: Productivity Commission's Report on Government Services 2008.

Excludes payroll tax.

## Cost Recovery from Court Fees Collected (Civil Courts)

Court fees are not determined on a cost recovery or user pays basis. The following table illustrates that court fees are a relatively small percentage of the costs of running the courts. New South Wales passes on more costs to the users of the courts than most other jurisdictions.

Year ended 30 June	2007 Civil court fees collected as a proportion of civil recurrent expenditure							
	NSW %	Vic %	Qld %	WA %	SA %	Tas %	ACT %	NT %
Supreme (excludes probate)/Federal court	36.7	33.5	20.5	14.3	16.6	16.0	23.6	3.6
District/County courts	35.6	21.3	30.5	17.3	15.5	na	na	na
Local/Magistrates courts	38.0	39.7	29.3	26.0	25.2	41.8	5.7	9.3

Source: Productivity Commission's Report on Government Services 2008.

Excludes payroll tax.

na: not applicable.

## OTHER INFORMATION

### Major Projects

#### *Implementation of JusticeLink*

JusticeLink (previously known as CourtLink) is planned to be an integrated multi-jurisdictional court administration system with web-based services for court users and the capability for electronic exchange of information between justice sector agencies.

The Department initially commenced work on a new case management system in 2001, with full implementation planned for 2006 at an estimated cost of \$30.3 million. The capital cost of the project to 30 June 2008 is \$43.5 million. The total estimated capital cost of JusticeLink is now \$48.2 million. The Department has advised that further funds are likely to be required to complete training and implementation.

JusticeLink has suffered extensive delays and scope revisions and has required significant increases in its budget. The Department has advised that the main reasons for the delays, revisions and budget increases include:

- the supplier advised that the original package it tendered was unable to satisfy the Department's requirements
- the complexity and design requirements for the New South Wales Court system
- the design specifications not being sufficiently clear and well defined
- the Department's needs changing in response to new legislation, re-engineering of processes, and the emerging needs of other agencies that wish to link with JusticeLink.

Similar delays and cost increases have been reported for the Victorian Criminal Justice Enhancement Program.

During the year the Department signed a revised contract with the supplier KAZ Group Pty Ltd. As part of this revised contract the Department obtained a new bank guarantee from the supplier for \$25.0 million which will expire on 15 July 2010. This will help to protect the Department's interests in case the contract requirements are not met.



JusticeLink applications already in operation include:

- onLine courts
- cost assessments
- Supreme and District Crime courts, which were implemented during 2007-08.

Further implementation plans include the Local court crime component, all Civil court components and user acceptance testing for eServices. The expected completion date is now December 2009.

### ***Parramatta Justice Precinct***

The Department moved from its city office to the Parramatta Justice Precinct during the year.

The budget at the time of tender was \$330 million. Total expenditure at 30 June 2008 was \$291 million, including expenditure by the Department of Commerce. This year the Department expended \$53.8 million on the Parramatta Justice Precinct.

The project provides new justice infrastructure to the Western Sydney community and includes three key buildings:

- the Children's court, completed in 2006 at a total cost of \$39.0 million
- the Justice Precinct offices, occupied in November 2007. Expenditure to 30 June 2008 on fit out and relocation was \$30.4 million
- the Sydney West Trial courts, which became operational in early 2008. Expenditure to 30 June 2008 was \$95.4 million.

The Parramatta Courthouse refurbishment is part of the project. An amount of \$8.2 million has been allocated for these works, which are expected to be completed during 2008-09.

### **Reporting by the Suitors Fund and the Victims Compensation Fund Corporation**

Last year we reported that the transactions of the Victims Compensation Fund Corporation (the Corporation) are included in the Department's financial report. It is our opinion that accountability could be improved by preparing a separate financial report for the Corporation.

The Treasury is currently reviewing whether corporations such as this Corporation are required to prepare financial reports under the *Public Finance and Audit Act 1983*. At this stage this review is incomplete.

### **Victims Compensation Payments**

The Victims Compensation Tribunal (the Tribunal) may award up to \$50,000 compensation for each act of violence. It may also award up to \$10,000 compensation for financial loss. However the maximum compensation cannot exceed \$50,000.

In 2007-08, compensation payments totalled \$63.9 million (\$64.3 million in 2006-07), whereas the amount recovered from offenders was \$3.5 million (\$3.6 million). From the inception of the compensation scheme in 1988 to 30 June 2008, \$1.3 billion has been paid as compensation.

The Department received 7,031 claims for compensation (5,636) and the Tribunal determined 4,013 claims (4,492). There were 10,241 (7,297) claims pending at year-end. The Department estimates 6,759 (4,743) of these claims will result in an award and expects the cost to be \$134 million (\$94.4 million). The Tribunal received 639 appeals (587) against compensation awards and determined 563 (648).

## Restitution

Victims compensation is paid to victims of violent crime irrespective of whether there is a known offender or if that offender is convicted of the offence that caused the injury to the victim. Statistics show that restitution action is taken in approximately 50 per cent of cases where an award of compensation was paid to a victim.

Offenders convicted of relevant offences where an award of compensation has been paid to a victim are required to pay restitution. Convicted offenders must also pay a compensation levy into the Victims Compensation Fund. The State Debt Recovery Office is responsible for the recovery of compensation levy debts.

Many convicted offenders against whom restitution action is commenced are difficult to locate and usually come from low socio economic backgrounds with no or few assets. Many of these offenders also spend time in prison, which further affects their capacity to become gainfully employed, earn an income and accumulate assets. Many offenders are also unemployed and on social security payments. Many live in State provided or funded housing and have dependants. The recovery of restitution, therefore, also impacts on their dependants. Recovering restitution from these offenders is therefore challenging.

The amount of restitution payable by an offender may be reduced by the Tribunal or the Director of Victims Services, under the provisions of the *Victims Support and Rehabilitation Act 1996* (the VSR Act). The effect of the above provisions has seen the amount provisionally ordered against an offender reduced by an average of 30 per cent. The amount of restitution recoverable from offenders is mostly paid in small monthly instalments over a lengthy period of time.

Enforcement action may be taken against offenders who default on their restitution payment under the provisions of the *Civil Procedure Act 2005*, however this enforcement action needs to be cost effective.

The VSR Act also provides for restitution orders to be registered against the offender's property.

Whilst there are limited opportunities for such action it is cost effective. Orders amounting to \$3.6 million have already been registered; orders amounting to \$2.5 million remain in place and over \$728,000 has been recovered.

From the inception of the compensation scheme in 1988 to 30 June 2008, the Corporation has:

- raised \$350 million in restitution debts
- recovered \$42.0 million
- written off \$19.0 million.

The financial impacts in the Department's financial report at 30 June 2008 include:

- \$3.5 million recovered from offenders
- \$257 million of the \$275 million restitution debts is not recognised as it is unlikely to be collected
- the Corporation writing off \$1.3 million of restitution debts, largely due to the death or bankruptcy of the defendants.

Debts are recognised on the basis of average receipts for the five-year period ended 30 June 2008. At 30 June 2008, debts amounting to \$17.8 million were recognised for reporting purposes compared to \$17.6 million in the previous year.

## FINANCIAL INFORMATION

The following information relates to the Department's consolidated finances.

## Abridged Operating Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee related	434,746	406,410	434,746	406,410
Other expenses	294,000	291,663	286,012	289,659
<b>TOTAL EXPENSES</b>	<b>728,746</b>	<b>698,073</b>	<b>720,758</b>	<b>696,069</b>
<b>TOTAL REVENUE</b>	<b>249,648</b>	<b>217,130</b>	<b>249,644</b>	<b>216,167</b>
<b>NET COST OF SERVICES</b>	<b>479,098</b>	<b>480,943</b>	<b>471,114</b>	<b>479,902</b>
Government contributions	546,581	565,112	539,327	558,361
Transfers to The Treasury and payments to Office of State Revenue	3,287	3,285	3,287	3,285
<b>SURPLUS</b>	<b>64,196</b>	<b>80,884</b>	<b>64,926</b>	<b>75,174</b>

## Abridged Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	109,649	100,228	89,254	81,379
Non-current assets	1,137,452	1,074,816	1,130,704	1,067,111
<b>TOTAL ASSETS</b>	<b>1,247,102</b>	<b>1,175,044</b>	<b>1,219,958</b>	<b>1,148,490</b>
Current liabilities	104,515	101,600	101,919	100,323
Non-current liabilities	50,929	46,379	50,929	46,379
<b>TOTAL LIABILITIES</b>	<b>155,444</b>	<b>147,979</b>	<b>152,848</b>	<b>146,702</b>
<b>NET ASSETS</b>	<b>1,091,657</b>	<b>1,027,065</b>	<b>1,067,110</b>	<b>1,001,788</b>

Total assets increased mainly due to the construction of the Parramatta Justice Precinct.

## Abridged Program Statement

Year End 30 June	2008			2007
	Revenue	Expenses	Net Cost of Services	Net Cost of Services
	\$'000	\$'000	\$'000	\$'000
Supreme court	62,333	71,475	9,142	7,601
District court	19,886	62,468	42,582	45,317
Local courts	37,757	196,257	158,500	154,675
Justice Support services	6,135	87,842	81,707	80,272
Human Rights services	8,501	82,351	73,850	89,227
Other	115,036	228,353	113,317	103,851
<b>Total all programs</b>	<b>249,648</b>	<b>728,746</b>	<b>479,098</b>	<b>480,943</b>

## DEPARTMENT ACTIVITIES

The Department has a critical role in justice, human rights and community safety.

The Department aims to resolve civil disputes and criminal matters and coordinate legal services for New South Wales. The Department supports the Attorney General as the first Law Officer of the Crown in developing legislation and providing information to Parliament.

Services include the provision of courts and tribunals, legal professional services, alternative dispute resolution, anti-discrimination services, criminal diversion and crime prevention programs and counselling for the victims of violent crime.

The Department's principal business is the provision of Court and Tribunal services. The main jurisdictions are the Local, District and Supreme courts which deal with criminal matters and resolve civil disputes. There are also specialist jurisdictions that deal with industrial relations, claims for dust diseases, land and environment, and the review of administrative decisions.

The Department undertakes research and provides information to assist the Government in formulating and initiating policies and legislative reform. In particular, the Department is working on programs to address the high representation of Aboriginal people in court processes and to reduce the impacts on sexual assault victims and mental health patients and on their carers.

The Department administers the legal profession through the admission of legal professionals, promotion of professional and ethical standards and management of complaints.

Other services delivered to the people of New South Wales include: guardianship and financial services for people with disabilities; maintaining records of New South Wales life events; the provision of trustee services; and the provision of legal services to the New South Wales public sector.

Services and programs aim to achieve justice and equality, community confidence and satisfied clients.

The Victims Compensation Fund Corporation operates under the *Victims Support and Rehabilitation Act 1996* and compensates and supports victims of crime and seeks to obtain restitution from offenders. This Act also constitutes the Victims Compensation Tribunal to determine appeals from decisions of compensation assessors and to determine restitution proceedings against offenders.

Various amendment Acts since the *Victims Compensation Act 1987* (the original legislation) have changed the eligibility criteria for compensation and the various types and amounts of compensation available.

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

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#### CONTROLLED ENTITY

Comment on the Department's controlled entity, the Office of the Protective Commissioner and Public Guardian, is included elsewhere in this volume.

# Legal Aid Commission of New South Wales

## AUDIT OPINION

The audits of the Commission and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Commission provided the following information regarding its performance.

The table below shows the percentage of applications refused legal aid compared with the total applications for the Commission's main programs.

Year ended 30 June	Percentage of Applications Refused				
	2004	2005	2006	2007	2008
Criminal law program	8.1	7.3	7.2	6.6	6.2
Family law program	22.8	27.1	23.9	21.5	22.7
Civil law program	44.1	42.0	37.4	36.3	35.1

The Commission advised it again increased the means test threshold to reflect the higher cost of living. This resulted in a wider group of financially disadvantaged members of the community being eligible for legal aid. The number of applicants who qualified for a grant of legal aid was 65,308 (61,207 in 2006-07), a 6.7 per cent increase.

The Commission provides services such as case grants, duty appearances, legal advice, information services and community legal education. It works in partnership with private practitioners who receive funding from the Commission to represent legally aided clients. In 2007-08, private practitioners represented 47.2 per cent of all Commission clients (45.8 per cent). The table below shows total client services by law type over the past five years.

Year ended 30 June	Client Services*				
	2004	2005	2006	2007	2008
Criminal law program	175,891	190,706	227,698	265,660	296,217
Family law program	80,026	100,895	131,727	163,329	160,865
Civil law program	99,530	112,767	142,483	162,736	184,802
<b>Total</b>	<b>355,447</b>	<b>404,368</b>	<b>501,908</b>	<b>591,725</b>	<b>641,884</b>

\* Excludes community legal education.

The Commission advised the increase in the number of legal services provided over the past five years is largely related to high volume, low cost information activities.

## OTHER INFORMATION

We identified other opportunities for the Commission to improve its practices and procedures. We will discuss these further with Commission staff and, where appropriate, report them to management.

## FINANCIAL INFORMATION

## Abridged Operating Statements

Year ended 30 June	Consolidated		Commission	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee related	73,147	55,085	--	--
Personnel services	--	--	73,147	55,085
Grants and subsidies	16,406	15,633	16,406	15,633
Private practitioners and disbursements	91,150	73,104	91,150	73,104
Other expenses	23,351	20,142	23,351	20,142
<b>TOTAL EXPENSES</b>	<b>204,054</b>	<b>163,964</b>	<b>204,054</b>	<b>163,964</b>
Sale of goods and services	57,424	50,775	57,424	50,775
Grants and contributions:				
Law Society of New South Wales	37,692	35,091	37,692	35,091
Commonwealth Government	20,595	7,471	20,595	7,471
Other	1,258	614	1,258	614
Other revenue	7,345	5,255	7,345	5,255
<b>TOTAL REVENUE</b>	<b>124,314</b>	<b>99,206</b>	<b>124,314</b>	<b>99,206</b>
Other (losses)/gains	(1,057)	1,019	(1,057)	1,019
<b>NET COST OF SERVICES</b>	<b>80,797</b>	<b>63,739</b>	<b>80,797</b>	<b>63,739</b>
Less government contributions	90,699	90,367	90,699	90,367
<b>SURPLUS</b>	<b>9,902</b>	<b>26,628</b>	<b>9,902</b>	<b>26,628</b>

The increase in employee related expenses reflects a \$5.0 million reduction in defined benefits superannuation scheme assets (an increase of \$7.2 million for 2006-07). The remainder of the increase is largely due to increased staff numbers and higher pay rates.

The Commission explained that amounts paid to private practitioners reflect higher costs for 'expensive criminal cases'. The Commission advised that amounts paid to private practitioners also rose because of higher charge rates and associated disbursements, increases in the percentage of work allocated to private practitioners and higher activity levels.

Included within amounts received from the Commonwealth Government are contributions totalling \$12.8 million (\$1.9 million) towards the cost of expensive criminal cases. Some of the contributions from the Commonwealth, \$8.9 million (nil), are for Commission costs to be incurred during the next financial year.

### Abridged Balance Sheets

At 30 June	Consolidated		Commission	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	100,262	87,261	100,262	87,261
Non-current assets	16,609	14,418	16,609	14,418
<b>TOTAL ASSETS</b>	<b>116,871</b>	<b>101,679</b>	<b>116,871</b>	<b>101,679</b>
Current liabilities	43,243	38,256	43,243	38,256
Non-current liabilities	3,289	2,986	3,289	2,986
<b>TOTAL LIABILITIES</b>	<b>46,532</b>	<b>41,242</b>	<b>46,532</b>	<b>41,242</b>
<b>NET ASSETS</b>	<b>70,339</b>	<b>60,437</b>	<b>70,339</b>	<b>60,437</b>

The increase in current assets reflects a higher level of cash and cash equivalents held at year-end, mainly due to the previously mentioned Commonwealth Funding received towards costs that will be incurred during 2008-09.

In our 2007 Report to Parliament, we indicated that the Commission was developing a new grants management system jointly with Victoria Legal Aid. This system will allow the Commission to automate processing of applications and invoices for practitioners' fees. The Commission advises that the system will be implemented during 2008-09. The capitalisation of costs incurred in developing the system is the main factor contributing to the increase in non-current assets.

Current liabilities include amounts totalling \$19.0 million (\$16.6 million) for work undertaken by private practitioners that had not been invoiced to the Commission.

### Abridged Program Statement

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Family law	47,660	64,570	17,041	9,595
Criminal law	53,534	102,672	49,955	41,999
Civil law	13,024	19,835	6,920	3,518
Community legal services	10,096	16,977	6,881	8,627
<b>Total all programs</b>	<b>124,314</b>	<b>204,054</b>	<b>80,797</b>	<b>63,739</b>

### COMMISSION ACTIVITIES

The Commission is primarily responsible for providing legal aid and other legal services in accordance with the *Legal Aid Commission Act 1979*. Legal aid services are provided by the Commission's officers or by private legal practitioners. A means test applies to most applications for assistance while some are also subject to a legal merit test. A legally assisted person may be required to make an initial contribution towards the Commission's costs and, if successful in a civil action, to meet the balance of any costs from moneys recovered.

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



## CONTROLLED ENTITIES

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

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### Entity Name

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Legal Aid Commission Temporary Staff Division  
Office of the Legal Aid Commission

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# Office of the Director of Public Prosecutions

## AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Office conducts all indictable and some summary prosecutions referred by the NSW Police Force. It provided the following information regarding its performance.

Number of trials registered and completed at 30 June	2004	2005	2006	2007	2008
<b>Supreme Court</b>					
Matters registered	122	75	79	93	<i>89</i>
Matters completed	95	103	65	78	<i>88</i>
<b>District Court</b>					
Trials registered	2,351	2,060	1,820	1,755	<i>1,744</i>
Trials completed	2,153	1,973	1,815	1,637	<i>1,692</i>
<b>Local Court</b>					
Committals registered	5,944	5,721	5,473	5,541	<i>6,066</i>
Committals completed	6,487	6,036	5,798	5,758	<i>5,899</i>
<b>Number of matters not finalised at 30 June</b>					
<b>Supreme Court</b>					
Trials	131	96	102	112	<i>94</i>
Sentences	4	2	2	8	<i>3</i>
Court of Criminal Appeal (CCA) appeals	220	172	161	152	<i>164</i>
<b>District Court</b>					
Trials	1,988	2,015	1,801	1,741	<i>1,645</i>
Sentences	857	798	766	798	<i>860</i>
All grounds appeals	506	574	548	513	<i>475</i>
Severity appeals	833	930	861	980	<i>881</i>
Leniency appeals	34	27	15	11	<i>14</i>
<b>Local Court</b>					
Committals	2,709	2,587	2,721	2,707	<i>2,971</i>
Advisings	88	87	76	67	<i>90</i>

## OTHER INFORMATION

We identified some relatively minor opportunities for improvement to accounting and internal control procedures. We will discuss these further with the Office's staff and, where appropriate, report them to management.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	76,391	74,886
Other expenses	20,318	20,571
<b>TOTAL EXPENSES</b>	<b>96,709</b>	<b>95,457</b>
<b>TOTAL REVENUE</b>	<b>3,482</b>	<b>787</b>
Gain on disposal of non-current assets	19	20
<b>NET COST OF SERVICES</b>	<b>93,208</b>	<b>94,650</b>
Government contributions	90,421	92,875
<b>DEFICIT</b>	<b>2,787</b>	<b>1,775</b>

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	6,023	5,508
Non-current assets	10,762	12,925
<b>TOTAL ASSETS</b>	<b>16,785</b>	<b>18,433</b>
Current liabilities	10,145	8,800
Non-current liabilities	518	724
<b>TOTAL LIABILITIES</b>	<b>10,663</b>	<b>9,524</b>
<b>NET ASSETS</b>	<b>6,122</b>	<b>8,909</b>

## OFFICE ACTIVITIES

The Office was constituted under the *Director of Public Prosecutions Act 1986*. The principal functions and responsibilities of the Director of Public Prosecutions are to institute and conduct, on behalf of the State, prosecutions for indictable offences in the District and Supreme Courts and to appear as appellant or respondent in criminal appeals.

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

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# Office of the Protective Commissioner and Public Guardian

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## AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## OTHER INFORMATION

### Progress on the 2006-07 Audit of the Common Fund

The Common Fund consists of funds managed by the Protective Commissioner from the estates of protected persons. The audit of the Office of the Protective Commissioner - Common Fund's financial report for the year ended 30 June 2007 has not yet been finalised.

In last year's report, we noted that a number of serious internal control deficiencies had been identified in the payment of client expenses following a restructure of the Office. As a result, we undertook extensive detailed testing of client payments. Due to the nature of the testing the audit is not yet complete. We anticipate reporting on the outcome of this audit early in 2009.

The Office has advised that it has addressed all the control deficiencies that were identified.

### Independent Pricing and Regulatory Tribunal (IPART) Review of Fees of the Office of the Protective Commissioner

During the year, IPART reviewed the fees charged by the Office with the aim of recommending a clear, fair and transparent fee structure. As part of the review, IPART was to assess the Office's capacity to fully recover the cost of services as well as its clients' capacity to pay, and to indicate the options by which any shortfall in fee revenues relative to costs could be funded.

The report is currently being considered by the Government.

### Merger with Public Trustee

The Government announced the merger of the Office with the Public Trustee in the '2008-09 Mini-Budget' on 11 November 2008.

## PERFORMANCE INFORMATION

### Funds Managed

The *Protected Estates Act 1983* outlines how the Protective Commissioner should manage the estates of protected persons. All moneys in the trust fund (Common Fund) are invested in accordance with the *Trustee Act 1925*. A separate financial report is prepared for the Common Fund. The Protective Commissioner also manages other property (client assets external to the Common Fund) such as real estate, shares, terms deposits, etc.

Year ended 30 June	2008* \$'000	2007* \$'000
Common Fund investments	1,204,974	1,438,649
Real property	634,113	751,583
Other assets	163,173	223,484
<b>TOTAL FUNDS MANAGED</b>	<b>2,002,260</b>	<b>2,413,716</b>

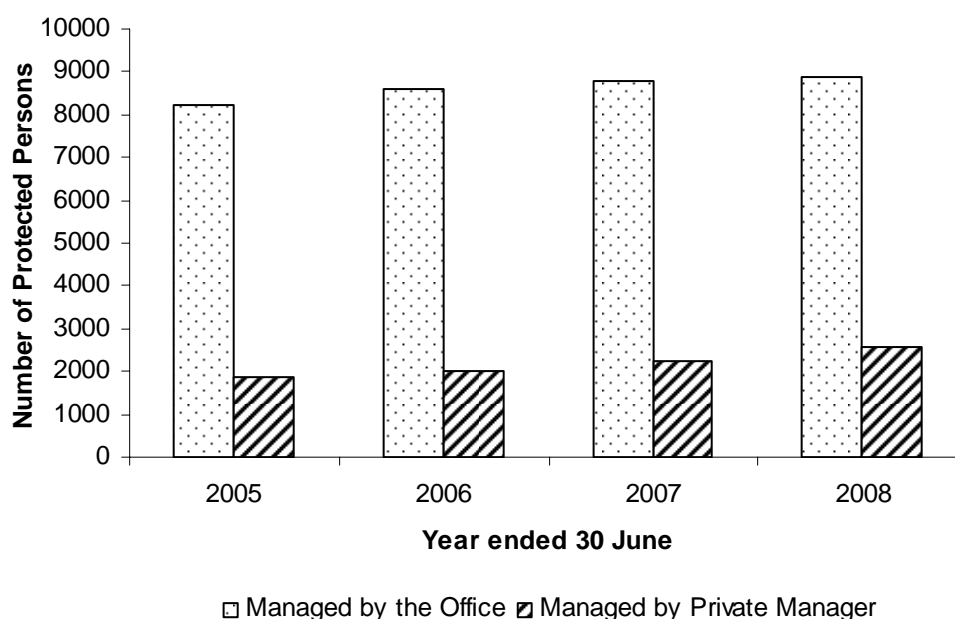
Source: Office of the Protective Commissioner and Public Guardian.

\* The above figures are unaudited.

### Number of Clients

The Office manages the affairs of protected persons or authorises and directs the activities of Private Managers.

#### Protected Persons Managed by the Office/Private Managers



## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Fees	24,771	24,285
Government contributions	9,833	14,183
Other revenue	1,554	1,404
<b>TOTAL REVENUE</b>	<b>36,158</b>	<b>39,872</b>
Personnel services	25,233	24,463
Other expenses	11,679	10,069
<b>TOTAL EXPENSES</b>	<b>36,912</b>	<b>34,532</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(754)</b>	<b>5,340</b>

The Office incurred a deficit of \$754,000 compared to a surplus of \$5.3 million in the prior year. The scope of the IPART review of the Office's fees included options on how the Office can address future potential shortfalls.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	23,798	21,580
Non-current assets	6,774	7,276
<b>TOTAL ASSETS</b>	<b>30,572</b>	<b>28,856</b>
Current liabilities	5,995	3,528
Non-current liabilities	27	24
<b>TOTAL LIABILITIES</b>	<b>6,022</b>	<b>3,552</b>
<b>NET ASSETS</b>	<b>24,550</b>	<b>25,304</b>

Current liabilities increased due to additional accrued expenses for amounts owed to the Attorney General's Department this year, including eight months rent and fees for administrative services provided. These charges were revised following the Office's move to new premises at Parramatta.

## OFFICE ACTIVITIES

The Protective Commissioner is a statutory officer under the *Protected Estates Act 1983* who:

- manages the affairs of those persons who are not able to manage their own affairs and whose affairs have been formally committed to management by order under the Act, and
- authorises and directs the performance and duties of private managers appointed by the Supreme Court or the Guardianship Tribunal.

The Protective Commissioner is also the Public Guardian under the *Guardianship Act 1987*. The Office of the Public Guardian makes personal lifestyle decisions on behalf of adults who have a decision-making disability. Decisions are made in such areas as accommodation, services and consenting to medical and dental treatment. The Public Guardian also provides support to private guardians.

The Office is controlled by the Attorney General's Department. The Protective Commissioner reports administratively to the Attorney General via the Director-General of the Department.

For further information on the Office, refer to [www.lawlink.nsw.gov.au/opc](http://www.lawlink.nsw.gov.au/opc) and [www.lawlink.nsw.gov.au/opg](http://www.lawlink.nsw.gov.au/opg).

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# Public Trustee NSW

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## AUDIT OPINION

The audit of the Trustee's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Reporting Structure

Last year we recommended that the Trustee, in conjunction with The Treasury, examine the reporting structure of the Trustee to ensure it reflected current legislative and accounting standard requirements in particular the relationship between the Trustee and the Common Fund.

Trustee management considered and determined the financial statements for the Trustee's corporate activities and Common Fund should not be consolidated. On balance we agree with management's determination.

### Interest Suspense Account (Repeat Issue)

We recommend the Trustee and The Treasury review and, if necessary, amend the legislation governing the Interest Suspense Account maintained by the Trustee to resolve concerns over the Trustee's rights and obligations relating to funds held in the Account.

Funds of \$68.4 million (\$69.3 million in 2006-07) have accumulated in the Interest Suspense Account of the Common Fund, which is held by the Trustee under the *Public Trustee Act 1913*. There has been debate for a number of years regarding the Trustee's rights and obligations relating to these funds and it may require legislative amendments to resolve this issue.

### Common Fund Report

The 2006-07 financial report for the Common Fund was received on 17 October 2008 and the audit is ongoing. When this audit is complete, management will finalise the 2007-08 financial report. The 2005-06 audit was completed in April 2008.



## PERFORMANCE INFORMATION

The Trustee provided the following information regarding its performance:

The volume and value of the Trustee's operations were:

Year ended 30 June	Volume		Value (\$m)	
	2007	2008	2007	2008
Estates	1,807	1,829	496.6	532.4
Trusts	857	775	56.2	54.3
Powers of attorney	105	106	39.5	31.3
Wills	11,513	11,474	na	na

Source: Public Trustee NSW.  
na: not applicable.

The volume of Estates, Trusts, Powers of Attorney and Wills has fluctuated marginally from 2006-07.

### Key Performance Indicators

We recommend the Trustee publish targets for Performance Indicators in its annual report.

The Trustee uses a number of indicators to assess if it is meeting client needs, including:

Year ended 30 June	Actual		
	2006	2007	2008
Customer satisfaction index (%)	77	73	80
Process improvement satisfaction index (%)	70	66	76
Complaints received	84	84	117
Complaints requiring corrective action	24	26	21

Source: Public Trustee NSW.

The customer satisfaction index and process improvement satisfaction index recovered from a decline in 2006-07. While the number of complaints received increased by 39.3 per cent, the number of complaints requiring corrective action has decreased by 19.2 per cent.

## OTHER INFORMATION

### Merger with the Office of the Protective Commissioner (the Office)

The Government announced the merger of the Trustee with the Office in the '2008-09 Mini-Budget on 11 November 2008'.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Fees and commissions	33,094	31,715
Investment revenue	2,962	6,779
Other revenue	475	510
<b>TOTAL REVENUE</b>	<b>36,531</b>	<b>39,004</b>
Personnel services and employee related expenses	28,455	13,141
Unrealised loss on investment	6,850	639
Other expenses	8,847	8,795
<b>TOTAL EXPENSES</b>	<b>44,152</b>	<b>22,575</b>
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(7,621)</b>	<b>16,429</b>
Income tax equivalent expense	2,163	2,866
<b>(LOSS)/PROFIT</b>	<b>(9,784)</b>	<b>13,563</b>

The unfavourable movements in investment income and unrealised investment losses were primarily due to market conditions in the second half of the financial year.

Personnel services and employee related expenses increased by 116 per cent mainly due to movements in personnel services liabilities resulting from the unfavourable valuation of superannuation funds. In 2007-08, the actuarially assessed superannuation liability increased by \$6.6 million, compared to a decrease of \$6.5 million in 2006-07. Approximately \$6.5 million of the increased liability was due to the fall in the market value of the underlying investments.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	22,111	10,000
Non-current assets	46,669	68,628
<b>TOTAL ASSETS</b>	<b>68,780</b>	<b>78,628</b>
Current liabilities	11,252	12,342
Non-current liabilities	6,470	2,430
<b>TOTAL LIABILITIES</b>	<b>17,722</b>	<b>14,772</b>
<b>NET ASSETS</b>	<b>51,058</b>	<b>63,856</b>

The majority of the increase in current assets, and decrease in non-current assets, is due to a reclassification of financial instruments. Non-current liabilities increased mainly from the change in the actuarially assessed superannuation balances explained above.

The Trustee declared a dividend of \$3.5 million (\$4.5 million) which is payable to the Consolidated Fund.

## TRUSTEE ACTIVITIES

Under the *Public Trustee Act 1913*, the Trustee may act as a trustee; as an executor or administrator; as collector of estates under an order to collect; as an agent or attorney; as manager of the estate of a protected person; as guardian or receiver of the estate of a minor; and as a receiver of any other property.

The Trustee has four core businesses:

- will making
- estate administration
- trusts
- power of attorney services.

Clients are provided with the following services:

- funds management
- taxation
- legal counsel
- property conveyancing
- securities.

The Trustee is also the Commissioner of Dormant Funds under the *Dormant Funds Act 1942*. This involves the investigation and disposal of unused funds acquired by trustees for charitable or other public purposes.

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



# Minister for Aboriginal Affairs

Department of Aboriginal Affairs



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# Department of Aboriginal Affairs

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## OTHER INFORMATION

We identified matters requiring Departmental action. These included:

- long outstanding travel advances
- valuation of art collection
- future use of restricted assets.

Management has been advised of these matters and a Management Letter making recommendations for improvement will be issued shortly.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	7,248	12,004
Employee related expenses and other expenses	10,955	10,405
Grants and subsidies	17,805	28,626
Net cost of services	21,512	27,027
Government contributions	21,590	26,546
Net assets (at 30 June)	2,360	2,282

Revenue included grants of \$7.0 million (\$11.1 million in 2006-07) from the Aboriginal Housing Office for the housing component of the Aboriginal Communities Development Program.

Grants and subsidies mainly relate to the Aboriginal Communities Development Program referred to below. Expenditure also included \$769,000 (\$787,000) through the Aboriginal Assistance Fund (formerly Indigenous Education Projects) during the year. This was spent on the establishment of Aboriginal Employment Compacts throughout the State, language preservation and restoration projects, community working party support, significant Aboriginal events and funeral grants.

The Department's Aboriginal Communities Development Program entered its tenth year. The program has developed into a 12 year program, involving a \$240 million capital construction and upgrade program. The program is designed to raise the health and living standards of Aboriginal communities with urgent environmental and health needs. The Department of Commerce, as program manager, engages and monitors the performance of project managers.

The Department advised that up to 30 June 2008, the program has provided 162 newly built houses, 61 replacement houses, 91 houses which were purchased and 688 completed house refurbishments.

Program expenditure in 2007-08 totalled \$16.9 million.

Since the program's inception, \$211 million has been spent of a total budgeted expenditure of \$240 million.

Grants and subsidies also included grants under the Two Ways Together Package. This Package, the Government's four year multi-agency response to the Aboriginal Affairs Plan priorities, commenced in 2004-05. The Department has now provided approved funding of \$6.8 million. The objective of the Package is to achieve better outcomes for Aboriginal people in the areas of, health, housing, education, culture and heritage, justice, economic development, and for families and young people.

#### DEPARTMENT ACTIVITIES

The Department was established in April 1995. It assists and advises the Minister for Aboriginal Affairs on efficient, effective and coordinated management of Aboriginal policies, legislation, programs and issues.

It also assists Aboriginal communities and individuals as an advocate, adviser or contact point to support their self-management and self-determination so they can improve their socio-economic standing and enhance their image within the general community.

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



# Minister for Ageing Minister for Disability Services

Department of Ageing, Disability and Home Care

Home Care Service of New South Wales



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# Department of Ageing, Disability and Home Care

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## AUDIT OPINION

The audits of the Department and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## KEY ISSUES

### Grants Acquittals (Repeat Issue)

We recommend the Department finalise the risk management approach to its grants acquittals process as soon as possible.

For a number of years we have reported the Department did not have an approved risk management approach for its grants acquittals process. In response to our Management Letter last year, the Department advised it would prepare a formal risk management approach to be applied to its 2006-07 grants acquittals process. The process would also consider the need to cyclically audit all grants over a predetermined period. The Department is still in the process of finalising a draft policy. The Department advised an approved risk management approach focusing on high risk grants will be implemented in time for the 2007-08 acquittals process.

At 30 June 2008, there was a backlog of some 335 acquittals relating to the 2006-07 financial year. These acquittals have been received by the Department from service providers but are still subject to regional reviews.

### Payroll Management

Salary over-payments have significantly increased over the past six months and total \$1.1 million at 30 June 2008. Although action to recover these overpayments has commenced, we understand further overpayments are still occurring. Reasons for these overpayments include incorrect coding of overtime and late advice received of actual hours worked as opposed to rostered hours.

In addition, key payroll reports, including 'staff establishment' reports, are either not being generated or are being generated but have no evidence of review.

### Vacant Shift Worker Positions

The Department has two categories of shift workers. These are nurses who care for clients with complex health care needs, and residential support workers who provide clients with personal development and community integration. They also assist with the development and implementation of individual support plans.

The table below provides some statistics relating to the number of Full Time Equivalent (FTE) shift worker positions that are both available and vacant as at 30 June 2008.

As at 30 June	2008	
	Nurses	Residential Support Workers
Number of FTE shift worker positions available	1,552	2,388
Number of FTE shift worker positions vacant	331	418

Source: Departmental statistics (unaudited).

Note: Figures exclude Home Care Careworkers.

At 30 June 2008, the Department had significant vacancies in shift worker positions. For nurses, 21.3 per cent of FTE positions available were vacant, and for residential support workers 17.5 per cent were vacant. In 2007-08 the Department spent \$18.7 million on contractors. The Department advised that the comparison between 'position' FTEs and 'people' FTEs is not an appropriate measure, as it uses funded positions to measure its financial performance. Where staff are not available to fill rosters, the Department uses agency staff. It estimates that 9.0 per cent of employee costs were for agency staff.

## PERFORMANCE INFORMATION

### Services Provided by the Department

The Department's primary role is to assist older people, and people with a disability and their carers to participate in community life. The Department is both a purchaser and provider of services and shares responsibility for clients with a number of other Government agencies that deliver services in areas such as health care, transport, family and children's services and housing. The Department delivers its services under two programs, namely Supported Accommodation and Community Support.

#### *Supported Accommodation*

The program provides accommodation to people with a disability, and intensive personal care services to frail older people and people with a disability. Accommodation includes large residences, group homes and hostels. The program is funded under the Commonwealth/State Disability Agreement. Services are provided directly by the Department or through non-government organisations funded by the Department.

The table below provides some statistics relating to clients in supported accommodation places for the past four years.

Year ended 30 June	2005	2006	2007	2008
Number of supported accommodation places	5,685	5,949	5,824	6,628
Number of supported accommodation places provided by the Department	2,532	2,544	2,585	2,643
Number of supported accommodation places provided by non-government organisations	3,153	3,405	3,239	3,985
Total expenses incurred on supported accommodation (\$'000)	730,332	751,064	921,182	955,253

Source: Departmental statistics (unaudited).

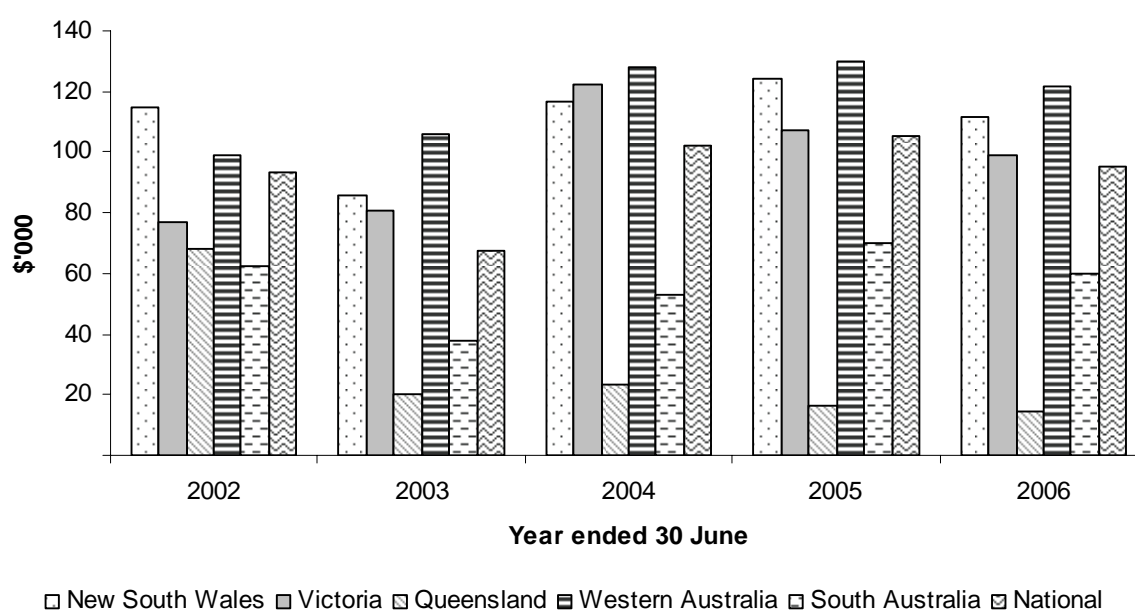
Since 2005 the total number of supported accommodation places has increased by 16.6 per cent, including an increase of 804 places in 2007-08. The rise in 2007-08 is mainly due to an increase of 746 places provided by non-government organisations. The Department advised this increase is a result of growth in the 'Stronger Together' initiative, as well as significant improvements made by non-government organisations in capturing data.

The Productivity Commission's Report on Government Services 2008 publishes data on services for people with a disability. We compared data from 2001-02 to 2005-06 (this data being the latest available) on government expenditure for accommodation provided under the Commonwealth, State and Territory Disability Agreement.

### Cost per User of Government Provided Accommodation in Disability Residences

The graph below shows this expenditure for each jurisdiction for the five years ending 2005-06.

**Real Government Expenditure per User in Disability Residences**



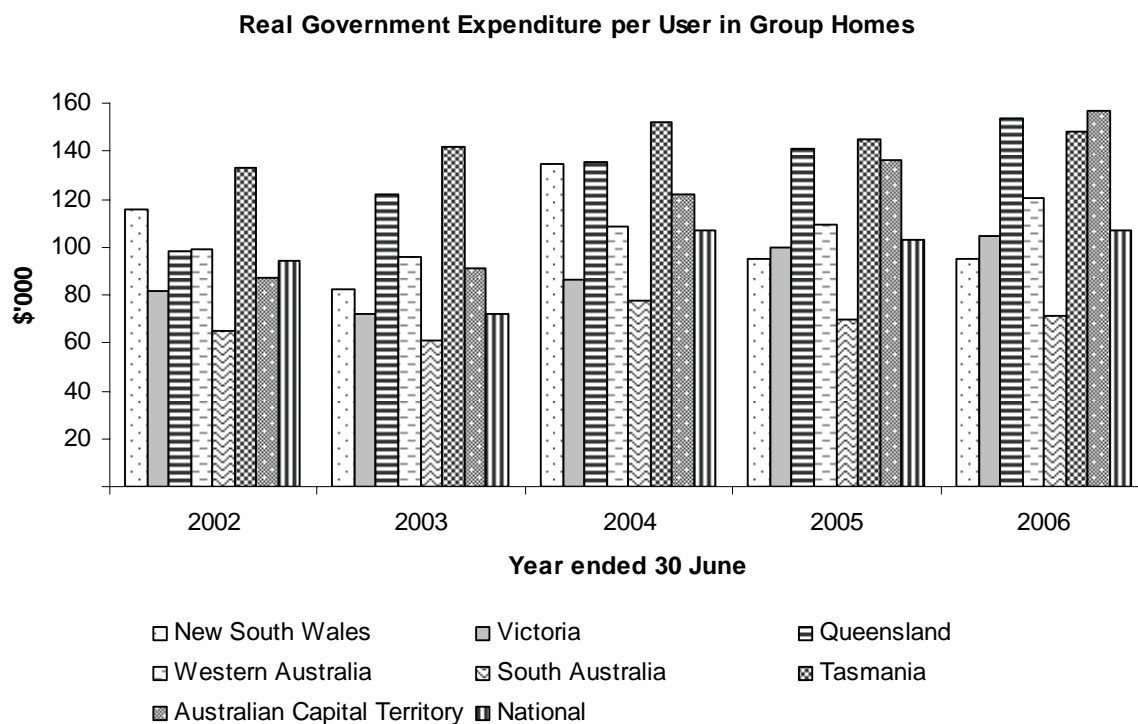
Source: Productivity Commission's Report on Government Services 2008, 2006 and 2005.

Note: No figures were available for Tasmania, Australian Capital Territory or Northern Territory.

In New South Wales, the cost of accommodation per user in disability residences continues to be above the national average. Although the cost in New South Wales dropped from \$124,400 in 2004-05 to \$111,700 in 2005-06, it was the second highest cost per user when compared to other jurisdictions. As reported last year, the Productivity Commission again notes that the reliability of New South Wales' data since 2002-03 is affected by low and varied response rates from service providers. This has led to the under-reporting of service user numbers and comparability of the data.

### Cost per User of Government Provided Accommodation in Disability Group Homes

The graph below shows expenditure for each jurisdiction from 2001-02 to 2005-06 for group homes.



Source: Productivity Commission's Report on Government Services 2008, 2006 and 2005.

Note: No figures were available for Northern Territory.

In New South Wales, the cost of accommodation support services per user in group homes was below the national average for the second consecutive year. New South Wales' spending was also the second lowest of all jurisdictions. While New South Wales' expenditure decreased from \$116,000 in 2001-02 to \$95,000 in 2005-06, spending in most other jurisdictions has increased during the same period. The Productivity Commission, however, has noted that low and varied response rates in New South Wales has led to under reporting of service user numbers since 2002-03.

#### Community Support

This program provides a range of services to older people and people with a disability including respite, community access and day programs, skills development, therapy and case management, and a wide range of personal assistance services. Funding is from the Home and Community Care (HACC) program, which is a joint Commonwealth/State program aimed at minimising inappropriate admissions to permanent residential care. The program is also funded from the Commonwealth/State Disability Agreement. In New South Wales, HACC funds a large number of services. The typical HACC client receives a low volume of service compared to intensive care services, and client needs are diverse, resulting in low economies of scale.

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

Year ended 30 June	2005	2006	2007	2008
Number of HACC services	1,487	1,822	1,822	1,785
Number of HACC services validated (i)	1,237	327	335	456
Total expenses incurred on Community Support (\$'000)	683,220	786,735	851,861	939,319

Source: Departmental statistics (unaudited).

(i) Services were validated against the Department's Integrated Monitoring Framework, except for 2005 where services were validated against national HACC standards.

Total expenditure incurred under the program increased by 10.3 per cent in 2007-08, and has increased substantially since 2005. The Department advised this was due to additional funding received to provide a range of services and support, designed to enable older people and people with a disability to continue to live in their own homes. These services included respite, therapy services and family assistance programs.

## OTHER INFORMATION

### Sales Proceeds to be Remitted to the Crown

The Department owes \$3.9 million to the Crown Entity from the proceeds of sales of assets. This includes \$1.9 million received in 2006-07. Under current Treasurer's Directions, agencies within the budget sector are required to obtain the Treasurer's approval to utilise retained funds. We noted the Department has not obtained this approval. Management advised that it has held preliminary discussions with The Treasury to seek this approval. The Department should continue liaising with The Treasury to resolve this issue.

### Property transfers from the Department of Community Services

In 2001, the Department received land and buildings at no cost from the Department of Community Services (DoCS) as part of an administrative restructure. Although control of the assets transferred to the Department at the time, titles to the properties remain with DoCS. Management advised discussions with DoCS have commenced to arrange for the transfer of titles.

### Internal Control Issues

We identified a number of opportunities for the Department to improve accounting and internal control procedures. These include:

#### *Changes to Service Provider and Customer Details*

Changes made to service provider details by Departmental staff, such as bank details, business names, etc are not reviewed by a second officer to ensure the accuracy and validity of changes made. As a result, unauthorised changes could potentially remain within the master file, which could be used for the generation of fraudulent transactions.

In addition, supplier and customer master file data are not periodically reviewed by management for accuracy and ongoing pertinence.

#### *Controls over Manual Journal Entries*

Manual journal entries prepared at the Department do not always have evidence of review and approval by an independent officer prior to being sent to the service provider for processing. This could lead to unauthorised or inaccurate journals being processed without detection.

## Overtime

As shown in the table below, 176 employees (including 165 shift workers) earn 30 per cent or more of their base salary in overtime.

Overtime to Base Salary %	Number of employees who earned overtime 2008
90 - 100	1
80 - 90	1
70 - 80	--
60 - 70	4
50 - 60	27
40 - 50	56
30 - 40	87
20 - 30	216
10 - 20	639
0 > - 10	3,260
<b>Total</b>	<b>4,291</b>

Source: Departmental statistics (unaudited).

For 33 employees, overtime was more than 50 per cent of their base salary. This level of overtime expense raises questions about the efficiency of operations, as well as occupational health and safety issues. The Department advised the majority of rostered workers receive shift penalties and allowances as part of their standard pay. Therefore a comparison of overtime to base salary including penalties and allowances is a fairer analysis. The Department has used overtime as one measure to fill vacancies, which reflects the around-the-clock nature of the disability sector, and of maintaining a skilled workforce on all shifts. The Department is undertaking a review of rostering principles to ensure client needs are met, and best practice rostering principles are maintained.

## Stronger Together Strategy

In 2007-08, the 'Stronger Together: A new direction for disability services in NSW' strategy completed its second year. Stronger Together is a ten year plan aimed at providing more assistance for people with disabilities to live in their own home and increase the range of specialist accommodation services for those unable to live at home. In 2006-07, the New South Wales Government committed more than \$1.3 billion in new funding over five years to support the ten-year plan.

Departmental statistics indicate that more than \$350 million has been expended in the first two years of the plan. Outcomes achieved to date include:

- the creation of an additional 10,000 disability service places
- more than 3,000 people have accessed the Family Assistance Fund which assists people purchase whitegoods, communication devices and other items
- an additional 124 case managers have been appointed, enhancing management capacity and expanding service provision
- almost 700 early childhood intervention services have been allocated across the State
- the Department is trialling new types of support for families with children diagnosed with autism spectrum disorder, including models that promote early screening and referral
- the creation of 1,600 new disability respite places.



## FINANCIAL INFORMATION

## Abridged Consolidated Operating Statements

Year ended 30 June	Consolidated		Department	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee related	723,259	670,883	549,606	516,059
Grants and subsidies	1,010,135	936,336	1,173,880	1,095,740
Other expenses	205,711	193,302	171,086	161,244
<b>TOTAL EXPENSES</b>	<b>1,939,105</b>	<b>1,800,521</b>	<b>1,894,572</b>	<b>1,773,043</b>
<b>TOTAL REVENUE</b>	<b>90,615</b>	<b>91,870</b>	<b>59,524</b>	<b>57,833</b>
Other losses	3,153	1,461	1,096	969
<b>NET COST OF SERVICES</b>	<b>1,851,643</b>	<b>1,710,112</b>	<b>1,836,144</b>	<b>1,716,179</b>
Government contributions	1,883,494	1,741,018	1,883,494	1,741,018
<b>SURPLUS</b>	<b>31,851</b>	<b>30,906</b>	<b>47,350</b>	<b>24,839</b>

Employee related expenses increased mainly due to increases in salary rates, as well as a rise in staff numbers.

## Abridged Consolidated Balance Sheets

Year ended 30 June	Consolidated		Department	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	95,071	96,558	61,843	54,252
Non-current assets	631,143	577,596	611,434	553,920
<b>TOTAL ASSETS</b>	<b>726,214</b>	<b>674,154</b>	<b>673,277</b>	<b>608,172</b>
Current liabilities	101,469	99,909	76,570	74,304
Non-current liabilities	11,720	7,414	8,538	7,395
<b>TOTAL LIABILITIES</b>	<b>113,189</b>	<b>107,323</b>	<b>85,108</b>	<b>81,699</b>
<b>NET ASSETS</b>	<b>613,025</b>	<b>566,831</b>	<b>588,169</b>	<b>526,473</b>

Non-current assets increased, mainly due to the purchase of new group homes, modifications made to existing homes, and the revaluation of land and buildings.

### Abridged Program Information

The Department's consolidated net cost of services by program is detailed below.

Program Description	2008			2007
	Revenue	Expenses	Net Cost of Services	Net Cost of Services
	\$'000	\$'000	\$'000	\$'000
Supported accommodation	38,820	955,253	917,950	885,526
Community support	51,795	983,852	933,693	824,586
<b>Total all programs</b>	<b>90,615</b>	<b>1,939,105</b>	<b>1,851,643</b>	<b>1,710,112</b>

### DEPARTMENT ACTIVITIES

The Department provides strategic policy advice, planning, funding, quality assurance, evaluation and monitoring services for older people and people with a disability and their families, as well as providing direct assistance to them and their carers.

The Department is responsible, for administrative purposes, for the Disability Council of New South Wales and the Guardianship Tribunal. The Disability Council is the official adviser to the New South Wales Government on issues affecting people with a disability and their families. The Guardianship Tribunal appoints guardians and financial managers for people 16 years and over who have a disability and are incapable of making their own decisions or managing their own affairs, and who have no other safe or appropriate arrangements in place. Operating transactions and balances at year-end of the Council and the Tribunal are included in the Department's financial report.

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

### CONTROLLED ENTITIES

#### Home Care Service of New South Wales

Separate comments on Home Care Services of New South Wales and its controlled entity Home Care Service Division are included elsewhere in this Report.

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# Home Care Service of New South Wales

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## AUDIT OPINION

The audits of Home Care and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## KEY ISSUES

### Workforce Management System

In September 2007, Home Care replaced its Branch Operating System with the Client Information System (CIS) and Workforce Management System (WFM). This project was managed by NSW Businesslink Pty Ltd on behalf of the Department of Ageing, Disability and Home Care (DADHC).

NSW Businesslink Pty Ltd and DADHC commissioned their internal auditors to conduct a review of the WFM project. The review confirmed shortfalls in useability of the system, and identified significant shortcomings with user acceptance testing attributed to project governance. The agencies agreed with the majority of the key findings and they are implementing agreed recommendations to address these matters.

### Repeat Issues

The following matters have been reported for at least the past two years. Home Care should address them as a matter of priority.

#### *Purchase Order Details (Repeat Issue)*

For the past three years, we have reported to management that purchase orders lack appropriate detail, such as unit prices and total amounts subject to approval. We again noted the same issue in 2007-08.

#### *Payroll Management (Repeat Issue)*

We noted issues relating to payroll management including: leave incorrectly recorded; key payroll reports, including 'staff establishment' reports, either not being generated or being generated but not reviewed; carry forward hours on flex sheets exceeding the flex policy; and flex sheets not being approved by a supervisor.

#### *Short Leave Entitlement (Repeat Issue)*

There were 188 administration staff with a short leave balance in the SAP system in excess of the maximum entitlement of ten days. Management advised that a variation in February 2007 to the relevant Award replaced short leave with family and community services leave, which does not have a cap. Management further advised that verification of entitlements from the current system to the new arrangements will be part of the new system implementation plan.

## PERFORMANCE INFORMATION

Home Care provided the following information regarding its performance.

### Activity Levels

Year ended 30 June	Actual				Target
	2005	2006	2007	2008	2008
Total number of assessments	6,367	17,906	17,693	20,760	17,500
Total hours of service provided ('000s)	3,613	3,626	3,872	3,903	3,990
General housework hours (%)	46	48	51	48	48
Personal care hours (%)	38	36	35	37	35
Respite care hours (%)	13	10	12	12	10
Other care hours (%)	3	6	2	3	7
Total number of clients serviced ('000s)	52	53	54	55	53
Average hours per client per annum	69	69	71	71	71
Direct average staffing (EFT)	2,727	2,862	2,937	2,972	2,950

Source: Home Care Service of New South Wales (unaudited).

In 2007-08, the total number of assessments undertaken by Home Care rose by 17.3 per cent. Management advised that an increased level of assessments was necessary to achieve ongoing planned replacement of clients. Also, a backlog of assessments had built up resulting in additional temporary staff being engaged to clear the backlog. At 30 June 2008, there were 582 clients awaiting assessment (1,333 at 30 June 2007). Home Care exceeded its target for total number of assessments by 18.6 per cent.

An assessment involves ascertaining a client's eligibility based on program guidelines; the client's support needs; and developing a care plan.

Since 2005, total hours of service provided to clients have increased by 290,000. This includes an increase of 31,000 hours in 2007-08. Total hours of service provided, however, fell short of Home Care's target by 87,000 hours. Home Care advised this was mainly due to services budgeted for under programs other than Home and Community Care not being allocated by the operator of the program.

### High Needs Pool

The High Needs Pool sets aside funds for clients requiring more than 15 hours per week of personal care. The guidelines for the pool include a cap on services of 140 hours per four-week period, and intake being determined by priority rather than in chronological order. The table below summarises High Needs information for the past four years.

Year ended 30 June	Actual			
	2005	2006	2007	2008
Funds set aside for High Needs Pool (\$'000)	20,100	20,500	21,200	21,920
Number of clients waiting for High Needs services	327	470	409	517
Number of new clients approved	68	90	105	121
Number of clients requiring (receiving) more than 60 hours of personal care and assistance per four-week period	376	428	472	475

Source: Home Care Service of New South Wales (unaudited).

In 2007-08, the number of clients waiting for High Needs services increased by 26.4 per cent, with the number of new clients approved for High Needs services rising by 15.2 per cent. Home Care advised that this resulted from the 'Stronger Together' initiative, whereby additional Attendant Care Program (ACP) packages have been provided. These packages provide up to 35 hours of personal support to assist people aged 16-65 with a physical disability, and who can manage and direct their own care, to live as independently as possible in the community. The expansion of the Program not only led to an increased number of registrations, but also resulted in an increased number of High Needs Pool approvals during the year to replace clients who transitioned to ACP packages.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

### Duplication of Rosters in WFM

We noted a control weakness in WFM that allows clients to be charged twice for the same service, or charged for services they did not receive. This is caused by the WFM system creating copies of shifts that have been edited. Home Care advised that system changes are currently being developed to correct this issue. Management expects these changes to be implemented early in 2009. In the interim, to minimise the possibility of clients being incorrectly billed, Home Care has introduced manual checking controls.

### Customer Master Files Changes

Changes made to customer details in the CIS, such as addresses, are not always supported by an authorised written request. In most instances notifications received are verbal. In addition, an audit report listing all changes made, is currently not produced and reviewed by a second officer to ensure accuracy and validity of changes made.

## FINANCIAL INFORMATION

### Abridged Operating Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>REVENUE</b>				
Government grants and contributions	168,627	164,027	168,627	164,027
Other	33,323	35,771	33,323	35,771
<b>TOTAL REVENUE</b>	<b>201,950</b>	<b>199,798</b>	<b>201,950</b>	<b>199,798</b>
<b>EXPENSES</b>				
Employee related	161,827	141,391	--	--
Personnel services	--	--	161,827	141,391
Other expenses	53,565	51,848	53,565	51,848
<b>TOTAL EXPENSES</b>	<b>215,392</b>	<b>193,239</b>	<b>215,392</b>	<b>193,239</b>
Other losses	2,057	492	2,057	492
<b>(DEFICIT)/SURPLUS</b>	<b>(15,499)</b>	<b>6,067</b>	<b>(15,499)</b>	<b>6,067</b>

Employee related expenses increased mainly due to increases in salary rates as well as a rise in workers' compensation insurance, resulting from net hindsight payment adjustments of \$6.5 million (excluding GST) from prior years.

### Abridged Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	38,615	45,417	38,069	44,873
Non-current assets	19,709	23,676	19,709	20,585
<b>TOTAL ASSETS</b>	<b>58,324</b>	<b>69,093</b>	<b>57,778</b>	<b>65,458</b>
Current liabilities	30,286	26,780	29,740	23,145
Non-current liabilities	3,182	1,955	3,182	1,955
<b>TOTAL LIABILITIES</b>	<b>33,468</b>	<b>28,735</b>	<b>32,922</b>	<b>25,100</b>
<b>NET ASSETS</b>	<b>24,856</b>	<b>40,358</b>	<b>24,856</b>	<b>40,358</b>

Current assets decreased largely due to a decrease in cash holdings. The increase in current liabilities resulted from an increase in payables.

### HOME CARE ACTIVITIES

The *Home Care Service Act 1988* established Home Care as a corporation. Home Care provides housekeeping, personal care and a range of ancillary services for individuals and families within their own homes. Its operations are conducted through statewide branches and service outlets. For further information on Home Care, refer to [www.dadhc.nsw.gov.au](http://www.dadhc.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.

Entity Name
Home Care Service Division

# Minister for Arts

Art Gallery of New South Wales Trust

Australian Museum Trust

Department of the Arts, Sport and Recreation

Historic Houses Trust of New South Wales

Library Council of New South Wales

Sydney Opera House Trust

Trustees of the Museum of Applied Arts and Sciences





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# Art Gallery of New South Wales Trust

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## AUDIT OPINION

The audits of the Trust and its controlled entity's financial report for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## PERFORMANCE INFORMATION

The Trust provided the following information regarding its performance.

Year ended 30 June	2004	2005	2006	2007	2008
Visitor numbers ('000s)	1,513	1,351	1,690	1,302	<i>1,356</i>
Admission fees (\$m)	2.9	1.6	3.8	1.9	<i>2.6</i>
Number of exhibitions	28	35	52	38	<i>38</i>
<b>Collections</b>					
Total items ('000s)	27	28	28	28	<i>29</i>
Total value (\$m)	604	615	629	782	<i>795</i>
Acquisitions during the year:					
- dollar value (\$m)	8.0	11.2	9.9	8.2	<i>14.1</i>
- number of items	488	480	585	442	<i>467</i>

The exhibition program is the major driver for visitor numbers, and the increase in the admission fees is due to the favourable response to several ticketed exhibitions.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures. We will discuss these further with Trust staff and, where appropriate, report them to management.

**FINANCIAL INFORMATION**

**Abridged Income Statement**

Year ended 30 June	2008 \$'000	2007 \$'000
Government contributions	34,169	27,912
Sale of goods and services	9,168	7,819
Other	13,918	21,684
<b>TOTAL REVENUE</b>	<b>57,255</b>	<b>57,415</b>
Personnel services expenses	19,136	17,293
Operating expenses	18,268	17,493
Depreciation and amortisation	2,115	2,148
<b>TOTAL EXPENSES</b>	<b>39,519</b>	<b>36,934</b>
<b>SURPLUS</b>	<b>17,736</b>	<b>20,481</b>

**Abridged Balance Sheet**

At 30 June	2008 \$'000	2007 \$'000
Current assets	38,163	30,814
Non-current assets	966,746	926,794
<b>TOTAL ASSETS</b>	<b>1,004,909</b>	<b>957,608</b>
Current liabilities	6,707	3,749
Non-current liabilities	14	15
<b>TOTAL LIABILITIES</b>	<b>6,721</b>	<b>3,764</b>
<b>NET ASSETS</b>	<b>988,188</b>	<b>953,844</b>

Government contributions included \$13.6 million (\$5.4 million in 2006-07) towards acquisitions of property plant and equipment and collection items.

Other revenue decreased in comparison to the previous year. This was because 2006-07 included insurance recoveries of \$1.6 million as well as the value of a property bequeathed to the trust, worth \$4.9 million. There were no equivalent items in 2007-08.

The rise in net assets reflects increases in the value of property, plant and equipment, largely because of revaluation of the Gallery building (a \$26.6 million increment) and acquisitions during 2007-08.

## TRUST ACTIVITIES

The Trust is constituted under the *Art Gallery of New South Wales Act 1980*. 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.

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

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## CONTROLLED ENTITY

The controlled entity has not been reported on 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.

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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>

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# Australian Museum Trust

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## AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Collections Database (Repeat Issue)

We recommended that the Trust complete its program of recording its collections on an electronic database as soon as possible.

In recent years, we reported that the absence of an appropriate database impacts the Trust's ability to discharge its stewardship responsibilities over its collections. Trust management has again advised that completion of this task is dependent on the availability of funds. They are unable to determine when this work will be completed largely because of the number of collection items.

## PERFORMANCE INFORMATION

The Trust provided the following information regarding its performance.

Year ended 30 June	2004	2005	2006	2007	2008
Visitor numbers ('000s)	283	336	297	318	<i>333</i>
Admission fees (\$m)	1.5	2.4	2.1	1.8	<i>1.9</i>
Temporary exhibitions	13	10	8	9	<i>8</i>
Website visits (m)	8.3	12.2	17.1	23.3	<i>21.0</i>

## OTHER INFORMATION

The most significant issues noted during our audit related to the revaluation of Trust property and collections. Our findings were accepted by Trust staff and the financial report was adjusted accordingly.

We have previously recommended that the Trust strengthen year-end reporting procedures to ensure amounts unpaid, in respect of goods and services received, are correctly recognised. Nevertheless we again found instances of significant unrecorded accruals. The Trust should continue its efforts to address this matter.

We also identified other opportunities to improve accounting and internal control procedures. We will discuss these further with Trust personnel and where appropriate report them to management.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Government contributions	45,210	47,700
Sale of goods and services	5,663	5,297
Other revenue	4,279	3,469
<b>TOTAL REVENUE</b>	<b>55,152</b>	<b>56,466</b>
Personal services expenses	20,848	20,415
Other operating expenses	12,341	11,712
Other expenses	3,496	3,887
<b>TOTAL EXPENSES</b>	<b>36,685</b>	<b>36,014</b>
<b>SURPLUS</b>	<b>18,467</b>	<b>20,452</b>

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	16,444	19,267
Non-current assets	1,024,068	713,348
<b>TOTAL ASSETS</b>	<b>1,040,512</b>	<b>732,615</b>
Current liabilities	6,400	4,043
Non-current liabilities	343	18
<b>TOTAL LIABILITIES</b>	<b>6,743</b>	<b>4,061</b>
<b>NET ASSETS</b>	<b>1,033,769</b>	<b>728,554</b>

The Trust's land, buildings and collection items were revalued during the year. The net revaluation increment was \$287 million.

During 2007-08, the Trust spent \$27.4 million on additions to property, plant and equipment and collection items. The Trust informed us that the majority of this expenditure (\$19.6 million) related to the New Science and Research Building (as part of the five year \$40.9 million Australian Museum Revitalisation Project completed in September 2008). Trust management also advised us that the Australian Museum Revitalisation Project included expenditure of \$4.0 million during 2007-08 to complete the new 'Dinosaurs' and 'Surviving Australia' exhibitions (opened to the public in March and June 2008 respectively).

## TRUST ACTIVITIES

The Trust is constituted under the *Australian Museum Trust Act 1975*.

Its main function is to increase and disseminate knowledge about the natural environment of Australia and the natural sciences. The Trust is responsible for the control and management of the Museum.

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

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# Department of the Arts, Sport and Recreation

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

### Participation Numbers at Regional Sport and Recreation Centres

Participant Numbers for Centre	2005	2006	2007	2008
Berry	8,829	8,900	10,181	9,495
Borambola	8,654	10,666	10,287	8,989
Broken Bay	11,006	10,008	11,428	11,055
Jindabyne	15,636	13,182	15,361	15,310
Lake Ainsworth	12,923	11,408	13,571	14,269
Lake Burrendong	6,268	6,325	7,854	7,644
Lake Keepit	5,390	6,061	5,219	5,629
Milson Island	10,595	10,437	11,505	11,195
Myuna Bay	19,505	18,486	16,469	19,038
Point Wolstoncroft	14,437	15,209	14,814	17,148
Sydney Academy	43,583	71,555	66,471	68,683
<b>TOTAL</b>	<b>156,826</b>	<b>182,237</b>	<b>183,160</b>	<b>188,455</b>

Source: Department of the Arts, Sport and Recreation (unaudited).

These centres provide outdoor education programs for schools, community or corporate groups and the general public.

### Approval of Gaming Machines and Licences

The Department approves a number of licences and applications for gaming machines. Gaming machine holdings and licences held are as follows:

At 30 June	2005	2006	2007	2008
Gaming machine holdings (clubs)	74,672	74,273	73,436	72,819
Gaming machine holdings (hotels)	24,136	24,053	23,943	23,732
No. of licensed premises and registered clubs	13,320	13,705	14,227	14,412

The downward trend in gaming machine holdings is due to the forfeiture of entitlements when entitlement transfers occur, as specified in the *Gaming Machines Act 2001*.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	223,549	217,875
Other expenses	141,053	115,868
<b>TOTAL EXPENSES</b>	<b>364,602</b>	<b>333,743</b>
<b>TOTAL REVENUE</b>	<b>203,071</b>	<b>196,034</b>
<b>NET COST OF SERVICES</b>	<b>161,531</b>	<b>137,709</b>
Government contributions	161,008	155,860
<b>(DEFICIT)/SURPLUS</b>	<b>(523)</b>	<b>18,151</b>

The increase in other expenses of \$25.2 million was primarily due to grants to the Museum of Contemporary Arts of \$15.3 million, Cultural Institutions of \$4.6 million and Equine Influenza grants of \$5.4 million.

### Loan Guarantees

The Department acts as a guarantor for loans to sporting organisations. At 30 June 2008, the Department had guaranteed 12 loans with outstanding balances totalling \$3.9 million.

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	53,687	54,527
Non-current assets	469,457	469,701
<b>TOTAL ASSETS</b>	<b>523,144</b>	<b>524,228</b>
Current liabilities	41,365	42,023
Non-current liabilities	880	783
<b>TOTAL LIABILITIES</b>	<b>42,245</b>	<b>42,806</b>
<b>NET ASSETS</b>	<b>480,899</b>	<b>481,422</b>



## Program Information

The table below details the Department's net cost of services by program:

Year ended 30 June	2008		2007	
	Revenues	Expenses	Net Cost of Services	Net Cost of Services
	\$'000	\$'000	\$'000	\$'000
<b>Program Description</b>				
Arts NSW	154,320	225,390	71,070	51,387
Sport and recreation development	41,744	110,295	68,551	70,126
Office of liquor, gaming and racing	7,007	28,917	21,910	16,196
<b>Total all programs</b>	<b>203,071</b>	<b>364,602</b>	<b>161,531</b>	<b>137,709</b>

## Administered Revenue and Expenses

The Department levies the following fees and administers expenses on behalf of the Crown Entity.

Activity Description	2008 \$'000	2007 \$'000
<b>Administered Revenue</b>		
Speedway racing licences	21	21
Liquor application/grant fees	1,436	1,841
Gaming machine licence fees	704	710
Hotel gaming machine tax	2	2
Trade competition fees	2,489	2,435
Local court fees	843	701
Fines - local court	889	566
<b>TOTAL ADMINISTERED REVENUE</b>	<b>6,384</b>	<b>6,276</b>
Liquor subsidies	3,033	2,713
<b>TOTAL ADMINISTERED EXPENSES</b>	<b>3,033</b>	<b>2,713</b>
<b>ADMINISTERED REVENUE LESS EXPENSES</b>	<b>3,351</b>	<b>3,563</b>

## DEPARTMENT ACTIVITIES

The three programs that are contained in the Department of the Arts, Sport and Recreation are Arts NSW, NSW Sport and Recreation, and the NSW Office of Liquor, Gaming and Racing.

The purpose of the Department is to improve social well-being through fostering a spirited arts and cultural environment, developing a community based sport and recreation ethos, and ensuring the proper conduct and balanced development of the liquor, gaming, racing and charity industries.

For further information on the Department refer to [www.dasr.nsw.gov.au](http://www.dasr.nsw.gov.au), [www.arts.nsw.gov.au](http://www.arts.nsw.gov.au), [www.dsr.nsw.gov.au](http://www.dsr.nsw.gov.au) and [www.olgr.nsw.gov.au](http://www.olgr.nsw.gov.au).

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# Historic Houses Trust of New South Wales

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## AUDIT OPINION

The audits of the Trust and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Trust provided the following information regarding its performance.

Year ended 30 June	2004	2005	2006	2007	2008
Visitor numbers ('000s)	1,164	1,048	993	1,024	<i>1,012</i>
Admission and function fees (\$m)	1.6	1.7	2.3	2.6	<i>2.8</i>
Temporary exhibitions	8	8	8	9	<i>10</i>
<b>Properties</b>					
Number	15	14	14	16	<i>16*</i>
Value (\$m)	112	202	201	202	<i>203</i>
<b>Collections</b>					
Total items ('000s)	41	43	44	45	<i>46</i>
Total value (\$m)	20	26	27	33	<i>35</i>
Acquired this year:					
Total value (\$'000)	192	4,780	302	5,448	<i>749</i>
Number of items	730	262	248	<i>703</i>	<i>738</i>

\* Excludes 'Glenfield' and 'Nissen Hut', ownership of which had not been vested in the Trust during 2007-08.

Trust personnel explained that the rise in admission and function fees is largely due to increased venue hire by regular corporate clients.

## OTHER INFORMATION

The Trust has met (and capitalised) the cost of upgrading certain parts of the Justice and Police Museum because it has care and control of this property and derives the benefits of occupation. The property is owned by another Government agency.

In recent years, our Management Letters have recommended that action be taken to expedite the transfer of the Justice and Police Museum to the Trust. Despite undertakings that the property would be transferred to the Trust, this has yet to occur.

Our 2007-08 audit also identified some opportunities for improvement to accounting and internal control procedures. These will be discussed further with staff and where appropriate will be reported to management.

## FINANCIAL INFORMATION

## Abridged Operating Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Government contributions	19,231	19,761	19,231	19,761
Other Revenue	9,142	13,460	8,976	12,955
<b>TOTAL REVENUE</b>	<b>28,373</b>	<b>33,221</b>	<b>28,207</b>	<b>32,716</b>
Personnel services	15,700	14,780	15,618	14,765
Other expenses	12,561	11,696	12,496	11,613
<b>TOTAL EXPENSES</b>	<b>28,261</b>	<b>26,476</b>	<b>28,114</b>	<b>26,378</b>
<b>SURPLUS</b>	<b>112</b>	<b>6,745</b>	<b>93</b>	<b>6,338</b>

The Trust does not have the authority to employ staff. Personnel services are provided by the Department of the Arts, Sport and Recreation. The increase in personnel services expenses reflects pay rises and event and function staffing requirements.

## Abridged Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	8,824	13,028	7,250	10,375
Non-current assets	241,567	235,614	240,803	234,881
<b>TOTAL ASSETS</b>	<b>250,391</b>	<b>248,642</b>	<b>248,053</b>	<b>245,256</b>
Current liabilities	3,334	3,036	4,424	3,028
Non-current liabilities	10	9	10	9
<b>TOTAL LIABILITIES</b>	<b>3,344</b>	<b>3,045</b>	<b>4,434</b>	<b>3,037</b>
<b>NET ASSETS</b>	<b>247,047</b>	<b>245,597</b>	<b>243,619</b>	<b>242,219</b>

## ENTITY 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.

The Trust manages 18 properties (17 in 2006-07) of historic significance.

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

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

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## CONTROLLED ENTITIES

The following controlled entities have not been reported on 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.

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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	*
Rouse Hill Hamilton Collection Pty Limited	*
Hamilton Rouse Hill Trust	*

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\* These entities do not have websites.

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# Library Council of New South Wales

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## AUDIT OPINION

The audits of the Council and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Council provided the following information regarding its performance:

Year ended 30 June	2004	2005	2006	2007	2008
Onsite visitor numbers ('000s)	571	629	629	639	646
Web page requests (million)	19.6	24.6	31.6	40.2	*
Electronic records available ('000s)	1,461	1,521	1,567	1,621	1,692
<b>Collections</b>					
Total items ('000s)	5,000	5,127	5,158	5,221	5,280
Total value (\$m)	1,497	1,883	1,880	1,877	1,874
Acquired this year:					
dollar value (\$m)	7.5	7.8	6.9	7.1	6.9
number of items ('000s)	75.9	80.9	53.6	63.6	59.0

\* Not available - data not recorded during changes to software.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures. We will discuss these further with Council staff and where appropriate will report them to management.

## FINANCIAL INFORMATION

## Abridged Consolidated Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Government contributions	71,732	72,702	71,732	72,702
Other revenue	8,558	8,694	7,050	7,594
<b>TOTAL INCOME</b>	<b>80,290</b>	<b>81,396</b>	<b>78,782</b>	<b>80,296</b>
Personnel service expense	29,891	28,152	29,793	28,002
Other expenses	55,549	56,901	54,454	56,267
<b>TOTAL EXPENSES</b>	<b>85,440</b>	<b>85,053</b>	<b>84,247</b>	<b>84,269</b>
<b>DEFICIT</b>	<b>5,150</b>	<b>3,657</b>	<b>5,465</b>	<b>3,973</b>

The Council does not have the authority to employ staff. It recognises personnel services expenses provided by the Department of Arts, Sport and Recreation.

## Abridged Consolidated Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	22,936	23,393	11,924	12,552
Non-current assets	2,109,686	2,116,635	2,109,331	2,116,308
<b>TOTAL ASSETS</b>	<b>2,132,622</b>	<b>2,140,028</b>	<b>2,121,255</b>	<b>2,128,860</b>
Current liabilities	4,863	7,119	4,636	6,776
<b>TOTAL LIABILITIES</b>	<b>4,863</b>	<b>7,119</b>	<b>4,636</b>	<b>6,776</b>
<b>NET ASSETS</b>	<b>2,127,759</b>	<b>2,132,909</b>	<b>2,116,619</b>	<b>2,122,084</b>

## COUNCIL ACTIVITIES

The Council is constituted under the *Library Act 1939*. It is subject to the control and direction of the Minister for the Arts in the performance of its duties and functions relating to local library services.

Its main function is to provide library and information services to the people of New South Wales through the State Library and the statewide network of public libraries and information agencies.

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

**CONTROLLED ENTITY**

**State Library of New South Wales Foundation**

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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State Library of New South Wales Foundation

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# Sydney Opera House Trust

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## AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Trust provided the following information regarding its performance:

Year ended 30 June	2004	2005	2006	2007	2008
Performances	1,653	1,543	1,558	1,595	<i>1,661</i>
Audience ('000s)	1,146	1,135	1,130	1,212	<i>1,270</i>
Guided tour attendees ('000s)	245	247	270	328	<i>330</i>

## OTHER INFORMATION

We identified opportunities to improve accounting and internal control procedures. In the main these relate to vendor master files, payroll reconciliations, fixed asset capitalisation and annual leave on-costs. We will discuss these further with Trust staff and, where appropriate, report them to management.

## FINANCIAL INFORMATION

The following information relates to the Sydney Opera House Trust's finances.

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Sales of goods and services	<i>49,527</i>	44,702
Government contributions	<i>21,363</i>	63,672
Other	<i>10,926</i>	10,865
<b>TOTAL REVENUE</b>	<b><i>81,816</i></b>	119,239
Personnel services expenses	<i>39,054</i>	37,213
Other operating and maintenance expenses	<i>44,604</i>	43,397
Depreciation and amortisation	<i>17,801</i>	18,461
<b>TOTAL EXPENSES</b>	<b><i>101,459</i></b>	99,071
<b>(DEFICIT)/SURPLUS</b>	<b><i>(19,643)</i></b>	20,168



## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	82,435	111,406
Non-current assets	1,834,726	1,825,158
<b>TOTAL ASSETS</b>	<b>1,917,161</b>	<b>1,936,564</b>
Current liabilities	21,419	21,282
Non-current liabilities	1,107	996
<b>TOTAL LIABILITIES</b>	<b>22,526</b>	<b>22,278</b>
<b>NET ASSETS</b>	<b>1,894,635</b>	<b>1,914,286</b>

Government contributions received and recognised in 2006-07 included \$41.1 million to finance the cost of capital and maintenance works undertaken in 2007-08 and future years. The decrease in net assets in comparison to 2007 reflects cash outflows on maintenance works and the impact of depreciation and amortisation \$17.8 million in 2007-08 (\$18.5 million in 2006-07).

## 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. Its main functions are to manage and maintain the Sydney Opera House and site as a heritage building, performing arts and conference centre, tourism destination, and to promote and encourage the performing arts.

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

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# Trustees of the Museum of Applied Arts and Sciences

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## AUDIT OPINION

The audit of the Museum's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Museum provided the following information regarding its performance:

Year ended 30 June	2004	2005	2006	2007	2008
Visitor numbers ('000s)	500	702	535	622	<i>676</i>
Admission fees (\$m)	2.0	4.3	2.3	3.1	<i>4.3</i>
Temporary exhibitions	22	25	28	31	<i>24</i>
<b>Collections</b>					
Total items ('000s)	386	387	387	388	<i>389</i>
Total value (\$m)	370	399	401	403	<i>405</i>
Acquired this year:					
dollar value (\$m)	3.0	2.1	2.1	1.9	<i>2.5</i>
number of items	663	546	707	725	<i>889</i>

Visitor numbers and admission fees rose in 2007-08 largely due to the significant interest in the year's exhibition program, in particular 'Diana: A Celebration' which opened on 28 September 2007 and closed on 18 May 2008. Over 140,000 people visited this exhibition during its season at the Museum.

## OTHER INFORMATION

We identified some relatively minor opportunities to improve accounting and internal control procedures. We will discuss these further with Museum personnel and where appropriate report them to management.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Government contributions	34,074	42,363
Sales of goods and services	6,599	4,908
Other	4,128	7,236
<b>TOTAL REVENUE</b>	<b>44,801</b>	<b>54,507</b>
Personnel services expenses	28,049	25,558
Other operating expenses	14,196	16,854
Depreciation and amortisation	5,703	5,611
Other (losses)/gains	(17)	1,242
<b>TOTAL EXPENSES</b>	<b>47,931</b>	<b>49,265</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(3,130)</b>	<b>5,242</b>

Government contributions received during the year included capital grants of \$1.8 million (\$9.8 million in 2006-07). Other income in 2007-08 included losses of \$17,000 from the sale of non-current assets (gains of \$1.2 million in 2006-07). Personnel services expenses in 2007-08 included redundancy payments of \$2.3 million (nil).

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	6,339	7,479
Non-current assets	538,980	540,304
<b>TOTAL ASSETS</b>	<b>545,319</b>	<b>547,783</b>
Current liabilities	6,292	5,624
Non-current liabilities	23	25
<b>TOTAL LIABILITIES</b>	<b>6,315</b>	<b>5,649</b>
<b>NET ASSETS</b>	<b>539,004</b>	<b>542,134</b>

## 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.

The Museum's main function is to preserve the State's cultural heritage in science, technology, history, decorative arts and design and to provide access to New South Wales' residents.

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



# Minister for Citizenship

Refer to Appendix 1 for:

Community Relations Commission for a Multicultural New South Wales



# Minister for Climate Change and the Environment

Environment Protection Authority

Royal Botanic Gardens and Domain Trust

Zoological Parks Board of New South Wales

Refer to Appendix 1 for:

Lord Howe Island Board

Marine Parks Authority





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# Environment Protection Authority

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## AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue*	66,523	65,078
Expenses	66,523	65,078
Surplus	--	--
Net assets (at 30 June)	--	--

\* Revenue is a notional grant received from the Department of Environment and Climate Change to offset expenditure on program activities.

The Authority has no staff of its own, no liabilities or assets under its control and does not receive an allocation from the Consolidated Fund for its operations.

Expenses relating to the Authority have been spent on its behalf by the Department of Environment and Climate Change in the following program areas:

Year ended 30 June	2008 \$'000	2007* \$'000
Climate Change and Policy Programs	12,364	22,289
Environment Protection and Regulation	47,117	42,282
Scientific Service	6,712	158
<b>TOTAL</b>	<b>66,193</b>	<b>64,729</b>

\* Prior year amounts have been adjusted to be comparable to current year program definitions.

Additional expenses relate to Board member fees of \$319,000 (\$339,000 in 2006-07) and audit fees of \$11,000 (\$10,000).

## AUTHORITY ACTIVITIES

The activities of the Environment Protection Authority are fully integrated within the operations of the Department of Environment and Climate Change. The Authority operates within the confines of the *Protection of the Environment Administration Act 1991* and the *Protection of the Environment Operations Act 1997* in order to facilitate activities of the Department's staff under these Acts.

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

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# Royal Botanic Gardens and Domain Trust

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## AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## OTHER INFORMATION

We identified some minor opportunities for improving the Trust's internal controls. We reported these matters to management.

## FINANCIAL INFORMATION

### Abridged Operating Statement

At 30 June	2008 \$'000	2007 \$'000
Employee related	21,025	19,524
Other expenses	17,268	14,654
<b>TOTAL EXPENSES</b>	<b>38,293</b>	<b>34,178</b>
<b>TOTAL REVENUE</b>	<b>14,978</b>	<b>11,466</b>
Other losses	(284)	(6)
<b>NET COST OF SERVICES</b>	<b>23,599</b>	<b>22,718</b>
Government contributions	22,784	24,127
<b>(DEFICIT)/SURPLUS</b>	<b>(815)</b>	<b>1,409</b>

Revenue rose generally with sales of goods and services of \$7.3 million (\$6.6 million in 2006-07) and grants and contributions received of \$2.6 million (\$1.9 million). Income from the issue of infringement notices for breaches of Trust regulations increased by \$503,000 to \$674,000.

Increases in personnel services costs of \$1.5 million to \$21.0 million and of \$2.4 million in other operating expenses to \$12.8 million contributed to the overall rise in expenditure.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	6,523	3,956
Non-current assets	271,931	272,442
<b>TOTAL ASSETS</b>	<b>278,454</b>	<b>276,398</b>
Current liabilities	6,098	3,198
Non-current liabilities	43	72
<b>TOTAL LIABILITIES</b>	<b>6,141</b>	<b>3,270</b>
<b>NET ASSETS</b>	<b>272,313</b>	<b>273,128</b>

## Abridged Program Information

The table below details the Trust's net cost of services on a program basis.

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Science and Public Programs	1,944	9,767	7,823	6,270
Botanic Gardens and Parks	13,034	28,810	15,776	16,448
<b>Total all programs</b>	<b>14,978</b>	<b>38,577</b>	<b>23,599</b>	<b>22,718</b>

## TRUST ACTIVITIES

The Trust was established under the *Royal Botanic Gardens and Domain Trust Act 1980*. Its principal objective is to maintain the Royal Botanic Gardens and Domain, the National Herbarium of New South Wales, Mount Tomah Botanic Garden and Mount Annan Botanic Garden. The Trust also provides scientific and horticultural research, together with advice and education on botanical, horticultural and biodiversity issues. It also maintains the grounds of Government House.

For administrative purposes the Trust is part of the Department of Environment and Climate Change. It is governed by a Board and is not a controlled entity of the Department.

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

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# Zoological Parks Board of New South Wales

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## AUDIT OPINION

The audits of the Board and its controlled entity's financial report for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

### Master Plan

The Board has completed the seventh year of its 12 year Master Plan for Taronga Zoo and Taronga Western Plains Zoo.

The Master Plan budgeted costs are indexed each year for inflation, and at 30 June 2008 had increased to \$252 million from the initial budget of \$225 million in 2001-02.

The table below shows the Master Plan's predicted expenditure over the term of the plan and the planned and actual expenditure from inception to 30 June 2008.

Year ended 30 June	2008		
	Master Plan \$'000	Planned \$'000	Actual \$'000
Internal funding	56,200	27,411	19,638
NSW Treasury Corporation loan	37,779	37,779	23,894
Government grants	157,982	100,047	100,227
<b>Total</b>	<b>251,961</b>	<b>165,237</b>	<b>143,759</b>

Source: Zoological Parks Board of New South Wales (unaudited).

The Government requires the Board to raise approximately 25 per cent of the total cost of the Master Plan through internal funding.

The Board spent \$18.3 million (\$33.2 million in 2006-07) on additions to capital works during the year. Major projects included the 'Great Southern Oceans Precinct' construction completed in March 2008.

## PERFORMANCE INFORMATION

### Visitors

The following table shows the number of visitors and revenue for the past four years:

Year ended 30 June	Actual				
	2004	2005	2006	2007	2008
<b>Taronga Zoo</b>					
Paid attendance	1,068,286	1,035,140	1,039,122	1,148,403	<i>1,078,865</i>
Free of charge attendance	242,284	226,080	241,336	218,926	<i>260,491</i>
<b>Taronga Western Plains Zoo</b>					
Paid attendance	225,868	216,357	199,683	199,044	<i>193,554</i>
Free of charge attendance	41,543	37,860	37,569	42,333	<i>37,062</i>
<b>Total attendance</b>	<b>1,577,981</b>	<b>1,515,437</b>	<b>1,517,710</b>	<b>1,608,706</b>	<b><i>1,569,972</i></b>
<b>Admissions Revenue (\$'000)</b>	<b>20,519</b>	<b>21,390</b>	<b>22,905</b>	<b>24,761</b>	<b><i>26,353</i></b>

Source: Zoological Parks Board of New South Wales (unaudited).

Paid attendance at Taronga Zoo decreased in 2007-08 due to the redevelopment of the car park at the Zoo entrance in February 2008. Construction is estimated to be completed in March 2009.

Paid attendance at Taronga Western Plains Zoo was less than the prior year due to rising costs of petrol and the decline in tourism to the region.

Free of charge attendance primarily relates to sponsors and children under the age of four.

## OTHER INFORMATION

### Great Southern Oceans Precinct

The construction of the 'Great Southern Oceans Precinct' was completed in March 2008. The 1.2 hectare exhibit showcases marine animals including seals, penguins and marine life support systems for the animals. The project cost \$51.4 million.

### Brand Name

The *Zoological Parks Board Act 1973* was amended to reflect the registered trademark of the Board, 'Taronga Conservation Society Australia' effective from 1 July 2008. This is in response to the Board's increasing profile as a World Conservation Organisation.

## FINANCIAL INFORMATION

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	85,986	81,663	85,986	81,663
Employee related expenses	36,572	31,732	36,572	31,732
Other expenses	33,111	32,958	33,111	32,958
Surplus	16,303	16,973	16,303	16,973
Net assets (at 30 June)	240,829	218,141	240,829	218,141

Revenue increased by \$4.3 million, largely due to increased Government grants for additions to capital works and admission price rises in July 2007 and April 2008. The Board increased prices by approximately ten per cent from the prior year and a further five per cent in April. Expenses rose mainly due to increased depreciation for completed projects, increased superannuation costs and increased spending on marketing campaigns to promote the Zoo's new brand name.

Net assets rose by \$22.7 million mainly due to a net increase in property, plant and equipment of \$14.8 million as a result of the construction of the 'Great Southern Oceans Precinct' and the completion of the lower entrance retail facility.

Additions to capital works during 2007-08 were funded by the surplus. The Board's loan balance of \$40.5 million increased by \$1.9 million from 2006-07.

## BOARD ACTIVITIES

The *Zoological Parks Board Act 1973* established the Board. Its principal objectives are to establish, maintain and control zoological parks at Sydney's Taronga Zoo and the Western Plains Zoo in Dubbo.

The Board is subject to the control and direction of the Minister for the Environment.

For further information on the Board, refer to [www.zoo.nsw.gov.au](http://www.zoo.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.

Entity Name
Zoological Parks Board Division

# Minister for Commerce

Australian Centre for Advanced Computing and  
Communications Pty Limited

Motor Vehicle Repair Industry Authority

NSW Businesslink Pty Ltd

Rental Bond Board

State Records Authority of New South Wales

Refer to Appendix 1 for:

Fair Trading Administration Corporation

Financial Counselling Trust Fund





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# Australian Centre for Advanced Computing and Communications Pty Limited

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## AUDIT OPINION

The audit of the Company's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUE

### Accumulated losses

We recommend the Board continue to closely monitor future budgets and cash flow projections to ensure the Company's viability is maintained.

The Company's financial performance and cash position have improved significantly over the past two years with a profit after income tax expense of \$409,000 for 2007-08 (\$185,000 in 2006-07). Prior to 2006-07, the Company had recorded losses each year since its incorporation.

At 30 June 2008, accumulated losses were \$12.7 million, remaining capital was \$2.2 million and the Company showed positive working capital. The Company has budgeted for a profit of \$629,000 in 2008-09.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Provision of services	6,270	5,339
Sale of goods	1,687	303
Other	537	704
<b>TOTAL REVENUE</b>	<b>8,494</b>	<b>6,346</b>
Employee benefits	3,188	2,476
Depreciation	911	600
Other	4,040	3,034
<b>TOTAL EXPENSES</b>	<b>8,139</b>	<b>6,110</b>
<b>PROFIT BEFORE TAX</b>	<b>355</b>	<b>236</b>
Income tax (benefit)/expense	(54)	51
<b>PROFIT</b>	<b>409</b>	<b>185</b>

**Abridged Balance Sheet**

At 30 June	2008 \$'000	2007 \$'000
Current assets	3,437	2,377
Non-current assets	3,033	1,407
<b>TOTAL ASSETS</b>	<b>6,470</b>	<b>3,784</b>
Current liabilities	2,142	1,396
Non-current liabilities	2,108	577
<b>TOTAL LIABILITIES</b>	<b>4,250</b>	<b>1,973</b>
Issued capital	14,920	14,920
Accumulated losses	(12,700)	(13,109)
<b>NET ASSETS</b>	<b>2,220</b>	<b>1,811</b>

Until 2008, the Company did not recognise deferred tax assets and liabilities in its financial report as required by AASB 112 'Income Taxes'. The 2007 comparatives have been adjusted to reflect deferred tax assets and liabilities. The net impact of this recognition was increase opening retained earnings \$98,000 as at 1 July 2006, income tax expense for 2006-07 \$51,000 and an income tax benefit \$54,000 in 2007-08.

**COMPANY ACTIVITIES**

The Company was registered on 10 November 2000 as a proprietary company limited by shares under the *Corporations Act 2001*. The Company provides professional management of computers for other organisations, including New South Wales Government agencies, universities and private sector companies.

The Government and eight New South Wales universities financed the establishment of the Company. The Government provided \$12.0 million giving it a 57 per cent shareholding. The universities hold the remaining shares and provided cash and in kind contributions. The New South Wales Government Telecommunications Authority holds the Government's investment.

For further information on the Company refer to [www.ac3.com.au](http://www.ac3.com.au).

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# Motor Vehicle Repair Industry Authority

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## AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

The Authority's operations have become more integrated with the Office of Fair Trading operating within the Department of Commerce (the Department) during 2008. The Authority's licensing processes have moved to the Government Licensing System, which is managed by the Department.

The Authority's operations have been transferred from its Five Dock premises to the Department's Parramatta and Sydney CBD premises. Sale of the Five Dock premises is expected in 2008-09.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Fees from regulatory activities	1,351	2,861
Investment income and other	207	281
<b>TOTAL REVENUE</b>	<b>1,558</b>	<b>3,142</b>
Administration charges	3,209	2,438
Other	137	196
<b>TOTAL EXPENDITURE</b>	<b>3,346</b>	<b>2,634</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(1,788)</b>	<b>508</b>

Using the Government Licensing System, renewals are issued on the anniversary date of the original application. Previously, all renewals were issued in March. This change has brought about a one-off reduction in revenue.

The Department provides corporate services to the Authority. Administration charges for these services increased mainly due to the Authority's share of Consumer, Trader and Tenancy Tribunal costs of \$567,000 that were not previously charged, and relocation charges of \$137,000.

**Abridged Balance Sheet**

At 30 June	2008 \$'000	2007 \$'000
Current assets	4,429	4,673
Non-current assets	--	2,186
<b>TOTAL ASSETS</b>	<b>4,429</b>	<b>6,859</b>
Current liabilities	28	852
<b>TOTAL LIABILITIES</b>	<b>28</b>	<b>852</b>
<b>NET ASSETS</b>	<b>4,401</b>	<b>6,007</b>

The 2008 deficit was funded by a reduction in cash. The Five Dock premises are classified as a current asset in 2008 in line with the expectation of sale.

**AUTHORITY ACTIVITIES**

The Authority's principal function is to regulate repairs to motor vehicles by licensing repair businesses and certifying repair tradespeople. The Authority also promotes improvements in the standard of motor vehicle repair work and assists in the settlement of disputes between motor vehicle owners and repairers.

The Authority is a statutory body constituted under the *Motor Vehicle Repairs Act 1980*.

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# NSW Businesslink Pty Ltd

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## AUDIT OPINION

The audit of the Company's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Workforce Management Project (WFM)

Last year we reported that some projects had significant overruns including a \$1.2 million overrun on the WFM billable project with the Department of Ageing, Disability and Homecare (DADHC). Management advised \$450,000 was not recoverable from its client agencies and the remainder was considered to be operational costs incurred due to an issue within a related production system.

The Company and DADHC commissioned their internal auditors to review the WFM project, which confirmed shortfalls in useability of the system and identified significant shortcomings with user acceptance testing attributable to poor project governance. The agencies agreed with the majority of the findings and are implementing agreed recommendations to address these matters.

### Project Expenditure Reporting

Our review in 2007-08 showed that the highest project overrun was \$318,000 on a \$2.1 million Client Information System Phase 2 billable project with DADHC.

Management advised the overrun was primarily due to additional system testing resulting from issues identified in the related WFM project.

In response to our 2007 recommendations, management now includes a review of major projects in the managing directors' report for the Company's Board, and a similar report is also presented to the Audit and Risk Committee.

### Not-for-Profit Entity Status (Repeat Issue)

We recommend management consider and document those events or changes in circumstances that may trigger a change in its classification from a 'not-for-profit' entity to a 'for-profit' entity.

The Company assesses its classification as a 'not-for-profit' or 'for-profit' entity each year. Based on this analysis, the Company has to-date assessed its status as a 'not-for-profit' entity, with which we agree. However, it has not documented those events or circumstances which may change that status and impact some accounting treatments and disclosures in the financial report.

## Transfer of NSWbusinesslink to the Department of Commerce

Last year NSWbusinesslink (the Department that provided personnel services to the Company) was transferred to the Department of Commerce, including \$4.3 million of equity. In 2007, we reported the Company was seeking approval from The Treasury and the Department of Commerce to transfer the \$4.3 million into the Company. This approval was obtained in 2007-08 and the equity was transferred into the Company.

## OTHER INFORMATION

We identified other opportunities for improvement to accounting and internal control procedures and have reported them to management. These include matching the timing of invoices for clients with billing schedules in project contracts and agreements (Repeat Issue).

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Fees for services	121,435	104,835
Project fees	36,621	36,041
Other	1,195	320
<b>TOTAL REVENUE</b>	<b>159,251</b>	<b>141,196</b>
Personnel services	53,006	40,417
Contractors	55,473	46,522
Information technology	14,974	12,519
Depreciation and amortisation	14,222	12,906
Telecommunication	9,307	8,376
Other expenses	13,235	15,600
<b>TOTAL EXPENDITURE</b>	<b>160,217</b>	<b>136,340</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(966)</b>	<b>4,856</b>

Revenue generated by fees for service (that is, fees to clients for financial, human resources, information technology and business services) increased by 15.8 per cent. This was largely due to increased demand for its services. Additional revenue generated was \$8.8 million, \$5.2 million and \$2.6 million from Department of Community Services (DoCS), DADHC and Housing NSW (Housing) respectively.

Fees for personnel services increased by 31.1 per cent. The Company is required to pay fees to the Department of Commerce equivalent to all employee related costs and all employment administration costs. This increase is largely due to increased superannuation costs.

Contractor expenses increased by \$9.0 million due to the need to hire additional contractors for the DADHC Maintenance Program. Information technology expenses increased by \$2.4 million due to increased computer software licence expenses.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	26,400	24,907
Non-current assets	29,618	31,062
<b>TOTAL ASSETS</b>	<b>56,018</b>	<b>55,969</b>
Current liabilities	35,162	39,138
Non-current liabilities	5,223	4,569
<b>TOTAL LIABILITIES</b>	<b>40,385</b>	<b>43,707</b>
<b>NET ASSETS</b>	<b>15,633</b>	<b>12,262</b>

Current assets include cash of \$12.6 million (\$8.0 million in 2006-07), receivables of \$10.3 million (\$13.9 million) and project work in progress of \$3.5 million (\$3.0 million). Management advised the decrease in receivables is predominantly due to changes in billing and collection cycles.

Non-current assets include plant and equipment, of which the major asset category is computer software and hardware. The decrease in non-current assets is predominately from amortisation of 'developed project' assets of \$7.3 million, offset by the purchase of \$6.0 million of additional software.

Current liabilities include \$16.0 million (\$15.2 million) payable to the Department of Commerce for employee services, \$9.3 million (\$9.3 million) in borrowings from New South Wales Treasury Corporation and \$9.9 million (\$12.3 million) for trade creditors and accruals. An advance of \$2.3 million from DADHC in 2006-07 was repaid this year. The increase in non-current liabilities is attributable to the first time recognition of the make good provision for leased premises of \$544,000.

## COMPANY ACTIVITIES

NSW Businesslink Pty Ltd is a State Government owned company established under the *Corporations Act 2001*. NSW Businesslink Pty Ltd 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 Housing, DoCS and DADHC. It was established to support these agencies in their service delivery by providing better and more efficient services through economies of scale, productivity gains and process improvements.

NSW Businesslink Pty Ltd shareholders are the Treasurer and the Ministers for the participating agencies.

For more information on NSW Businesslink Pty Ltd, refer to [www.businesslink.nsw.gov.au](http://www.businesslink.nsw.gov.au).

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# Rental Bond Board

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## AUDIT OPINION

The audit of the Board's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Trust Funds Shortfall

We recommend the Board:

- continue to closely monitor the shortfall between amounts owed to bond depositors and the value of trust fund investments, as well as its investment strategy,
- seek clarification of its legal obligations in respect of any shortfall.

The Board holds residential bonds in trust. The Board invests these funds. At 30 June 2008, the amount of residential bonds held in trust exceeds the market value of the related investments held in trust by \$27.5 million. The Board holds investments in its own name roughly equal to this shortfall.

The *Landlord and Tenant (Rental Bonds) Act 1977* does not explicitly address the circumstances of a shortfall such as the one described.

At 30 June	2008 \$'000	2007 \$'000
Amounts owing to bond depositors	741,874	690,577
Market value of rental bond investments	714,386	677,137
Shortfall	27,488	13,440

The Board advises that at 30 September 2008 the shortfall has reduced to \$7.9 million. Also that at that date, the Board's own investments equal \$28.5 million.

## PERFORMANCE INFORMATION

### Rental Bonds

A total of 267,000 rental bond lodgements (280,000 in 2006-07) and 260,000 refunds (266,000) were processed during the year leaving 635,000 bonds (628,000) held at year-end, an increase of 1.1 per cent (2.1 per cent).

## OTHER INFORMATION

### Major Projects

The Board is upgrading the computer systems supporting rental bond operations at an expected cost of \$4.9 million with an expected implementation date of July 2010. Funding will be from existing Board income streams.



The Board's key focus of the upgrade is to retain current efficient business processes and internal controls while upgrading the underlying technology of these business processes. The Board advises that the upgrade will improve service delivery standards and meet future customer and stakeholder expectations.

## FINANCIAL INFORMATION

### Summary financial information

Year ended 30 June	2008 \$'000	2007 \$'000
<b>TOTAL INVESTMENT INCOME</b>	<b>45,224</b>	<b>42,459</b>
Administrative services	24,832	21,945
Tenancy services	498	30,491
Tenants' advice and advocacy program	4,127	3,990
Tenancy function of Consumer, Trader and Tenancy Tribunal	8,578	9,152
Interest on rental bonds	97	93
Other operating expenses	773	722
<b>TOTAL EXPENSES</b>	<b>38,905</b>	<b>66,393</b>
<b>SURPLUS/(DEFICIT)</b>	<b>6,319</b>	<b>(23,934)</b>
<b>NET ASSETS</b>	<b>26,391</b>	<b>20,072</b>

Administration services are provided by the Office of Fair Trading.

In 2007, Tenancy services included a \$30.0 million grant to the New South Wales Department of Housing for the Affordable Housing Initiative. No such payment was made in 2008.

The rate of interest payable on rental bonds is prescribed in clause 10 of the Landlord and Tenant (Rental Bonds) Regulation 2003 and is equivalent to the rate payable by the Commonwealth Bank of Australia on a Streamline Account Balance of \$1,000.

## BOARD ACTIVITIES

The Board is constituted by the *Landlord and Tenant (Rental Bonds) Act 1977*. The Act requires landlords and agents to deposit rental bond moneys for privately rented premises within New South Wales with the Board.

The Board acts as an independent custodian. Its principal objective is to provide tenants and landlords with equitable access to rental bonds at the termination of the tenancy. The Board is subject to the control and direction of the Minister for Fair Trading.

For further information on the Board, refer to the Office of Fair Trading's website [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au).

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# State Records Authority of New South Wales

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## AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance:

Year ended 30 June	2005	2006	2007	2008
Records in storage (metres)	336,000	348,000	373,737	<i>395,477</i>
Number of file retrieval operations	291,269	312,095	321,216	<i>313,920</i>
Number of catalogued record items discoverable online	142,862	174,242	205,460	<i>239,876</i>
Number of website visits*	--	--	976,382	<i>1,553,894</i>

\* Previous years' statistics not comparable (and not included) due to change in basis of gathering statistics.

## State Archives

In 2006, we reported that the Authority expected to complete high level cataloguing of State archives received up to 1990 by December 2007. The Authority advises that this work was completed in June 2008 and covered more than 90 per cent of the State archives received up to 1990, the remainder being in the form of unprocessed or semi-processed accessions, often with minimal or no description. The Authority advises that there is no prospect of cataloguing the remaining ten per cent in the foreseeable future due to resource constraints.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures. We will discuss these with Authority staff and where appropriate report them to management.

## FINANCIAL INFORMATION

## Summary financial information

Year ended 30 June	2008 \$'000	2007 \$'000
Sale of goods and services	11,101	10,281
Grants and contributions	6,609	6,239
Other	158	95
<b>TOTAL REVENUE</b>	<b>17,868</b>	<b>16,615</b>
Personnel services	10,697	9,675
Other	5,657	5,811
<b>TOTAL EXPENSES</b>	<b>16,354</b>	<b>15,486</b>
<b>SURPLUS</b>	<b>1,514</b>	<b>1,129</b>
<b>NET ASSETS</b>	<b>52,131</b>	<b>42,563</b>

Personnel services to the Authority are provided by the Department of Commerce.

Net assets increased mainly as a result of an increase in the valuation of the Western Sydney Records Centre of \$8.1 million.

The Authority is unable to reliably value State archival collections. These collections are not included in net assets.

## AUTHORITY ACTIVITIES

The Authority, established under the *State Records Act 1998*, is responsible for the custody and control of the State archives and for improving records management across the public sector.

The Authority is subject to the control and direction of the Minister for Commerce.

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



# Minister for Community Services

Department of Community Services



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# Department of Community Services

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

The following matters have been reported for at least the past two years and should be addressed as a matter of priority.

### Out of Home Care (OOHC) Placement Reviews (Repeat Issue)

In the past we reported to management that placement reviews for children in OOHC were not always performed at appropriate intervals. The Department's policies require children in permanent placements to be reviewed every 12 months, and those in temporary placements every three months. We again noted instances where placement reviews were not performed within these limits.

### Lack of Approvals to Incur Expenditure (Repeat Issue)

Approvals to incur expenditure were not always available. The absence of approvals exposes the Department to risks of unnecessary and unlawful expenditure.

### Payroll Management (Repeat Issue)

We again noted issues relating to payroll management, including leave taken but not recorded in the leave system; and key payroll reports, including 'staff establishment' reports, either not being generated or being generated but not reviewed. The Department advised that the regions and Head Office divisions have now implemented fortnightly reviews of staff establishment reports. Returns are provided to HR to confirm any changes or corrective action required to bring staff establishments up-to-date.

Although the Department has undertaken a full audit of its leave and attendance records for the period 1 January 2007 to 31 December 2007, the results of this audit are yet to be recorded in the leave system. The Department advised that it has instructed managers to reconcile flex sheets to the SAP HR records, to ensure that leave has been correctly entered on the system. It is also currently considering a proposal from its service provider to remediate past errors.

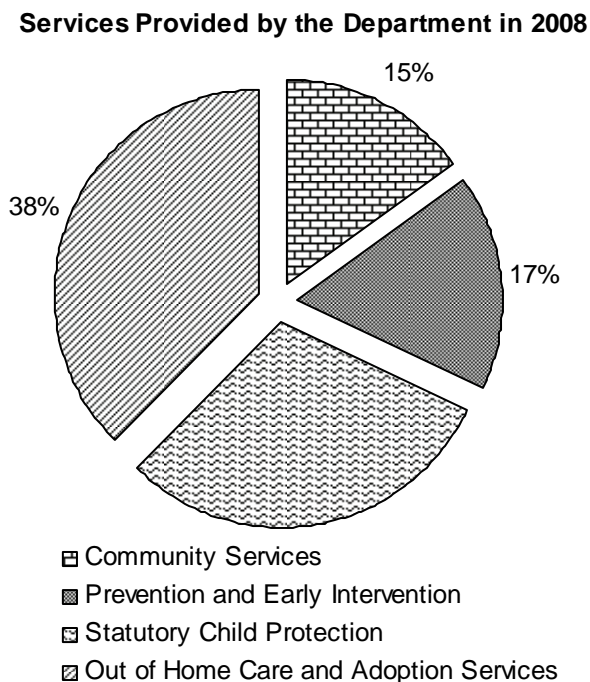
## PERFORMANCE INFORMATION

### Services Provided by the Department

The Department's primary role is to promote and enhance the safety and wellbeing of children, young people and their families and to provide services that support and strengthen the community. In 2007-08 the Department delivered its services under four programs:

- Community Services
- Prevention and Early Intervention Services
- Statutory Child Protection
- Out-of-Home Care and Adoption Services.

The graph below shows how the Department's total expenditure of \$1.3 billion in 2007-08 (\$1.1 billion in 2006-07) was distributed in conducting these programs.



Source: Department of Community Services (DOCS) audited Financial Report 2008.

### Community Services

The Department provides, amongst other things, general community support, including disaster welfare assistance and transitional support and accommodation services to children, young people and adults who are homeless or at risk of homelessness. Some services are provided by the Department while others are provided in collaboration with non-government organisations and other government departments.

The Community Services Grants Program is aimed at improving the resilience and safety of disadvantaged children, young people, families and communities. In 2007-08, the Department provided \$79.7 million (\$75.4 million) to 966 (930) projects operated by non-government organisations and local councils.

In 2007-08 the Department provided almost \$3.0 million (\$1.0 million) in financial assistance in response to 27 (31) natural disasters and other disasters across New South Wales.

### *Violence against Women and Children*

The Domestic Violence line received 23,285 calls in 2007-08. This is an increase of 4.2 per cent on the previous three years. Of all reports to the Department's Helpline, 31.1 per cent concerned children at risk of harm because of domestic violence.

### Prevention and Early Intervention Services

The Department provides funds for the delivery of early childhood and related services for children, including licensing and monitoring of child care services. Supporting vulnerable families and children early on can help prevent them from entering or escalating into the child protection system, and helps parents give their children a good start in life.



Statistics relating to children's services are provided below.

Year ended 30 June	2004**	2005**	2006**	2007*	2008*
Number of funded children's services	1,680	1,663	1,641	1,619	<i>1,609</i>
Estimated funded places per day	46,340	46,319	46,132	46,008	<i>45,957</i>
Licensed children's services	3,105	3,174	3,236	3,341	<i>3,419</i>
Estimated licensed places per day	128,302	133,217	138,648	146,120	<i>150,776</i>
Number of children aged 0-5 years who attended funded licensed children's services	70,027	66,748	69,691	68,859	<i>66,797</i>
Number of children from low income families for whom child care fees were reduced	14,985	13,457	12,435	10,843	<i>11,617</i>
Total funds expended on prevention and early intervention services (\$'000)	97,053	102,228	121,564	152,579	<i>149,618</i>

Source: \* DOCS Draft Annual Report 2008.

Source: \*\* DOCS Annual Report 2006.

The number of children's services funded by the Department, including preschools, day care, occasional care, mobile services and multipurpose centres has decreased by 4.2 per cent over the last five years. Over the same period, the number of estimated funded places per day remained relatively stable. The Department advised that the New South Wales Government's Preschool and Investment Reform Plan provides \$85.5 million over four years, to strengthen the community based preschool sector.

The availability of licensed children places per day has grown by 17.5 per cent over the last five years. This growth is primarily in centre-based services. According to the Department, one of the key drivers of this increase has been its establishment of a new centralised licensing approach.

Total expenditure incurred on prevention and early intervention services has significantly increased over the last five years. The Department advised that this was largely due to the dedicated funding that was provided in 2002 as part of the Brighter Futures Early Intervention Program. The Program helps families access quality child care and support initiatives. The Department advised that during 2007-08 more than 6,500 children participated in the Program.

### Statutory Child Protection

Departmental responsibilities in this area include: responding to reports of child abuse and neglect; assessing and investigating reports; developing case plans; and initiating and supporting court action. The Department also works with other agencies to ensure that the safety, welfare and wellbeing of children are assured.

The table below provides some statistics relating to child protection.

Year ended 30 June	2004**	2005**	2006**	2007*	2008*
Total child protection reports	185,198	216,386	241,003	286,033	<i>303,121</i>
Rate per 1,000 children and young people 0-17 years who were subject of a report	59.2	64.1	68.8	78.8	<i>81.0</i>
Rate per 1,000 children and young people 0-17 years who were subject of a report requiring further assessment	46.2	50.1	54.8	65.1	<i>65.7</i>
Number of reports referred for further investigation	121,368	140,184	160,842	201,208	<i>209,015</i>
Number of referrals accepted***	2,180	3,620	3,338	3,023	<i>3,180</i>
Volume of calls answered by Helpline	79,745	93,691	109,340	132,433	<i>152,037</i>
Average waiting time (minutes)	5.43	3.57	3.49	2.59	<i>2.56</i>

Source: \* DOCS Draft Annual Report 2008.

\*\* DOCS Annual Report 2006.

\*\*\* refers to joint investigation response team referrals of child abuse which might be of a criminal nature.

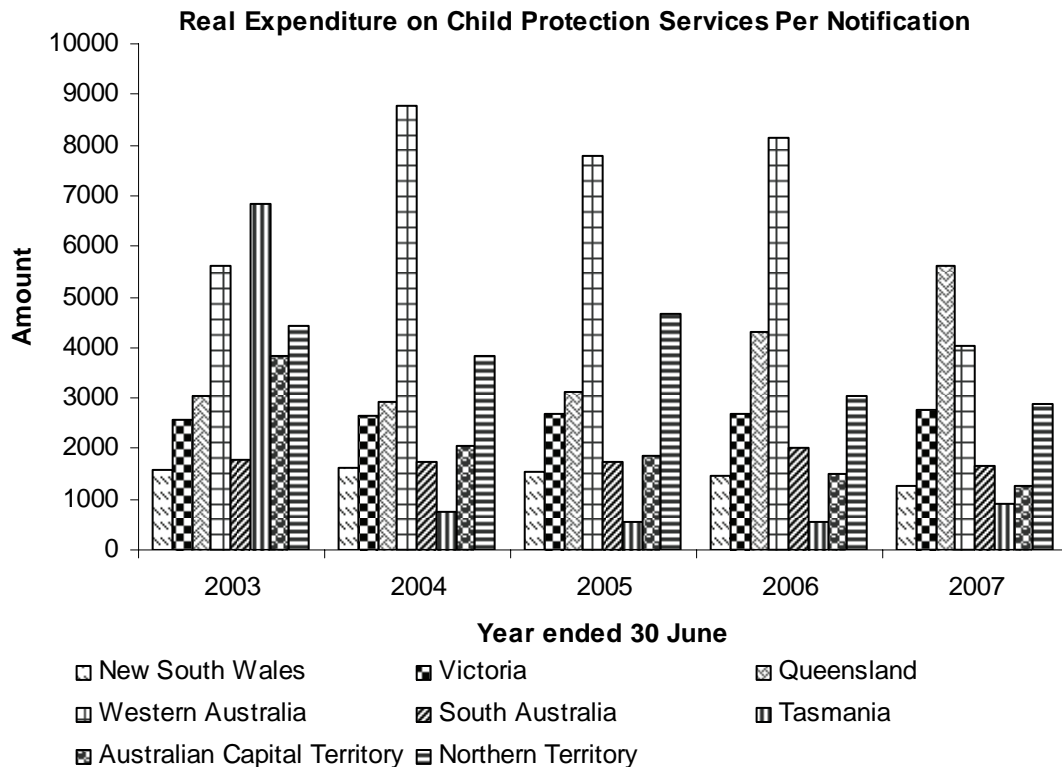
Total child protection reports continue to rise and have increased by 63.7 per cent over the last five years. Departmental statistics indicate that aboriginal children and children under one year of age continue to be over represented. Children who enter care are spending a longer time there. During the same period, the number of reports referred for further investigation has increased by 72.2 per cent.

Since 2004, the number of calls answered by Helpline has increased by 90.7 per cent. The average waiting time per call, however, has decreased by almost three minutes. The Department advised that the recruitment of additional child protection caseworkers has been an essential part in current service levels being provided, and that the volume of reports to the Helpline means pressure in this area remains high.

The New South Wales child protection system is currently the subject of a Special Commission of Inquiry into Child Protection Services in NSW (Wood Commission) which commenced in November 2007. The inquiry has visited regional and metropolitan areas where forums have been held on a range of issues, including mandatory reporting, the role of courts and the out-of-home care system. The inquiry has also visited community services centres in rural and regional areas and heard the views, opinions and experiences of both staff and clients. It is due to report its findings late in 2008.

### Real Recurrent Expenditure on Child Protection Services per Notification

This expenditure continues to vary greatly between the States. The following graph shows the costs for States and Territories for the period 2002-03 to 2006-07.



Source: Productivity Commission Report on Government Services 2008.

Notes by the Productivity Commission:

- The number of notifications is not directly comparable across jurisdictions. Jurisdictions count notifications at different points in response to a report, ranging from the point of initial contact with the source of the report to the end of a screening and decision making process.
- The data are derived from proxy indicators and cannot be interpreted as unit costs.
- The data needs to be interpreted with care. This data is based on total expenditure on child protection activities; they do not represent and cannot be interpreted as unit costs for notifications.
- 2006-07 data for some jurisdictions may not be strictly comparable with previous years, due to the introduction of a new investigation category 'Investigation closed - no outcome possible' in 2006-07. Cases where an investigation was closed and where no outcome was possible may previously have been recorded.
- Data for some jurisdictions have been adjusted between 2002-03 and 2005-06 from those previously reported, due to the refinement of methodologies used to determine costs as well as to correct errors.
- NSW provided limited data for 2003-04 due to the introduction of a new client information system.

In New South Wales, expenditure on child protection services per notification has declined from \$1,564 in 2002-03 to \$1,266 in 2006-07. Queensland had the highest expenditure (\$5,597) per notification in 2006-07, while New South Wales was the third lowest.

As noted above, differences in the way States compile and present statistics means figures in the report are not directly comparable. The Department advised that the decrease in expenditure per notification needs to be considered in light of a number of factors. This includes the increasing number of notifications in New South Wales in recent years, and New South Wales' very wide definition of 'notification' which captures a broader range of issues, and therefore a higher rate of notifications. The decrease in expenditure per notification for New South Wales, according to the Department, is due to the increase in the number of total notifications and not to any decrease in expenditure.

**Children Aged 0-16 Years in Protection Notifications, Finalised Investigations and Substantiations**

Year ended 30 June	NSW 2006	National Average 2006	NSW 2007	National Average 2007
<b>Children Aged 0-16 years in notification (rates per 1,000 children)</b>				
Indigenous (i)	181.2	100.9	221.0	124.8
Non-indigenous	50.9	33.4	58.4	36.3
All children	56.2	36.5	64.9	40.2
<b>Children Aged 0-16 Years in finalised investigations as a proportion of children in notifications (ii)</b>				
Indigenous %	57.2	57.0	63.3	56.3
Non-indigenous %	42.1	43.1	44.2	39.0
All children %	44.1	44.8	46.9	41.4
<b>Children Aged 0-16 Years in substantiations as a proportion of children in finalised investigations</b>				
Indigenous %	42.6	51.2	38.2	42.7
Non-indigenous %	32.2	45.4	27.7	36.1
All children %	33.9	46.3	29.6	37.4

Source: Productivity Commission Report on Government Services 2008.

- (i) Data on the number of notifications by indigenous status should be interpreted with care. Data are 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 other inherent difficulties in identifying indigenous status, the data are not considered to have a high level of reliability.
- (ii) For 2006-07, national data on finalised investigations for indigenous, non-Indigenous and all children does not include Queensland.

New South Wales' rate of notifications per 1,000 children aged 0-16 continues to be significantly higher than the national average for both indigenous and non-indigenous children. In 2006-07 there was a difference of 96.2 indigenous children in notifications per 1,000 children aged 0-16 between New South Wales and the national average. This is an increase from 80.3 in 2005-06.

In 2006-07, 46.9 per cent of notifications for all children in New South Wales resulted in a finalised investigation. This was above the national average of 41.4 per cent and was an increase from 44.1 per cent in 2005-06. The percentage of finalised investigations rose by 6.1 percentage points in 2006-07 for indigenous children. The national average decreased by 0.7 percentage points.

In New South Wales 13,690 children aged 0-16 years were the subject of substantiation in 2006-07, an increase from 12,627 in 2005-06. Of those children who had a finalised investigation, 29.6 per cent were substantiated. This was less than the national average of 37.4 per cent. If an investigation results in substantiation, intervention by the Department may be needed to protect the child.

Comparisons of indigenous and non-indigenous children aged 0-16 in notifications continue to show significant differences. In 2006-07 there were an additional 162.6 indigenous children per 1000 children in New South Wales that were the subject of a notification, compared to non-indigenous children. The proportion of children in finalised investigations who were the subject of substantiation was 38.2 per cent for indigenous, and 27.7 per cent for non-indigenous children.

### Out-of-Home Care (OOHC) and Adoption Services

The Department seeks to provide children and young people with a safe, stable, culturally appropriate environment in which they can develop optimally when they cannot live at home. It provides a range of OOHC options, including foster care and kinship care for children separated from their parents; monitoring and reviewing of placements; and recruiting and supporting carers.

The table below shows annual actual expenditure incurred by the Department on OOHC; the number of children and young persons in OOHC; and the cost per child over the last five years.

Year ended 30 June	2004	2005	2006	2007	2008
Annual Actual Expenditure (\$'000) (i)	290,956	291,845	295,938	364,688	<b>463,890</b>
Number of children and young people in OOHC	10,337	10,041	10,623	12,712	<b>14,667</b>
Cost per child (\$)	28,147	29,065	27,858	28,688	<b>31,628</b>

Source: DOCS Statistics.

Notes: The figures are not adjusted for inflation to real dollars.

(i) The Department advised that annual actual expenditure is not directly comparable to OOHC expenditure recorded in the audited financial statements. That is because the annual actual expenditure, which is reported to the Productivity Commission, is captured using a different methodology.

Since 2005-06, annual actual expenditure on OOHC has significantly increased from \$296 million to \$464 million in 2007-08. The cost per child in OOHC has also increased by 13.5 per cent during the same period. These increases reflect outcomes of the five year funding package provided by the Government in December 2002, to expand OOHC services, including improved services for children and young people who cannot live safely at home.

From 2007, more than \$617 million will be invested over five years to improve OOHC services mainly in the non-government organisation sector. The funding will establish placement and support services under a performance based contracting framework, requiring agencies to report on outcomes for children.

Last year we reported that the Department had introduced additional system controls in the client information system (KIDS) to prevent overpayments of OOHC allowances and contingency payments from occurring. Departmental statistics indicate that the level of overpayments has reduced considerably since the introduction of the system controls. Management reviews show that the maximum level of overpayments for the year would be unlikely to exceed \$198,000, down from \$1.9 million in 2006-07 and \$1.8 million in 2005-06.

### High Needs Children

Individual Client Agreements (ICAs) are used by the Department when there is no available placement in the funded service system, and there is no Department foster carer available. High needs children are those exhibiting extremely challenging and self-harming behaviours. The Department advised that ICAs are not only used for high needs children.

The Department advised that ICA placements have been used since 2000. ICAs have evolved in the absence of growth in funding in the OOHC budget, from which to purchase bulk placements from NGOs under a Service Agreement. Initially the ICAs were to be short-term interim arrangements until a funded placement for the child became available. The Department intends that ICAs will gradually be replaced with purchased bulk placements under new three to five year Service Agreements, which will be progressively rolled out from December 2008.

The table below illustrates the total cost of ICAs to the Department over the last five years.

Year ended 30 June	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000
Total Cost Incurred by the Department for ICAs	68,817	67,828	62,038	61,247	84,162

In 2007-08 the total cost increased by 37.4 per cent when compared to 2006-07. We noted that the costs of these agreements can be very substantial. For example in one instance a child who was in care for 11 weeks under an ICA cost the Department \$205,000 (excluding GST). In comparison the average cost of a child in OOHHC funded services in 2007-08 was \$31,628.

The Department advised that the total number of ICAs for high needs children at 30 June 2008 was 359, being a net increase of 61 agreements for the year. Total expenditure for these agreements for 2007-08 was \$34.9 million, with an average cost of \$97,119. The Department also advised it is developing a system to regularly capture this information for reporting of comparative figures in future years.

#### OTHER INFORMATION

We identified other opportunities for improvement to accounting and internal control procedures and have reported them to management.

#### Properties transferred to the Department of Ageing, Disability and Home Care (DADHC)

In 2001, the Department transferred some land and buildings at no cost to DADHC as part of an administrative restructure. Although control of these assets transferred to DADHC at the time, titles to the properties still remain with the Department. Management advised discussions with DADHC have commenced to arrange for the transfer of titles.

#### Computer Service Costs

In 2007-08, the Department incurred \$23.3 million (\$15.2 million) in computer service expenses, primarily relating to the maintenance and rectification of defects in its computer systems including the client information system, KIDS. The significant expenditure indicates that the Department's due diligence processes when implementing new systems may require improvement. The Department has advised that since November 2007, it has applied PRINCE 2, an industry-standard best practice project management methodology to all new projects.

We also identified instances where hardware and software costs were incorrectly recorded in the financial report. These arose due to inadequacies in policies and procedures regarding the capitalisation of information technology assets.

The Department has advised draft asset policies and procedures have been developed and will be implemented for all hardware and software acquisitions in 2008-09.

#### Compliance with Laws and Regulations

The Department reviews files of children in care to ensure requirements under certain legislation have been met. However, the extent of the Department's compliance with all relevant legislation and associated policy, and the risks associated with non-compliance are either not known, are absent or are not comprehensive enough. The Department advised it is currently working on establishing a centralised system to track and manage these legislative requirements.

## FINANCIAL INFORMATION

## Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	359,322	305,092
Grants and subsidies	753,473	678,161
Other expenses	192,939	150,530
<b>TOTAL EXPENSES</b>	<b>1,305,734</b>	<b>1,133,783</b>
Grants and contributions	6,267	1,969
Other revenue	17,134	10,916
<b>TOTAL REVENUE</b>	<b>23,401</b>	<b>12,885</b>
(Loss)/gain on disposal of non-current assets	(1,600)	69
Other losses	(109)	--
<b>NET COST OF SERVICES</b>	<b>1,284,042</b>	<b>1,120,829</b>
Government contributions	1,283,713	1,106,295
<b>DEFICIT</b>	<b>329</b>	<b>14,534</b>

Employee related expenses increased, mainly due to salary increases and higher staff numbers.

The Department received additional funding during the year for out-of-home care services out of the reform package, \$65.5 million. This was used to fund additional caseworkers and support staff, and improve placement options and services for children and young people who cannot live at home. This accounted for a large part of the increase in grants and subsidies expenses.

The increase in other expenses is largely due to an increase of \$9.0 million in corporate service costs; \$4.7 million in operating lease rentals; and a rise in computer services costs of \$8.1 million.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	25,419	24,189
Non-current assets	161,500	143,579
<b>TOTAL ASSETS</b>	<b>186,919</b>	<b>167,768</b>
Current liabilities	74,558	66,569
Non-current liabilities	12,813	11,033
<b>TOTAL LIABILITIES</b>	<b>87,371</b>	<b>77,602</b>
<b>NET ASSETS</b>	<b>99,548</b>	<b>90,166</b>

The rise in non-current assets is largely due to the revaluation of land and buildings.

### Abridged Program Information

The Department's net cost of services on a program basis is detailed below:

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services* \$'000
Community Services	8,557	196,358	187,801	181,744
Prevention and Early Intervention Services	3,717	221,799	218,082	202,173
Statutory Child Protection	7,345	396,470	389,125	349,055
Out-of-Home Care and Adoption Services	3,782	492,816	489,034	387,857
<b>Total all programs</b>	<b>23,401</b>	<b>1,307,443</b>	<b>1,284,042</b>	<b>1,120,829</b>

\* In 2006-07, \$77.8 million was reclassified from the Community Services Program to the Statutory Child Protection Service to align to budget initiatives.

### DEPARTMENT ACTIVITIES

The Department administers a large portion of the State's community welfare programs. The programs provide assistance to disadvantaged or vulnerable families and children, adolescents and communities, based on the *Community Welfare Act 1987* and related legislation.

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



# Minister for Education and Training

Office of the Board of Studies

Teacher Housing Authority of New South Wales

Refer to Appendix 1 for:

Uniprojects Pty Limited

Universities Admissions Centre (NSW & ACT) Pty Limited



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# Office of the Board of Studies

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## AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	8,353	7,975
Employee related expenses	80,243	76,848
Other expenses	25,005	24,105
Net cost of services	96,895	92,978
Government contributions	97,694	92,390
Net assets (at 30 June)	9,040	8,241

## OFFICE ACTIVITIES

The Office is responsible for developing and delivering professional and administrative services to the Minister for Education and Training, the Board of Studies and its committees. This includes developing and supporting New South Wales curriculum, registering and accrediting non-government schools, registering home schooling, and assessing and examining students for the New South Wales School Certificate and Higher School Certificate (HSC). The Office carries out functions delegated to it by the Board of Studies, including employing staff to run the HSC. The Office bears the cost of carrying out those functions and does not charge the Board for those services.

The Office also includes the Australian Music Examinations Board (NSW) and the Aboriginal Education Consultative Group. The Office is a department under the *Public Sector Employment and Management Act 2002*.

For further information on the Office of the Board of Studies, refer to [www.boardofstudies.nsw.edu.au](http://www.boardofstudies.nsw.edu.au).

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# Teacher Housing Authority of New South Wales

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## AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	14,842	14,673
Expenses	14,013	13,086
Surplus	829	1,587

Revenue includes \$9.3 million rental income (\$9.1 million in 2006-07) and \$5.1 million State Government contributions (\$5.1 million).

Expenses include property maintenance and property rates \$7.5 million (\$6.8 million), depreciation \$2.9 million (\$2.5 million) and personnel services \$1.9 million (\$1.9 million).

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	5,147	6,008
Non-current assets	141,051	141,037
<b>TOTAL ASSETS</b>	<b>146,198</b>	<b>147,045</b>
Current liabilities	1,539	1,707
<b>TOTAL LIABILITIES</b>	<b>1,539</b>	<b>1,707</b>
<b>NET ASSETS</b>	<b>144,659</b>	<b>145,338</b>

Current assets include \$4.8 million in cash and investments (\$5.6 million).

## OTHER INFORMATION

At 30 June 2008, the Authority's property portfolio comprised 1,278 properties (1,266), consisting of 547 houses (547), 697 villa units (686) and 34 vacant allotments (33). In addition, the Authority manages 252 school residences (268) on behalf of the Department of Education and Training.

#### **AUTHORITY ACTIVITIES**

The Authority's principal function is to provide and maintain suitable and adequate housing accommodation for teachers.

The Authority is a statutory body under the *Teacher Housing Authority Act 1975*.

The Authority operates under the control and direction of the Minister for Education and Training.

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



# Minister for Emergency Services

Refer to Appendix 1 for:

NSW Fire Brigades Superannuation Pty Limited 2007

NSW Fire Brigades Superannuation Pty Limited 2008





# Minister for Finance

State Property Authority  
Superannuation Administration Corporation  
(trading as Pillar Administration)  
Workers' Compensation (Dust Diseases) Board

Refer to Appendix 1 for:

Office of the Motor Accidents Authority of New South Wales



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# State Property Authority

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## AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

### Expansion of Operations

The Authority's operations have expanded significantly during the year with further expansions occurring post year-end.

The responsibility for the Crown Property Portfolio (CPP) functions, along with CCP's remaining assets and liabilities, were transferred to the Authority from 1 July 2007. This resulted in \$713 million of property transferring into the Authority.

On 1 July 2008, pursuant to Premier's Memorandum M2008-06 'State Property Authority and Government Property Principles' a total of 24 properties from four government agencies were vested in the Authority under the provisions of the *State Property Authority Act 2006*. It is estimated this will increase the Authority's 2008-09 operating revenue, operating expenses and net assets by \$3.8 million, \$1.5 million and \$32.8 million respectively.

Further vestings of government agency owned and leased properties are expected to occur during 2008-09 and 2009-10.

### Parramatta Justice Office Building

Work-in-progress for the Parramatta Justice Office (PJO) building was transferred into the Authority from the CPP on 1 July 2007 at construction cost to that date. The building was completed in December 2007, at a final cost of \$127 million. An independent valuation of the property at 30 June 2008 was \$85.5 million resulting in a write-down after depreciation of \$39.8 million.

The PJO building is currently on land to which another government agency holds the legal title. Subject to the agreement of the transferring agency, the property title is scheduled to transfer to the Authority in March 2009.

### Work-in-Progress

During 2005, work started on a new government office block at Queanbeyan. Total budgeted cost for the project is \$36.4 million with \$34.4 million spent by the Authority to 30 June 2008.

A seven storey government office building in Penrith, accommodating an estimated 450 employees, is scheduled for completion in December 2008. The Authority had spent \$34.8 million on this project to 30 June 2008. The Authority estimates the total cost of construction will be \$44.8 million.

Independent valuations were performed on the Queanbeyan and Penrith work-in-progress resulting in a combined write-down of \$25.9 million at 30 June 2008.

## Contaminated Sites

In June 2002, the government acquired the former BHP main steel works site, Kooragang Island waste emplacement site and other parcels of land in the Newcastle area. On 1 February 2007, these properties were transferred from the CPP to the Authority. At that time, the properties were valued at \$138 million. The transfer also included cash of \$121 million set aside for land remediation works required on the former steel works and emplacement sites.

Until 31 January 2008, the Regional Land Management Corporation (RLMC), a subsidiary of Hunter Water Corporation, was responsible for investigating remediation strategies and undertaking remediation activities. On 1 February 2008, the Hunter Development Corporation (HDC) took over the management of the required remediation works.

At 30 June 2008, HDC re-estimated the net present value of the remaining costs to remediate the main steel works site and the Kooragang Island waste emplacement site at \$83.9 million (nominal value of \$103 million) after payments of \$21.2 million during the year. Completion of these works is expected by 2012.

In July 2007, the State Government approved for negotiations to occur between the Authority, the HDC and the Newcastle Ports Corporation on the transfer of the Authority's Newcastle properties. On 11 September 2008, a parcel of land on Kooragang Island valued at \$6.2 million was transferred to the HDC. Further transfers are expected.

## PERFORMANCE INFORMATION

### Vacancy Rates

Records maintained by the Authority show the average vacancy rate for 2007-08 for all of the properties managed by the Authority ranged from 0.7 per cent in July and August 2007 to 1.4 per cent in May 2008. This performance is comparable with the prior year when average vacancy rates ranged from 0.6 per cent to one per cent.

In 2007-08, the average vacancy rates compare favourably with the Authority's benchmark rate of 1.5 per cent. At 30 June 2008, 3,162 square metres (2,092 in 2006-07) or approximately 0.9 per cent (0.6 per cent) of the Authority's office accommodation remained vacant.

## OTHER INFORMATION

We identified some opportunities to improve accounting procedures and minor controls and will report these to management.

## FINANCIAL INFORMATION

The following consolidated financial information is for the State Property Authority and its controlled entity. Comparative information in the income statement is for the ten month period to 30 June 2007.

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Property rental income	159,663	--
Grants and contributions	80,316	1,594
Other income	13,186	10,330
<b>TOTAL REVENUE</b>	<b>253,165</b>	<b>11,924</b>
Employee related expenses	10,552	5,705
Property head lease expenses	91,138	--
Other property related expenses	18,298	--
Other operating expenses	12,614	2,582
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>132,602</b>	<b>8,287</b>
Net gain/(loss) on disposal of property plant and equipment	16,759	(126)
Net loss on revaluation of property plant and equipment	(12,601)	--
Net gain on revaluation of investment property	7,822	--
<b>SURPLUS</b>	<b>132,543</b>	<b>3,511</b>

Grants and contributions received from the State Government include a recurrent portion of \$5.6 million for a range of non-commercial professional services that provide a whole-of-government benefit.

Grants and contributions also include a capital portion of \$74.7 million used to fund major works such as the construction of government office buildings and other asset renewal works as part of the Authority's Cyclic Property Refurbishment Program.

Financial returns of \$73.8 million were made to the State Government comprising \$32.5 million surplus on rental income and \$41.3 million net proceeds from the sale of assets.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	139,409	131,299
Non-current assets	1,124,289	188,258
<b>TOTAL ASSETS</b>	<b>1,263,698</b>	<b>319,557</b>
Current liabilities	31,025	60,938
Non-current liabilities	320,986	76,582
<b>TOTAL LIABILITIES</b>	<b>352,011</b>	<b>137,520</b>
<b>NET ASSETS</b>	<b>911,687</b>	<b>182,037</b>

Current assets include cash of \$121 million (\$120 million), the majority of which will be used for land remediation.

Non-current assets increased as a result of the CPP property transfers and a net revaluation increment of \$148 million at year-end.

## AUTHORITY'S ACTIVITIES

The *State Property Authority Act 2006* established the Authority as a statutory body from 1 September 2006. The Authority's principal objectives are:

- to improve operational efficiencies in the use of properties, particularly generic properties, by government agencies
- managing properties of government agencies to improve operational efficiencies in the use of those properties and to support the delivery of government services by agencies
- advising the government on property matters
- to operate at least as efficiently as any comparable business, consistently with the principles of ecologically sustainable development and social responsibility for the community.

The Authority is subject to the control and direction of the Minister for Finance.

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

Entity Name
Office of the State Property Authority

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## Superannuation Administration Corporation (trading as Pillar Administration)

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### AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

### FINANCIAL INFORMATION

#### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
<b>TOTAL REVENUE</b>	<b>65,383</b>	57,687
Employee related expenses	44,000	38,499
Other expenses	18,010	17,147
<b>TOTAL EXPENSES</b>	<b>62,010</b>	55,646
<b>PROFIT BEFORE TAX</b>	<b>3,373</b>	2,041
Income tax equivalent expense	1,028	718
<b>PROFIT</b>	<b>2,345</b>	1,323

Total revenue increased by 13.3 per cent due to business growth from existing customers and from new customers including the National Preservation Trust and Australian Ethical Superannuation. In February 2008, the Corporation secured a new large client, Aon Consulting including the Aon Master Trust and Eligible Rollover Fund. This will result in increased revenue for the Corporation in 2008-09.

Total expenses rose by 11.4 per cent and net assets recorded a 9.7 per cent increase. The increase in total expenses resulted from a rise in salaries and wages as a result of additional staff employed to manage the influx of member enquiries and the increase in transactions following the changes to the superannuation system from 1 July 2007. Salary and wage rates also increased by an average of four per cent from 1 July 2007.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	16,621	15,980
Non-current assets	16,658	14,440
<b>TOTAL ASSETS</b>	<b>33,279</b>	<b>30,420</b>
Current liabilities	10,417	10,170
Non-current liabilities	2,584	1,759
<b>TOTAL LIABILITIES</b>	<b>13,001</b>	<b>11,929</b>
<b>NET ASSETS</b>	<b>20,278</b>	<b>18,491</b>

## CORPORATION'S ACTIVITIES

The Corporation's principal functions are the development, promotion and conduct of its business of providing superannuation scheme administration services and related services, in both the public and private sectors. It administers public sector superannuation schemes on behalf of FSS Trustee Corporation, SAS Trustee Corporation and the Parliamentary Contributory Superannuation Fund. Private sector schemes administered are the Printing Industry Superannuation Fund (now Media Super), Prime Super, Australian Government Employees Superannuation Trust, Super Member Eligible Rollover Fund, AXA National Preservation Trust, and Australian Ethical Superannuation.

The Corporation was established as a statutory State owned corporation under the *Superannuation Administration Authority Corporatisation Act 1999* and came into existence in July 1999.

For further information on the Corporation, refer to [www.pillar.com.au](http://www.pillar.com.au).



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# Workers' Compensation (Dust Diseases) Board

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## AUDIT OPINION

The audit of the Board's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Dust Diseases Levy (Repeat Issue)

In last year's report, we recommended that the Board enter into a formal service level agreement with the WorkCover Authority of New South Wales (the Authority) on the administration of the calculation and collection of the dust diseases levy.

The Board is still discussing this issue with the Authority and a formal service level agreement is yet to be finalised.

The Board and the Authority have obligations under the *Workers' Compensation (Dust Diseases) Act 1942* (the Act) with respect to the dust diseases levy. We have raised issues with the Board for a number of years relating to the administration of the levy. These issues are still unresolved and action is required to ensure an efficient process is in place that complies with the legislation.

### Dust Diseases Levy paid by the NSW Self Insurance Corporation

We recommend that the Board liaise with the NSW Self Insurance Corporation (the Corporation) to ensure the dust diseases levy rate applied by the Corporation complies with the Act, and the Goods and Services Tax (GST) is treated correctly.

The Corporation has for a number of years applied the lowest dust diseases levy rate to calculate the levy payable. This potentially conflicts with the Act, which requires a range of levy rates be applied by self-insurers depending on the business classification of their employees.

For a number of years, the Corporation has also been deducting GST from the calculated levy. Dust diseases levies are exempt from GST.

The Board has commenced discussions with the Corporation to resolve these issues.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Dust diseases levy	90,449	85,572
Investment income	(54,469)	77,760
Movement in outstanding contributions	171,301	(112,340)
Other	1,562	1,749
<b>TOTAL REVENUE</b>	<b>208,843</b>	<b>52,741</b>
Movement in outstanding claims	115,804	(52,181)
Finance cost	92,932	94,020
Other	107	10,902
<b>TOTAL EXPENSES</b>	<b>208,843</b>	<b>52,741</b>
<b>PROFIT</b>	<b>--</b>	<b>--</b>

The loss in investment income of \$54.5 million is due to the poor performance of global investment markets during the year. The Board's investments are held with 12 fund managers across cash, bond market and long term growth facilities. The bond markets facility has an investment horizon of two to seven years, while the long term growth facility has an investment horizon of seven years and over. These facilities have the potential to earn higher returns over the long term than cash based facilities, but can experience greater volatility in the short to medium term.

The cost of compensation claims and other costs of the Board are recovered from employers through the dust diseases levy. The movement in outstanding contributions represents the change in future levies required to fund these costs. The revenue of \$171 million shown above represents the increase in future levies required, principally due to the increase in the outstanding claims liability and the loss on investments. As noted below, the total to be recovered through future levies has increased to \$1.0 billion (\$844 million) as at 30 June 2008.

The movement in outstanding claims is mainly due to an increase in the incurred but not reported claims component of the liability, resulting from changes in the actuarial assumptions underlying the valuation.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Contributions receivable	1,015,174	843,873
Investments	632,703	651,672
Other assets	9,777	25,781
<b>TOTAL ASSETS</b>	<b>1,657,654</b>	<b>1,521,326</b>
Outstanding claims	1,648,120	1,516,274
Other liabilities	7,908	3,426
<b>TOTAL LIABILITIES</b>	<b>1,656,028</b>	<b>1,519,700</b>
<b>NET ASSETS</b>	<b>1,626</b>	<b>1,626</b>

As noted above, contributions receivable represents the current shortfall in outstanding claims to be funded through future levies.

## BOARD'S ACTIVITIES

The Board administers fortnightly compensation payments as well as medical expense payments to eligible disabled workers who contract a specified dust disease. Workers' dependants receive lump sum payments as well as fortnightly compensation payments where the worker subsequently dies as a result of a dust disease. Rates of compensation are adjusted periodically to account for increases in the cost of living.

The Board also administers funds held in trust on behalf of dependant beneficiaries. The Board is also responsible for meeting the operating cost of the Dust Diseases Tribunal, which was created to expedite the common law claims of dust disease sufferers. The *Workers' Compensation (Dust Diseases) Act 1942* (the Act), gives the Board authority to impose levies each year to meet its annual operating costs.

The Board is a statutory authority established under the Act. It is subject to the direction and control of the Minister for Finance. For further information on the Workers' Compensation (Dust Diseases) Board, refer to [www.ddb.nsw.gov.au](http://www.ddb.nsw.gov.au).

## CONTROLLED ENTITY

The Asbestos Diseases Research Foundation Limited (ADRF), ceased to be a controlled entity of the Board on 27 November 2007. As the company is no longer controlled by a public sector agency, the Auditor-General is not required to audit the company.

The activities of ADRF, until it ceased being a public sector entity, have not been reported on separately in this Volume as it is not considered material by its size or the nature of its operations to the Workers' Compensation (Dust Diseases) Board.



# Minister for Gaming and Racing

Greyhound and Harness Racing Regulatory Authority

New South Wales Lotteries Corporation

Refer to Appendix 1 for:

Liquor Administration Board

New South Wales Casino Control Authority

Responsible Gambling Fund



# Greyhound and Harness Racing Regulatory Authority

## AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Authority's stewards are responsible for implementing and enforcing the rules of Greyhound and Harness Racing.

The following table details the number of animals drug tested and the percentage of positive drug test results for both Greyhound and Harness. It also details the trends in disciplinary actions.

	2005	2006	2007	2008
<b>Greyhound</b>				
Animals drug tested (a)	3,241	3,028	3,277	<i>3,177</i>
Positive drug test (b) (%)	1.23	1.68	2.16	<i>1.01</i>
Disciplinary action:				
Disqualifications (c)	30	27	54	<i>32</i>
Fines (d) (\$)	15,815	16,435	43,330	<i>25,195</i>
<b>Harness</b>				
Animals drug tested (a)	3,842	3,506	3,850	<i>1,823</i>
Positive drug test (b) (%)	0.21	0.43	0.31	<i>0.88</i>
Drivers drug tested (e) (f)				
Positive drug test (b) (%) (f)	--	25	22	--
Positive drug test (b) (%) (f)	--	8.00	4.55	--
Disciplinary action:				
Disqualifications (c)	12	11	8	<i>8</i>
Fines (d) (\$)	64,680	60,250	72,550	<i>65,905</i>

Source: GHRRA Annual Report.

- a) The number of samples tested during the year including both pre-race blood measuring (TCO<sub>2</sub>) and post race testing of urine or blood.
- b) The percentage of positive results from the samples tested.
- c) Number of disciplinary type actions taken against participants.
- d) Total amount in fines imposed for breaches of various rules.
- e) The number of urine samples tested of Harness Racing drivers.
- f) Drug testing was not performed in 2007-08 as a result of the Equine Influenza outbreak.

## OTHER INFORMATION

### Equine Influenza

The outbreak of Equine Influenza on 25 August 2007 impacted the operational activity of the Authority, in particular the number of race meetings held. This resulted in TAB turnover decreasing by approximately 13 per cent and an increase in vaccination related costs. The Authority was reimbursed for costs incurred by Harness Racing NSW and the NSW Department of Primary Industries.

### Amalgamation of the Greyhound and Harness Regulatory Racing Authority

The Auditor-General's performance audit report, released in April 2008, examined the management of the amalgamation creating the Greyhound and Harness Racing Authority. A full copy of this report is available at [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au).

## FINANCIAL INFORMATION

Year ended 30 June	Consolidated		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	7,986	8,075	7,986	8,075
Expenses	8,477	8,648	8,477	8,648
Loss	491	573	491	573
Net assets (at 30 June)	3,412	3,903	3,412	3,903

Revenue decreased by \$89,000 due to the reduction in race meetings as a result of the Equine Influenza outbreak in August 2007. A fall in expenditure in 2007-08 is consistent with revenue producing activities decreasing in that year.

The newly refurbished Bankstown premises were valued at \$2.9 million in November 2007.

The losses of 2008 and 2007 comprise mainly 'non-cash' items. These include superannuation, depreciation and impairment expense totalling \$513,000 in 2008 (\$662,000 in 2006-07).

## AUTHORITY ACTIVITIES

The *Greyhound and Harness Racing Administration Act 2004* commenced on 1 October 2004. The Act dissolved the former Greyhound Racing Authority and the former Harness Racing Authority and established the Greyhound and Harness Regulatory Authority. The assets, rights and liabilities of the former Authorities were transferred to the new Authority.



The Authority has responsibility for the control and regulation of Greyhound and Harness Racing through:

- making rules to control and regulate Greyhound and Harness Racing
- enforcing those rules by way of supervision of race meetings by stewards
- implementing appropriate drug testing and detection measures
- grading greyhounds and handicapping harness horses
- registering greyhounds, horses and industry participants (e.g. bookmakers, trainers, drivers).

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

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#### 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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Greyhound and Harness Racing Regulatory Authority Division
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# New South Wales Lotteries Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Licences to Conduct Public Lotteries

The Corporation holds licenses to conduct public lotteries, which expire on 1 July 2009. The Corporation's ability to continue to operate the business of selling lottery products is reliant on these licences. While the licences were previously issued for a number of years, they have recently been issued on an annual basis.

The Government announced in the '2008-09 Mini-Budget' on 11 November 2008, it was investigating the transfer of the Corporation to the private sector with a licence to operate lotteries for a defined period.

## PERFORMANCE ISSUES

The Corporation provided the following information regarding its performance.

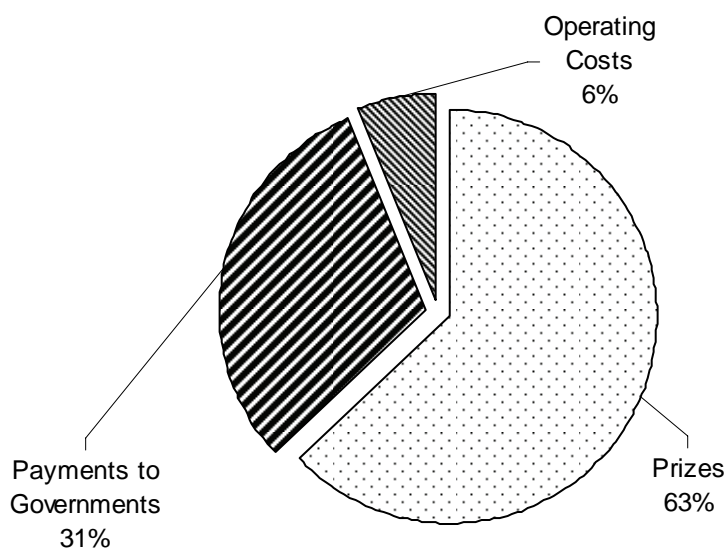
### Returns to the New South Wales Government

The Corporation has provided on average \$337 million per annum to the New South Wales Government over the last five years. This represents 30.9 per cent of the average of net sales for that period.

Year ended 30 June	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000
<b>Return to New South Wales Government</b>					
General duty	279,552	281,745	285,665	289,942	<i>299,986</i>
Dividend accrued	37,204	33,946	30,133	36,529	<i>33,356</i>
Income tax equivalent	10,032	14,314	18,931	13,765	<i>22,211</i>
<b>Total</b>	<b>326,788</b>	<b>330,005</b>	<b>334,729</b>	<b>340,236</b>	<b><i>355,553</i></b>
Total return as a percentage of net sales**	30.7	30.9	30.8	31.6	<i>30.6</i>

\*\* Net Sales equal all New South Wales Lotteries product sales less retailer commissions and GST.

### New South Wales Lotteries Total Outgoings



Prize payments are fixed percentages of games subscriptions under the product licences. The vast majority of revenue generated is returned in the form of prizes to players, duties, taxes and dividends to Governments.

#### OTHER INFORMATION

We identified some minor opportunities for improvements in internal control procedures and we reported them to management.

#### FINANCIAL INFORMATION

##### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
<b>NET REVENUE</b>	<b>130,261</b>	122,268
Employee related	16,526	16,314
Other expenses	58,050	55,671
<b>TOTAL EXPENSES</b>	<b>74,576</b>	71,985
<b>PROFIT BEFORE INCOME TAX EQUIVALENT EXPENSE</b>	<b>55,685</b>	50,283
Income tax equivalent expense	16,907	15,195
<b>PROFIT</b>	<b>38,778</b>	35,088

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	224,455	194,731
Non-current assets	72,742	71,755
<b>TOTAL ASSETS</b>	<b>297,197</b>	<b>266,486</b>
Current liabilities	213,603	188,868
Non-current liabilities	24,188	23,634
<b>TOTAL LIABILITIES</b>	<b>237,791</b>	<b>212,502</b>
<b>NET ASSETS</b>	<b>59,406</b>	<b>53,984</b>

## CORPORATION ACTIVITIES

The Corporation is a statutory State owned corporation established in January 1997 under the *New South Wales Lotteries Corporatisation Act 1996*. It conducts its business subject to licences issued under the *Public Lotteries Act 1996*. New South Wales Lotteries licences were to expire on 1 July 2008, but have been renewed until 1 July 2009.

The Corporation's principal business activity is to develop, promote and conduct lotteries. It is accountable to the shareholder Ministers, currently the Minister for Finance and the Treasurer. The Treasury reviews corporate performance on behalf of the shareholder Ministers.

For further information on New South Wales Lotteries, refer to [www.nswlotteries.com.au](http://www.nswlotteries.com.au).

# Minister for Health

Department of Health

Health Care Complaints Commission

**Refer to Appendix 1 for:**

Chiropractors Registration Board

Dental Technicians Registration Board

New South Wales Institute of Psychiatry

New South Wales Medical Board

Nurses and Midwives Board

Optical Dispensers Licensing Board

Optometrists Registration Board

Osteopaths Registration Board

Physiotherapists Registration Board

Podiatrists Registration Board

Psychologists Registration Board



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# Department of Health

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New South Wales Health comprises the Department of Health and its controlled entities, namely eight Area Health Services, the Health Administration Corporation, the Clinical Excellence Commission, Health Quest, Justice Health and the Royal Alexandra Hospital for Children.

Based on the work performed at the time of writing, we expect to issue unqualified Independent Auditor's Reports for all controlled entities, except the Royal Alexandra Hospital for Children (the Hospital). As is common for entities that have donations and fundraising as a significant source of revenue, the Hospital's report will be qualified. This is because it is impractical for the Hospital to maintain an effective system of internal controls over revenue from voluntary donations it receives, until their initial entry in the financial records. Accordingly, as the evidence available regarding revenue from this source was limited, our audit procedures relating to voluntary donations were restricted to the amounts recorded in the financial records. We were therefore unable to express an opinion on whether all revenue from voluntary donations received by the Hospital has been recorded in its financial records.

## KEY ISSUE

### Financial Reporting

We recommend the Department review and significantly enhance its year end reporting processes and procedures. This includes having in place improved quality control processes and appropriate penalty provisions for controlled entities that do not meet the agreed timetables.

The timely completion of the financial reporting process by the Department and its controlled entities has been a significant problem for a number of years. The audit process has been adversely impacted as a result. The Department provided us with its consolidated financial report on 4 September 2008, significantly later than the statutory deadline of 30 July 2008. The Department has advised the main reasons for the delay this year were:

- Area Health Services not meeting the required reporting deadlines
- the late resolution of technical issues relating to the accounting for Privately Financed Projects
- the collection of Area Health Service inputs to comply with new financial reporting disclosures, particularly financial instruments
- the clarification of accounting treatment of various grants credited to the Department, e.g. Commonwealth Grants
- the need to clarify reporting requirements under the *Charitable Fundraising Act 1991*
- the revision of Health Service disclosures.

We expect to include comment on the results of our audit in Volume One of the 2009 Auditor-General's Report to Parliament, to be tabled in February 2009.

Delays in finalising the audit have resulted from:

- the late receipt of relevant financial reports
- the large numbers of errors detected during the audit process.

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# Health Care Complaints Commission

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## AUDIT OPINION

The audits of the Commission and its controlled entity's financial report for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## PERFORMANCE INFORMATION

### Formal Complaints and Investigations

In 2007-08, the Commission received 3,128 complaints (2,722 in 2006-07). Of the 3,128 complaints received, 1,357 (1,065) related to Health Organisations and 1,771 (1,657) related to individual health practitioners. In the same period 260 (307) complaints were referred for investigation and 338 (381) investigations were finalised. The following table provides a summary of the total complaints received and finalised by the Commission during the last three financial years.

	2006		2007		2008	
	Received	Finalised*	Received	Finalised*	Received	Finalised*
<b>Total</b>	3,023	3,432	2,722	3,164	<i>3,128</i>	<i>2,986</i>

Source: Health Care Complaints Commission.

\* Includes complaints received in previous years.

### Average Time to Finalise all Complaints Received

	Actual Days			
	2005	2006	2007	2008
Non-investigative	*	115	95	<i>92</i>
Investigative	595	352	318	<i>309</i>

Source: Health Care Complaints Commission.

\* Not measured.

Since 2004-05, the average time to finalise complaints has trended down for both investigative and non-investigative complaints, indicating increased efficiencies in the review and completion of complaints.



The number of complaints about Public Hospitals received and finalised follows.

	2006		2007		2008	
	Received	Finalised*	Received	Finalised*	Received	Finalised*
Greater Southern AHS	21	23	28	27	47	35
Greater Western AHS	37	45	24	25	63	49
Hunter New England AHS	60	64	59	66	102	79
South Eastern Sydney and Illawarra AHS	98	107	106	106	137	130
Sydney South West AHS	104	118	92	91	106	89
Northern Sydney and Central Coast AHS	72	79	73	66	121	102
North Coast AHS	49	53	36	31	81	55
Sydney West AHS	96	103	90	93	104	91
Other	1	1	--	--	2	2
<b>Total</b>	<b>538</b>	<b>593</b>	<b>508</b>	<b>505</b>	<b>763</b>	<b>632</b>

Source: Health Care Complaints Commission.

\* Includes complaints received in prior years.

AHS: Area Health Service.

The number of finalised complaints about Public Hospitals increased in 2007-08 compared to 2006-07, although 17 per cent (one per cent) of complaints received were not finalised at the end of the reporting period. The Commission's management advised this increase was largely due to a high level of complaints received in the last quarter of 2007-08 following media coverage of matters such as the Special Commission of Inquiry into Acute Care in New South Wales Public Hospitals.

The complaints received about Public Hospitals, as a percentage of total complaints about Health Organisations, have increased from 47.7 per cent in 2006-07 to 56.2 per cent in 2007-08.

## FINANCIAL INFORMATION

Year ended 30 June	Consolidated	
	2008 \$'000	2007 \$'000
Revenue	590	750
Employee related expenses	7,359	6,968
Other expenses	3,440	3,469
Net cost of services	10,209	9,687
Government contributions	9,966	9,565
Net assets (at 30 June)	2,038	2,281

Employee related expenses increased due to additional resources engaged to handle the increased number of complaints. During the year the Independent Commission Against Corruption assumed the role of providing shared corporate services to the Commission.

## COMMISSION ACTIVITIES

The Commission aims to protect the public from substandard health services provided by health organisations or individual health practitioners in New South Wales by assessing and trying to resolve complaints. The Commission also investigates complaints that raise serious issues of public health and safety and prosecutes the most serious complaints about registered health practitioners.

The Commission was established under the *Health Care Complaints Act 1993*.

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

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## 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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Office of the Health Care Complaints Commission
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# Minister for Housing

Aboriginal Housing Office

City West Housing Pty Limited

Housing NSW

Refer to Appendix 1 for:

Payments to other Government Bodies under the control of the Minister



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# Aboriginal Housing Office

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## AUDIT OPINION

The audit of the Office (AHO) and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## KEY ISSUES

### Commonwealth and State Grants Funding

In light of current funding uncertainties we recommend management review its operations to determine the level of services it can realistically offer to various Aboriginal communities.

The Commonwealth State Housing Agreement (CSHA), the Community Housing and Infrastructure Program (CHIP) and the Healthy Indigenous Housing Initiative ended in June 2008. The Commonwealth Government has extended the funding for these programs to December 2008 to allow for negotiation and development of new multilateral agreements. The AHO informed us that under the new Remote Indigenous Housing National Partnership Agreement (replacing CHIP) the Commonwealth funding is to be provided for Aboriginal housing in remote and very remote areas of New South Wales. The New South Wales Government will be responsible for Aboriginal housing in non remote areas under this program. The mainstream National Affordable Housing Agreement (replacing CSHA) however will cover all social housing, including housing for Aboriginal people living in non-remote areas.

### Capital Acquisition

We recommend management include comprehensive details of its asset acquisition program in the AHO's Total Asset Management Plan and Statement of Business Intent.

Last year we commented on the capital acquisition freeze by the former Minister for Housing from August 2006 to April 2007 which significantly delayed capital acquisition programs. In 2007-08, capital acquisition and construction program increased from \$2.8 million in 2006-07 to \$12.6 million. The AHO capital and construction program achieved the 2007-08 budget of \$13.0 million.

### Tax Ruling

The AHO obtained an Australian Taxation Office (ATO) ruling that allows it to recover Goods and Services Tax (GST) paid for certain purchases of property, plant and equipment and other expenses. The ATO refunded \$166,000 to AHO in 2008-09. The AHO is in the process of obtaining a further ruling for GST paid for works undertaken on its behalf on community owned dwellings.

## PERFORMANCE INFORMATION

The AHO has developed targets as a measure of its performance including:

### Management of Housing Stock

Year ended 30 June	Actual					Target
	2004	2005	2006	2007	2008	2008
AHO dwellings upgraded to AHO-approved standard by 30 June 2008 (cumulative total) (%)	80	86	89	99	100	100
AHO dwellings upgraded to AHO-approved standard by 30 June 2008 (cumulative total) (\$)	3,296	3,588	3,770	4,349	4,384	4,384
Average cost per dwelling upgraded/repaired:						
AHO dwellings (\$)	na	na	29,170	36,402	29,306	<31,000
Aboriginal community dwellings (\$)	na	na	10,350	10,633	5,971	<13,000

Source: Aboriginal Housing Office.  
na: not available.

The AHO's average cost per Aboriginal community dwelling upgraded/repaired in 2008 was 54.1 per cent lower than the target, a decrease 43.8 per cent over the previous year. Management advised this decrease was due to work being limited to urgent health and safety needs in proportionally more dwellings than last year. Additionally, the value of each improvement was comparatively small.

### Tenant and Property Management

Year ended 30 June	Actual					Target
	2004	2005	2006	2007	2008	2008
Minimum rental income (net of property expenses) (\$m)	1.2	2.7	2.7	3.8	5.8	4.8
Management of repairs and maintenance budget (community) (\$m)	7.7	7.2	7.0	6.9	5.5	8.3
Rental income arrears (%)	7.0*	7.5*	7.2*	7.5*	7.2*	8.0

Source: Aboriginal Housing Office.  
\* Percentage of gross rental income.

The AHO manages a property portfolio with a value of \$893 million (\$879 million in 2007-08) and an annual rental income of \$26.4 million (\$24.7 million). Expenditure on community property repairs and maintenance was \$2.8 million (\$3.5 million) less than budget. Management advised this was due to delays in the approval and processing of the programmed works.

## FINANCIAL INFORMATION

## Abridged Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Grants	53,588	60,677	53,588	60,677
Rent	26,423	24,726	26,423	24,726
Other	10,267	20,363	10,267	20,363
<b>TOTAL REVENUE</b>	<b>90,278</b>	<b>105,766</b>	<b>90,278</b>	<b>105,766</b>
Employee related and other expenses	25,154	17,852	25,154	17,852
Housing program	39,122	29,663	39,122	29,663
Property expenses	20,633	20,911	20,633	20,911
<b>TOTAL EXPENSES</b>	<b>84,909</b>	<b>68,426</b>	<b>84,909</b>	<b>68,426</b>
<b>SURPLUS</b>	<b>5,369</b>	<b>37,340</b>	<b>5,369</b>	<b>37,340</b>

During the year, the AHO received \$29.8 million (\$30.7 million) under CSHA, \$13.3 million (\$13.3 million) under CHIP, and \$7.0 million (\$11.1 million) from the Aboriginal Community Development Program. Other revenue is predominately made up of \$6.9 million (\$18.5 million) of assets acquired free of charge.

The AHO's housing program incurred the following expenditures:

Year ended 30 June	2008 \$'000	2007 \$'000
Community asset acquisition of dwellings - Aboriginal communities program	12,591	2,804
Aboriginal dwelling upgrade program	7,829	4,144
Community dwelling repairs and maintenance	5,212	6,548
Aboriginal Community Development Program	7,000	11,111
Other	6,490	5,056
	<b>39,122</b>	<b>29,663</b>
Employee related expenses	2,086	1,867
<b>Total</b>	<b>41,208</b>	<b>31,530</b>

Management advised the increased expenditure on community dwellings was largely due to the AHO using available funds to purchase more dwellings than planned to assist the community to meet dwelling needs.

**Abridged Balance Sheets**

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	57,059	45,368	55,239	43,919
Non-current assets	904,058	890,329	904,059	890,329
<b>TOTAL ASSETS</b>	<b>961,117</b>	<b>935,697</b>	<b>959,298</b>	<b>934,248</b>
Current liabilities	23,783	13,872	23,584	13,718
Non-current liabilities	1,796	1,488	176	193
<b>TOTAL LIABILITIES</b>	<b>25,579</b>	<b>15,360</b>	<b>23,760</b>	<b>13,911</b>
<b>NET ASSETS</b>	<b>935,538</b>	<b>920,337</b>	<b>935,538</b>	<b>920,337</b>

Non-current assets increased by \$13.7 million, mainly due to the \$9.8 million revaluation of the AHO's existing properties. Current assets and current liabilities are higher than last year largely due to the delayed timing of when the AHO paid its service provider \$18.9 million for work performed in the last quarter of the year.

**AHO'S ACTIVITIES**

The AHO's principal functions are to plan, develop, deliver and evaluate programs and services to assist Aboriginal and Torres Strait Islander peoples within New South Wales to meet their dwelling needs. Other functions relate to registering and funding Aboriginal community housing providers; the power to enter into agreements with registered Aboriginal community housing providers; and the management of property owned by the AHO.

The AHO was constituted by the *Aboriginal Housing Act 1998*. It is subject to the control and direction of the Minister for Housing.

For further information on the AHO, refer to [www.aho.nsw.gov.au](http://www.aho.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.

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

Entity Name	Website
Aboriginal Housing Office Group of Staff	<a href="http://www.aho.nsw.gov.au">www.aho.nsw.gov.au</a>



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# City West Housing Pty Limited

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## AUDIT OPINION

The audit of the Company's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The company has 491 residential units at 30 June 2008 (381 in 2006-07). There are 446 units (365) in Ultimo/Pymont accommodating 850 people, and 45 units (16) in Green Square accommodating 85 people. The increase in housing stock arose from the completion of two projects in August 2007.

During 2007-08, the Company purchased a site in Green Square capable of yielding 57 residential units plus commercial space.

Accommodation is allocated based on the annual household income level of the applicant. The Company assesses applications within three income bands.

Income level	Band 1 <\$28,393	Band 2 \$28,394 - \$45,472	Band 3 \$45,473 - \$76,949	Total
Applicants on the eligibility list as at 1 July 2007	219	91	60	370
Additional eligible applicants during the year	(105)	112	98	105
Accommodation allocated during the year	(33)	(96)	(27)	(156)
Applicants on the eligibility list as at 30 June 2008	<i>81</i>	<i>107</i>	<i>131</i>	<i>319</i>

The Company reported a 99 per cent average occupancy in 2008.

## FINANCIAL INFORMATION

The following information relates to the Company's finances.

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	<i>15,895</i>	11,443
Expenses	<i>5,130</i>	4,379
Surplus	<i>10,765</i>	7,063
Net assets (at 30 June)	<i>250,859</i>	206,306

The increase in revenue arose from higher levels of rental income and developer contributions. The increase in expenses is mainly related to increased depreciation charges and rental management expenses. These trends are consistent with the increase in unit numbers.

The significant increase in net assets is attributable mainly to an increase in the value of accommodation (\$33.8 million) based on current market values.

#### COMPANY ACTIVITIES

The Company was established in 1994, with its principal function to provide affordable rental housing to very low, low and moderate-income households in Pymont, Ultimo and Green Square. It develops and manages affordable housing which contributes to the maintenance of a socially diverse community in the inner city.

The Company has two classes of shares, ordinary shares and redeemable preference shares. Ownership of the Company is vested in the ordinary shares, one held by the Minister for Housing and one by the Treasurer. Redeemable preference shares are issued to organisations with a direct interest in the development and management of affordable rental housing in the City West area. There are currently 11 preference shareholders. Preference shareholders' powers are subject to overriding reserve powers residing with ordinary shareholders. Preference shareholders have no entitlement to share in the assets or profits of the company or winding up or otherwise.

For further information on the company, refer to [www.citywesthousing.com.au](http://www.citywesthousing.com.au).

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# Housing NSW

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## AUDIT OPINION

The audits of Housing and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

### Reporting Entity (Repeat Issue)

We recommend The Treasury make amendments to the *Public Finance and Audit Act 1983* (the Act) or New South Wales Land and Housing Corporation prepare a financial report.

Last year we recommended that Housing should consider assisting Parliament amend its legislation to clarify its functions and those of the New South Wales Land and Housing Corporation (the Corporation) and establish Housing as the controlling entity.

Housing has completed all the proposed changes to the *Housing Act 2001* (Housing Act) including clarification of the functions of Housing and the Corporation. However, due to the current Housing Review commissioned by the Department of Premier and Cabinet, the amendments to the Housing Act have been delayed.

A review during 2005-06 of the Housing Act highlighted Housing and the Corporation jointly administer the Housing Act. However, the control relationship between the two entities and their respective functions required further legislative clarification. In practice, Housing effectively controls the Corporation. Similar to last year, Housing prepared a single financial report for 2007-08 with the transactions for both entities. A financial report for the Corporation required by the Act was not prepared. We have reported this matter in appendix two of this Volume.

### Valuation of Property Portfolio

The last full valuation for residential properties took place in December 2005 and the next is planned to take place in December 2008. In 2007-08, residential properties have been revalued using an indexation process to estimate the change in value of the housing portfolio since last year's valuation. The results of indexing the benchmark properties were extrapolated over relevant segments of the housing stock taking into account factors such as age and enhancements. The outcome of the revaluation was an increment of \$171 million (\$188 million in 2006-07) to the residential property portfolio.

In the previous year, we recommended some improvements to fixed assets management. Our review this year highlighted that management has actioned most of these. Areas for continual improvement include:

- ensuring residential properties and vacant land for redevelopment match details maintained by Land and Property Information (LPI)
- reconciling property values between SAP system, declaration of values and Integrated Housing System (IHS).

### **Bonnyrigg Project**

In August 2007, the Minister for Housing tabled in Parliament the Summary of Contracts for the Bonnyrigg 'Living Communities' Public Private Partnership project. The project will redevelop and renew 833 public housing properties into a mixed community of 1,600 private and 700 public housing homes through a 30-year public-private partnership. In October 2007, Bonnyrigg Partnerships, comprising Becton Property Group, Westpac Banking Corporation, St George Community Housing Association and the Spotless Group Limited, were selected by the New South Wales Government to undertake the \$733 million redevelopment of Bonnyrigg. The transfer of dwellings and tenants from Housing to Bonnyrigg Partnerships also occurred in October 2007, with St George Community Housing Association becoming the social housing landlord.

The project aims to improve the quality of public housing and community facilities and services provided to tenants and the local community. To encourage the achievement of these goals Housing has designed the payments to the private sector to be predominantly performance based. Key performance indicators have been agreed for most aspects of service delivery, including tenant's satisfaction with each broad category of service provision.

The new estate is expected to be constructed in 18 stages over 14 years. Tenants in stage one began to be rehoused in the first half of 2008. Stage one will include 71 new private dwellings and 35 public housing dwellings. Once the Minister for Planning approves the plans in late 2008, redevelopment work will commence with the first new houses planned for late 2009.

### **One Minto Project**

The One Minto Concept Plan (formerly Minto Renewal Project) was developed after extensive community consultation and was approved in June 2006. Housing, Campbelltown City Council and Landcom are working together to redevelop the area. Landcom has been engaged as the development manager. The initial budget set for this project was \$226 million.

The One Minto Project incorporates extensive deconcentration of the estate with redevelopment of the townhouse precincts, upgrading of the cottage precincts and refurbishment of the roads, parks and common areas across Minto. Management advised on completion of the development:

- there will be approximately 1,200 lots of land. Housing will own 30 per cent of the properties and the remaining 70 per cent will be private housing
- approximately 125 of Housing's properties will be refurbished for private sale
- 911 demolished properties at Minto will be replaced with properties in other areas of South Western Sydney with high demand for public housing.

A specialist rehousing support team has been established to assist the rehousing process. 223 households have been rehoused and the majority settled into neighbouring Campbelltown properties. Tenants will gradually be rehoused in a six stage program concluding in December 2011.

The first stage of infrastructure and road works commenced in May 2007 and the first block of land will be for sale in late 2008. The construction of approximately 220 of Housing's properties will be carried out in a staged program integrated with private housing construction during 2008-2015.

### Project Meridian

The objective of Project Meridian is to replace IHS with a new IT system. This is a major project for Housing as IHS currently supports core business activities associated with the management of tenants, applicants and the property portfolio.

Management has advised recent achievements include:

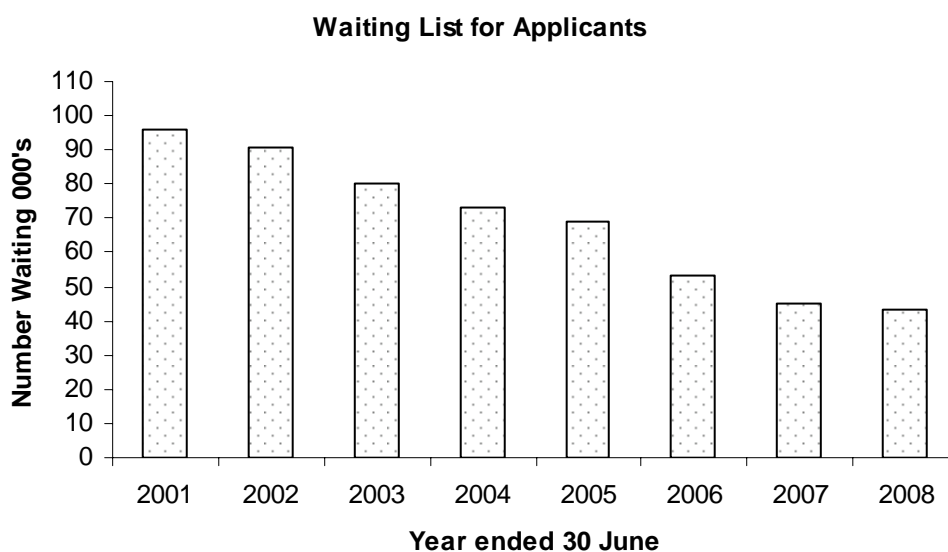
- business requirements finalised and signed off
- a number of modules configured and ready for testing. The remaining modules are due for delivery during 2009
- two cycles of data migration and associated data cleansing activity have concluded successfully with several more cycles of test migration and data cleansing planned for 2009
- the first phase of integration testing nearing completion and planning for User Acceptance Testing and System Performance Testing will commence in early 2009.

The budget for this project is \$42.0 million and management has advised it is on track for implementation in 2010.

## PERFORMANCE INFORMATION

### Waiting Lists

Waiting lists for public housing have decreased over the past seven years from 96,000 in 2001 to 43,100 in 2008, a 55.1 per cent reduction (53.1 per cent reduction for the six years to 2007). About 10,000 applicants were housed annually in this period. Housing advised the reduction in waiting lists is mainly from improved management of the housing register, including regular surveys of applicants to determine their ongoing eligibility and needs.



Source: Housing NSW.

### Provision of Social Housing

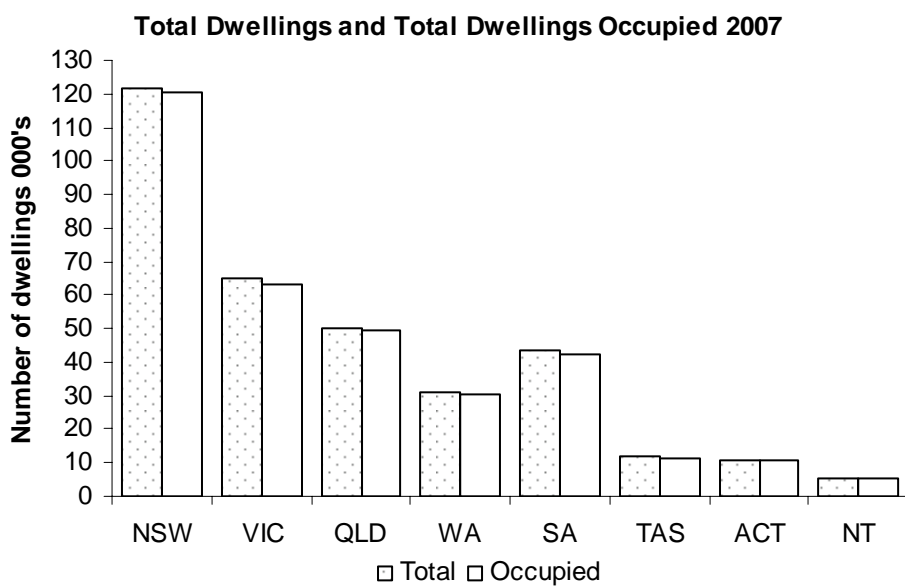
During 2007-08 Housing assisted 346,200 (352,600) people through the provision of social housing. In addition, 69,000 (74,000) people have been assisted through other programs, such as the New South Wales Government's RentStart Program. This program helped approximately 41,000 (48,500) low income people into the private rental market.

The Total for Private Rental Assistance was \$26.4 million (\$24.5 million). This includes payment of rental arrears to salvage existing tenancies and assistance in bonds and advance rent.

The following information and associated graphs have been extracted from the Report on Government Services 2008, produced by the Productivity Commission, based on information for 2006-07.

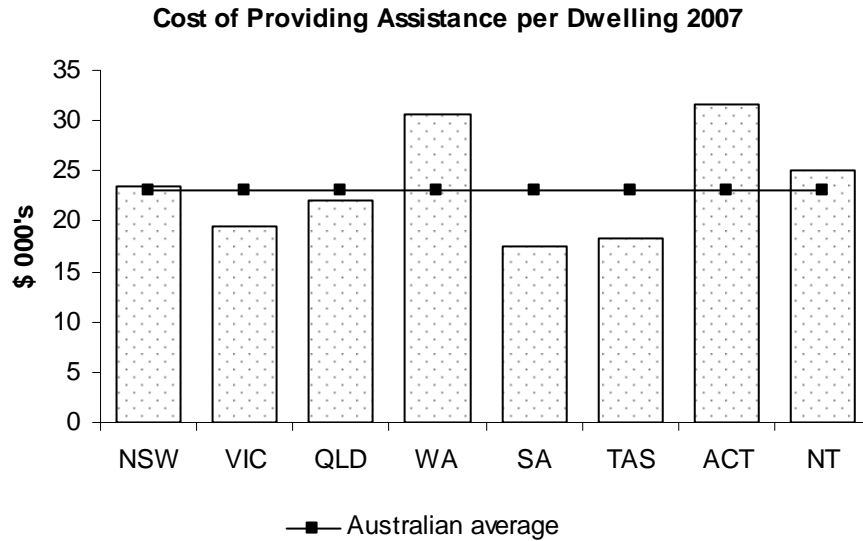
### Number of Public Housing Properties and Occupancy Rates

At 30 June 2007, New South Wales had the greatest number of public housing properties in Australia. Queensland had the highest occupancy rate at 99.1 per cent (98.9 per cent), followed by Tasmania at 98.7 per cent (98.4 per cent), New South Wales at 98.6 per cent (98.6 per cent) and Australian Capital Territory at 98.6 per cent (98.7 per cent). The New South Wales result was slightly higher than the national average of 98.0 per cent (97.8 per cent).



### Cost of Providing Assistance per Dwelling

In 2006-07, New South Wales had the fourth (third) highest cost of providing assistance (including the cost of capital) per dwelling at \$23,497 (\$23,817), 3.4 per cent higher (10.2 per cent higher) than the national average.

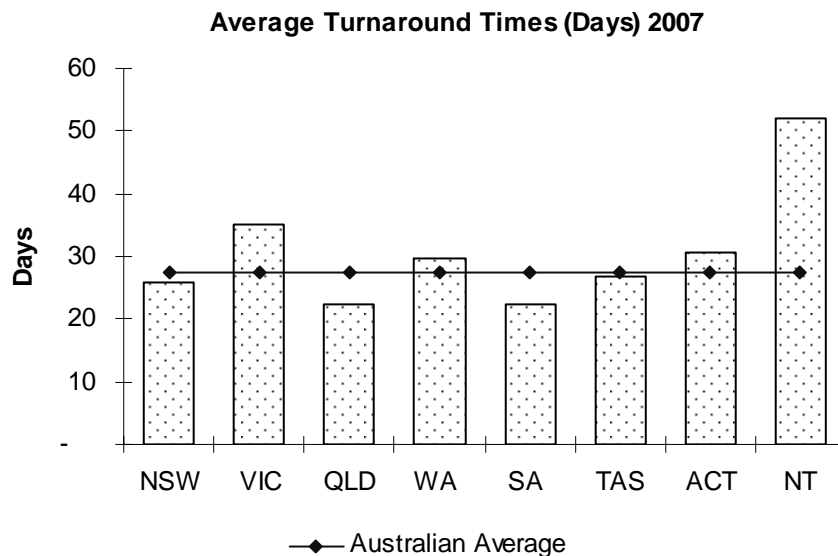


Cost of providing assistance per dwelling comprises recurrent costs (excluding payroll tax) plus depreciation and cost of capital, less interest paid. Issues on the comparability of the cost data include consistency of data collection, completeness of data and the possibility of double counting of items by some jurisdictions.

### Average Turnaround Time

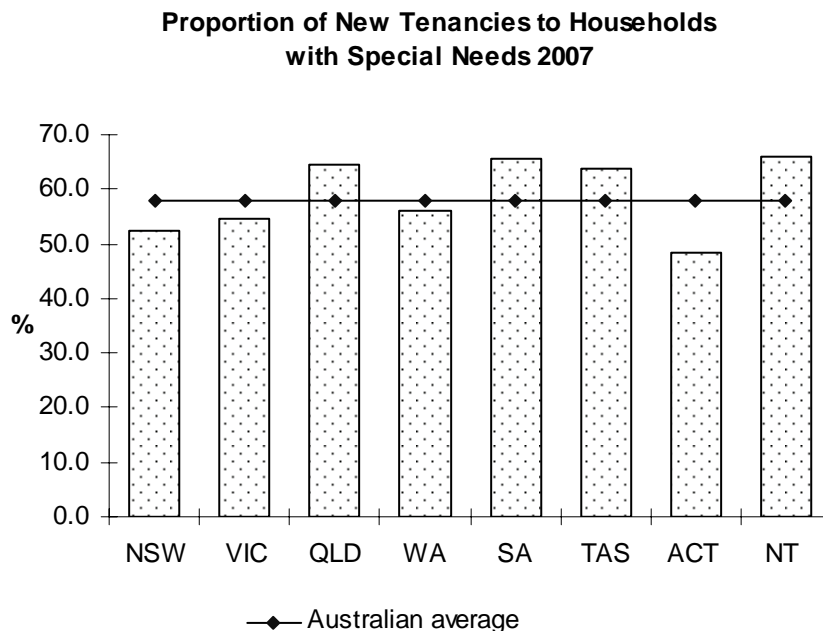
In 2006-07, New South Wales' turnaround time of 26 days (26 days) was better than the Australian average of 28 days (27 days). New South Wales' turnaround time was the third (fourth) best of the Australian jurisdictions.

Turnaround time indicates how quickly jurisdictions rent out housing stock after being vacated or acquired.



## Proportion of New Tenancies to Households with Special Needs

The Australian average of new tenancies allocated to 'special needs' households in 2006-07 was 57.8 per cent (59.8 per cent). At 52.3 per cent (55.7 per cent), New South Wales was lower than the national average.



## OTHER MATTERS

### Administration of Contractors

Housing undertakes post inspections of work performed by contractors to manage and control their performance.

During 2007-08, Housing completed approximately 29,194 inspections (22,600), which resulted in 9,959 (11,080) non-compliance notices being issued. Of these 9,624 (7,620) notices were resolved, cancelled or withdrawn during the year.

### Maintenance Expenditure

Housing distinguishes maintenance expenditure work orders under \$5,000 from those over this amount. Its analysis of post inspections for work orders revealed that post inspections for work orders above and below \$5,000 are not always performed and recorded on a timely basis in accordance with Housing's policy. We noted that in 2007-08, 29,194 post inspections were raised of which 4,884 were cancelled. Of the remaining 24,310 post inspections, 18,394 (76 per cent) were completed. Only 6,731 (37 per cent) of the completed inspections were done within ten days.

### New Maintenance Contracts

In 2007-08, Housing spent \$385 million (\$430 million) on capital and operating maintenance, including \$200 million (\$244 million) on planned maintenance. Housing's New Maintenance Contracts (formerly Maintenance Reform Program) are designed to move from predominantly responsive maintenance to planned and systematic maintenance.



Housing updated its condition assessment of properties and estimated backlog maintenance to be \$647 million at 30 June 2008 (\$612 million). The increase is due to the rise in anticipated cost of unaddressed backlog works, only partially remedied by works undertaken in pilot areas. Management believes the value of the backlog maintenance should decline from 2008-09 in line with work undertaken through the New Maintenance Contracts.

The objectives of the New Maintenance Contracts are to:

- bring all properties to a consistent and sustainable standard
- reduce the number of responsive maintenance requests
- improve client satisfaction
- achieve better value for money
- improve management of tenant damage
- improve contractor performance.

During 2007-08, Housing completed maintenance works on 26,000 properties in 17 priority pilot areas. Ongoing monitoring of the savings achieved in pilot areas through bundling of works programs has demonstrated a level of savings consistent with the initial modelling undertaken in support of the New Maintenance Contracts.

Following Ministerial approval, the New Maintenance Contracts went to public tender on 25 February 2008 and closed on 7 May 2008. The portfolio wide rollout of the new maintenance services commenced on 27 October 2008.

Housing completed a tender evaluation process and awarded contracts on 30 August 2008. The contracts, designated across 22 contract areas, have been awarded to six multi-faceted building companies with a contract duration to 2013 (six years). Housing has the ability to extend the contract beyond this period for a further two years (on a yearly basis) if contractor performance is satisfactory.

This new contract model includes indicative work volumes, developed from property condition assessments, that will enable improved planning of maintenance activities. Housing forecasts the removal of the substantive maintenance backlog over a seven to eight year duration. The removal of the backlog maintenance was originally forecast for completion by 2011-12.

### Fire Safety Program

Management advised The Treasury stopped any further drawdowns of the approved borrowings by Housing in June 2007. The program was initially funded until 30 June 2008.

The program will be reduced to a scale that is both fundable from within Housing's resources and retains specialist expertise whilst achieving the program objectives, albeit over a longer timeframe. Program completion has been revised to 2016.

At 30 June 2008, Housing has completed cumulative works to improve the fire safety standards of 52,000 (42,000) units and buildings at a cost of \$190 million (\$144 million). The total Fire Safety Program includes 81,000 (72,764) properties at an estimated cost of \$310 million (\$231 million).

## Community Housing Organisations

The table below depicts the statistics on the review ratings for Community Housing Organisations that receive grants from Housing for the years 2005 to 2008.

Rating	2005		2006		2007		2008	
	No.	%	No.	%	No.	%	No.	%
A	23	54.8	32	60.4	39	60.0	46	66.6
B	16	38.1	19	35.8	17	26.2	20	29.0
C	3	7.1	2	3.8	9	13.8	3	4.4
Total	42	100.0	53	100.0	65	100.0	69	100.0

If an organisation receives a C rating, it has 12 months to improve its performance to an A or B rating. Once the organisation receives its second C rating, it is no longer eligible to receive assistance from Housing.

During the period 2005 to 2008, 15 organisations were deregistered mostly due to voluntary closure by their board or merger. One other organisation is in the process of deregistration.

### Leveraged Long-Term Leasing Pilot

Housing will convert up to 600 leases with community housing providers to a 35-year term rather than the current five-year term. This will enable providers to borrow against the rental income and generate additional affordable housing. The new housing will then be owned by the community housing provider and used for affordable housing. Three growth providers will manage the long term leases. St George Community Housing and Affordable Community Housing Ltd were approved to manage long term leases in late 2007 and a third provider is in the process of being approved. By mid-2009, the first affordable housing properties should commence under this pilot project.

### Affordable Housing Grants

Housing received grants in 2005-06 and 2006-07 totalling \$39.5 million from the Rental Bond Board (RBB) to establish the Affordable Housing Innovation Fund (AHIF) and the Australian Defence Industries (ADI) project. The AHIF aims to provide grants to registered community housing providers for the development or acquisition of affordable rental housing dwellings while ADI will provide funding to registered community housing providers to enable the development of affordable rental housing dwellings on a redevelopment site at St Mary's New South Wales.

At 30 June 2008, Housing has only spent \$212,000 of the grants received from RBB. The unspent grants are shown as restricted assets in the financial statements. In accordance with the RBB agreements, the unspent funds now totalling \$43.1 million including the interest earned, were invested in two New South Wales Treasury Corporation (TCorp) Hour-Glass cash facilities.

Management advised the ADI affordable housing project has been delayed due to a slower than expected rate of subdivision on the site. The RBB funding was to allow the construction of dwellings on lots to be transferred under a planning agreement between the State Government and a private firm. The requirement to transfer lots for affordable housing commences when the first 500 lots have been subdivided. The subdivision of lot 501 occurred on 16 October 2008 and the first affordable housing lots will be registered and transferred in early 2009. Of the \$39.5 million, \$23.0 million has been allocated and \$13.5 million is anticipated to be spent in 2008-09. The remaining funds were offered in the first call for applications under the National Rental Affordability Scheme.

## FINANCIAL INFORMATION

## Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Rent and other tenant charges	661,358	639,703
Government grants	493,650	528,123
Interest income	22,055	22,330
Other income	21,755	8,793
<b>TOTAL INCOME</b>	<b>1,198,818</b>	<b>1,208,949</b>
Repairs and maintenance	220,809	224,336
Council and water rates	165,943	160,382
Employee related expenses	200,003	189,599
Other operating expenses	120,942	104,635
Depreciation and amortisation	270,667	260,213
Grants expenses	136,022	125,262
Other expenses	142,109	124,655
<b>TOTAL EXPENSES</b>	<b>1,256,495</b>	<b>1,189,082</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(57,677)</b>	<b>19,867</b>

Rental income increased by \$20.8 million in 2007-08 (\$29.2 million). The major contributing factor is the rental increase from the annual rent review. From December 2005 tenants also contributed towards the cost of water usage. The contribution was \$22.3 million in 2007-08 (\$21.4 million).

The major reason for the decrease in government grants is in 2006-07 \$30.0 million was received from the RBB for the Affordable Housing program. A similar grant was not received in 2007-08.

The increase in other expenses is mainly due to a \$30.9 million increase in loss on disposal, due to the net effect of:

- assets classified as held for sale this year made a loss of \$224,000 compared to 2006-07 when there was a gain of \$13.0 million
- asset write-offs totalling \$13.9 million this year as compared to last year's \$1.2 million. Most of the write-offs resulted from data cleansing when the asset registers were uploaded to SAP system and the title search was conducted.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	314,863	297,684
Non-current assets	28,225,745	27,990,672
<b>TOTAL ASSETS</b>	<b>28,540,608</b>	<b>28,288,356</b>
Current liabilities	288,443	325,621
Non-current liabilities	965,176	940,805
<b>TOTAL LIABILITIES</b>	<b>1,253,619</b>	<b>1,266,426</b>
<b>NET ASSETS</b>	<b>27,286,989</b>	<b>27,021,930</b>

At 30 June 2008, Housing's rental debtors amounted to \$31.8 million (\$36.6 million). This represents five per cent (5.7 per cent) of total rentals charged for the year, excluding subsidies. Housing provided \$25.5 million (\$29.6 million) or 80 per cent (80.9 per cent) of this balance as doubtful debts, as the majority of moneys are owed by former tenants.

The increase in non-current assets was mainly from the \$247 million (\$271 million) revaluation increment of Housing's residential, community purpose and commercial property portfolios, and the additional \$15.5 million computer software purchases for Project Meridian.

The decrease in current liabilities was predominately due to a decrease in current borrowings from TCorp of \$15.6 million.

The increase in non-current liabilities was mainly due to a new TCorp loan drawdown. The new loan was approved by The Treasury to facilitate the pilot maintenance trials and fire safety upgrade works.

## HOUSING ACTIVITIES

Housing's statutory functions are set out in the *Housing Act 2001*. Its role is to provide quality rental housing solutions for those whose needs cannot be met by the private market.

The Minister for Housing has the power to direct and control the Director-General in respect of all Housing's operations. Management advised that no such Ministerial Directions occurred in 2007-08.

For further information on Housing, refer to [www.housing.nsw.gov.au](http://www.housing.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.

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

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Entity Name	Website
Rental Housing Assistance Fund	<a href="http://www.housing.nsw.gov.au">www.housing.nsw.gov.au</a>

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# Minister for Industrial Relations

Building and Construction Industry Long Service Payments Corporation

Refer to Appendix 1 for:  
Sporting Injuries Committee





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# Building and Construction Industry Long Service Payments Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUE

### Deficit in Scheme

The Corporation has a net liability position of \$18.4 million at 30 June 2008, principally as a result of negative investment returns. The Corporation currently has sufficient funds to continue operations in the medium term. If a net liability position continues to exist the Corporation will need to examine options to return the Scheme to a net asset position.

## OTHER INFORMATION

### The Cancellation of the Registration of Workers

In last year's report we recommended the Corporation take appropriate action to progress, where required, the cancellation of the registration of workers under the *Building and Construction Industry Long Service Payments Act 1986*.

The Corporation obtained updated legal advice during 2007-08 that legislative amendments are not required to progress the cancellation of workers. As a result, from January 2009 the Corporation will implement a program to cancel and remove workers from the register of workers, where appropriate.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Investment income	(58,905)	67,252
Long service levy	79,631	69,343
Other	354	212
<b>TOTAL REVENUE</b>	<b>21,080</b>	<b>136,807</b>
Long service claims expense	74,250	66,542
Operating expenses	9,893	9,386
<b>TOTAL EXPENSES</b>	<b>84,143</b>	<b>75,928</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(63,063)</b>	<b>60,879</b>

The investment loss of \$58.9 million, compared to a gain of \$67.3 million in the prior year, is a result of the significant downturn in global financial markets.

The increase in long service levy income by \$10.3 million is due to a number of large construction projects during the year.

The Corporation's investments are held in New South Wales Treasury Corporation's Long Term Growth Hour-Glass Facility. This facility primarily invests in Australian and international shares and bonds, and aims to maximise returns over a five year time horizon. The facility has the potential to earn higher returns over the longer term than cash based facilities, but can experience greater volatility in the short to medium term.

#### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Investments	525,061	560,333
Other	15,402	16,702
<b>TOTAL ASSETS</b>	<b>540,463</b>	<b>577,035</b>
Provision for long service payments liabilities	555,629	529,372
Other	3,267	3,033
<b>TOTAL LIABILITIES</b>	<b>558,896</b>	<b>532,405</b>
<b>NET (LIABILITIES)/ASSETS</b>	<b>(18,433)</b>	<b>44,630</b>

Investments decreased by \$35.3 million as a result of the loss on investments. As noted above, the loss is the main reason for the Corporation's negative net asset position as at 30 June 2008.

The increase in the provision for long service payments liabilities of \$26.3 million was based on an actuarial update of the liability at 30 June 2008.

#### CORPORATION ACTIVITIES

The Corporation's principal objective is to secure funding and operate a portable long service payments scheme for building and construction workers.

The Corporation is constituted under the *Building and Construction Industry Long Service Payments Act 1986*. It is subject to the control and direction of the Minister for Industrial Relations.

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

# Minister for Justice

Department of Corrective Services



# Department of Corrective Services

## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The following commentary is based on information provided by the Department.

### Offender and Imprisonment Rates

Year ended 30 June	Rate per 100,000 adult population			
	2006		2007	
	NSW	National	NSW	National
Imprisonment	173.4	156.4	<i>178.6</i>	<i>162.0</i>
Periodic detention*	15.4	--	<i>14.1</i>	--
Community corrections	346.4	339.4	<i>342.8</i>	<i>329.4</i>
<b>Total offenders</b>	<b>535.2</b>	<b>495.8</b>	<b><i>535.5</i></b>	<b><i>491.4</i></b>
Included within the above categories are Indigenous adults. The rates within this group are:				
Imprisonment	2,199.7	2,030.6	<i>2329.7</i>	<i>2142.2</i>
Community corrections	3,551.1	3,173.3	<i>3731.5</i>	<i>3179.6</i>

Source: Productivity Commission's Report on Government Services 2008.

\* Only applicable to New South Wales and Australian Capital Territory.

The number of persons and length of sentences of offenders managed by the Department is the direct result of the activities of the NSW Police Force and sentencing authorities. They are not performance measures of the Department, but they drive several departmental performance measures.

In New South Wales, the proportion of the adult population imprisoned climbed from 2.1 per cent above the national rate in 1997-98 to 10.2 per cent in 2006-07.

## Safety and Containment

Year ended 30 June	Rate per 100 offenders			
	2006		2007	
	NSW	National	NSW	National
<b>Type of Assault</b>				
Prisoner on prisoner*:				
Serious assault	0.36	0.56	<i>0.49</i>	<i>0.59</i>
Assault	14.97	9.01	<i>13.26</i>	<i>8.47</i>
Prisoner on officer*:				
Serious assault†	--	0.06	<i>0.01</i>	<i>0.02</i>
Assault†	0.69	0.74	<i>0.71</i>	<i>0.60</i>
Apparent unnatural death	0.05	0.04	<i>0.05</i>	<i>0.04</i>
Escapes/absconds rates:				
Open perimeter†	0.37	1.14	<i>0.17</i>	<i>0.60</i>
Secure perimeter†	0.07	0.02	--	<i>0.03</i>

Source: Productivity Commission's Report on Government Services 2008.

\* The Productivity Commission acknowledges that data on assaults are not directly comparable across all states. 'Serious assaults' refer to acts of physical violence resulting in actual bodily harm involving hospitalisation, including sexual assault. Assaults refer to violence resulting in physical injury but not involving hospitalisation.

† Information not available for every jurisdiction.

New South Wales inmates average fewer out of cell hours than many other jurisdictions. However, differences in recording practices make this comparison difficult.

Year ended 30 June	Out of cell hours per day			
	2006		2007	
	NSW	National	NSW	National
Open perimeter†	11.9	13.1	<i>12.6</i>	<i>13.5</i>
Secure perimeter†	7.6	9.3	<i>7.6</i>	<i>9.5</i>

Source: Productivity Commission's Report on Government Services 2008.

† Information not available for every jurisdiction.

## Community Correction Orders

Year ended 30 June	Rate per 100 offenders			
	2006		2007	
	NSW	National	NSW	National
Orders successfully completed:				
Restricted movement*	83.5	77.2	82.8	76.4
Reparation	74.0	70.4	79.9	66.3
Supervision (compliance)	81.3	72.8	81.3	71.4
All orders	79.4	72.0	81.0	69.6

Source: Productivity Commission's Report on Government Services 2008.

\* Not applicable to all jurisdictions.

Community correction orders are sentences not involving imprisonment. They comprise:

- restricted movement orders, which subject offenders to a system of restricted movement including supervision or electronic monitoring
- reparation orders, which involve community service bonds or orders requiring unpaid work or fine options
- supervision (compliance) orders applying to all other offenders.

A key effectiveness measure for offenders serving community correction orders is the proportion of orders successfully completed. The Department consistently performs better than the national rate for the successful completion of community correction orders.

## Rate of Return

Rate of return is a broader justice-wide outcome and is not only related to the activities of the Department, but also to police, court and community activities. Rate of return is counted as an individual's returns to prison or community corrections following conviction by a court within two years of release from corrective services. It is a partial measure of the performance of the justice system in improving public safety by reducing the incidence of crime. The risk factors for returning to corrective services include criminal history, history of antisocial behaviour, family factors and social achievement.

The table below shows the percentage of prisoners returning to prison and corrective services within two years of release.

Year ended 30 June	Per cent			
	2006		2007	
	NSW	National	NSW	National
Per cent of individuals returning to:				
Prison <sup>†</sup>	43.3	38.3	43.8	37.5
Corrective Services <sup>†*</sup>	46.1	45.2	46.3	43.6

Source: Productivity Commission's Report on Government Services 2008.

<sup>†</sup> Australian Capital Territory not provided.

\* Includes prison sentence or a community based order.

The State's rate of return continues to be higher than that of most other Australian jurisdictions.

## Prisoner Costs

Year ended 30 June	Cost per Offender per Day			
	2006		2007	
	NSW \$	National \$	NSW \$	National \$
Open prisons* (including periodic detention)	183.0	173.3	186.6	178.4
Secure prisons*	194.2	189.0	201.7	191.1
All prisons	189.7	184.5	195.8	187.1
Community corrections	10.4	11.7	11.6	12.5

Source: Productivity Commission's Report on Government Services 2008. The figures include the cost of offender containment with rehabilitation, reparation and prisoner transport. The costs are adjusted to eliminate jurisdictional differences.

\* Information not available for the Northern Territory.

## Prison Officers' Employment Conditions

In recent years the Department introduced a work place reform program, 'The Way Forward', aimed at reducing the cost of service delivery. To date, the reform package has been implemented at the Mid North Coast, Dillwynia and Wellington Correctional Centres.

The Department advised that it intends to extend the workplace reform package to the remainder of the Department's correctional centres and court complexes during 2008-09.

## OTHER INFORMATION

### Overtime

The Department has analysed overtime costs incurred during 2007-08 at \$39.6 million (\$43.7 million in 2006-07). These costs represent 6.1 per cent (7.2 per cent in 2006-07) of total employee related expenses. The number of employees and overtime paid as a percentage of base pay are as follows:

Year ended 30 June	2007		2008	
	Number of employees	Overtime paid \$'000	Number of employees	Overtime paid \$'000
Overtime paid as a percentage of base pay				
> 100	7	457	11	626
90% - 100%	11	438	4	203
80% - 89%	16	654	13	557
70% - 79%	37	1,468	12	472
60% - 69%	85	2,907	41	1,424
50% - 59%	166	4,834	98	2,835
40% - 49%	261	6,264	219	5,235
30% - 39%	422	7,850	460	8,428
20% - 29%	662	8,744	702	9,197
10% - 19%	848	6,651	930	7,339
>0% - 9%	1,569	3,454	1,615	3,288
0%	3,186	--	3,609	--
<b>Total</b>	<b>7,270</b>	<b>43,721</b>	<b>7,714</b>	<b>39,604</b>



The Department advised the reduction in overtime costs was due to the previously mentioned workplace reform program. Nevertheless, overtime costs exceeded budget by \$19.4 million (\$23.0 million). The review also identified that the most overtime paid to any individual employee during the year was \$77,000 (\$90,000).

#### Recreation Leave

We recommend the Department continue its monitoring of leave entitlements and implement appropriate leave reduction strategies.

At 30 June 2008, 1,471 staff (1,466 at 30 June 2007) had recreation leave balances in excess of 60 days, with 71 employees (66) having entitlements exceeding 125 days. This may not only impact operations but could also affect liquidity because leave entitlements are paid at rates existing at the time leave is taken.

#### Long Bay Prison Hospital

As mentioned in our 2007 Report to Parliament, a private sector company was engaged during 2006-07 to finance, design, construct and maintain a new prison hospital at Long Bay. The Department will recognise this hospital in 2008-09 under a finance lease arrangement and has assessed the present value of minimum lease payments to be \$200 million.

#### Fixed Asset Records

We recommend the Department review its fixed asset records to ensure they are adequate for effective management of these assets.

In previous years, we reported that the Department had not been adequately updating the Fixed Assets Register (FAR) to reflect revaluations. During the current year, the Department upgraded its fixed assets software to facilitate updating the FAR on a timely basis. However during 2007-08, we identified that the level of detail in the FAR does not facilitate efficient and effective management and stewardship of the Department's assets. While ancillary procedures exist, some of these procedures were not operating as intended. We also noted other issues impacting the Department's ability to discharge its stewardship responsibilities over fixed assets.

#### Business Continuity (Repeat Issue)

We recommend the Department continue its efforts to finalise an overarching business continuity plan.

Previous reports also advised that an overall Business Continuity Plan had not been finalised. While progress has been made, the overarching business continuity plan is still in development. We will continue to monitor this during our 2008-09 audit.

#### Practices and Procedures

Our 2007-08 audit also identified other opportunities to improve practices and procedures. These will be discussed further with Departmental staff and, where appropriate, will be included in the Management Letter.

## FINANCIAL INFORMATION

## Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	653,424	607,665
Other expenses	272,056	248,509
<b>TOTAL EXPENSES</b>	<b>925,480</b>	<b>856,174</b>
<b>TOTAL REVENUES</b>	<b>42,256</b>	<b>41,290</b>
<b>NET COST OF SERVICES</b>	<b>883,224</b>	<b>814,884</b>
Government contributions	863,569	847,912
<b>(DEFICIT)/SURPLUS</b>	<b>(19,655)</b>	<b>33,028</b>

Employee related expenses increased by \$45.0 million mainly due to higher staff levels needed for increased inmate numbers and award increases.

The \$23.5 million increase in 'Other expenses' was largely due to maintenance expenses, which rose from \$21.2 million in 2006-07 to \$30.3 million in 2007-08, and workers' compensation hindsight adjustments of \$3.0 million (nil for 2006-07).

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	30,849	26,959
Non-current assets	1,632,285	1,588,456
<b>TOTAL ASSETS</b>	<b>1,663,134</b>	<b>1,615,415</b>
Current liabilities	144,992	127,796
<b>TOTAL LIABILITIES</b>	<b>144,992</b>	<b>127,796</b>
<b>NET ASSETS</b>	<b>1,518,142</b>	<b>1,487,619</b>

The increase in non-current assets reflects capital expenditure (\$53.1 million) and net revaluation increments (\$50.2 million) offset by depreciation and amortisation charges of \$62.9 million.

Current liabilities rose because of higher creditor levels (including an amount of \$11.2 million owing to the Department of Commerce for which payment was deferred for liquidity reasons) and increases in employee entitlements.

## Program Information

The table below details the Department's net cost of services on a program basis:

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
<b>Program Description:</b>				
Containment and care of prisoners	17,127	662,265	645,138	596,008
Assessment, classification and development of prisoners	22,954	155,920	132,966	122,039
Alternatives to custody	2,175	107,295	105,120	96,837
<b>Total all programs</b>	<b>42,256</b>	<b>925,480</b>	<b>883,224</b>	<b>814,884</b>

## DEPARTMENT ACTIVITIES

The Department's primary responsibility, under the *Crimes (Administration of Sentences) Act 1999* is to carry out the decisions of courts and releasing authorities. The Department's mission is to manage offenders in a safe, secure and humane manner and reduce risks of re-offending.

The Department is responsible for the State's 32 correctional centres, one of which is a privately managed prison (Juncie Correctional Centre) and one is a juvenile correctional centre (Kariang Juvenile Correctional Centre). The Department is also responsible for two transitional centres.

The Department is accountable for the Corrective Services Academy, seven periodic detention centres, 65 Community Offender Services offices and 14 twenty-four hour court cell centres.

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



# Minister for Juvenile Justice

Department of Juvenile Justice



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# Department of Juvenile Justice

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The following commentary is based on information provided by the Department regarding its performance.

Risk factors for juvenile involvement in crime include poor parental supervision, negative peer associations, truancy, poor school performance and substance abuse. Several government agencies, including the Department, work closely with young people whose lives have these risk factors.

The Department formally supervises juvenile offenders when required by the Courts. Juveniles are diverted from juvenile justice supervision via police warnings, cautions, youth justice conferences and unsupervised court orders.

The Department is responsible for the operation of youth justice conferences. Young offenders are required to complete an outcome plan, which contains a set of tasks that are closely monitored by the Department.

The following table shows the number of youth justice conferences facilitated, admissions of young people into remand in custody and community-based orders supervised by the Department.

Year ended 30 June	2004	2005	2006	2007	2008
Total number of youth justice conferences facilitated	1,232	1,232	1,112	1,185	<b>1,199</b>
Total number of community-based supervision orders commenced	2,714	2,508	2,692	3,121	<b>3,896</b>
Total number of remand admissions in custody	3,255	3,444	3,623	4,263	<b>5,081</b>
Total number of control admissions in custody	480	412	468	514	<b>623</b>
Percentage of young people in contact with the Department throughout the year who are indigenous:					
Attending a youth justice conference (%)	26.0	28.6	27.0	27.2	<b>26.0</b>
Remanded in custody (%)	39.6	37.8	37.3	37.8	<b>38.8</b>
Under community-based supervision (%)	36.8	33.2	34.0	39.5	<b>39.6</b>
On control orders (%)	48.8	47.4	47.5	54.7	<b>56.3</b>

The table suggests that indigenous juveniles are over-represented in the juvenile justice system. The Department advised it has specific programs to assist young indigenous people.

According to the Department, the average daily cost per juvenile in custodial services in New South Wales in 2007-08 was \$541 (\$556 in 2006-07). The average daily cost per juvenile in community-based services in 2007-08 was \$16 (\$23). The Department advised the decrease in average daily custodial costs is largely due to the higher numbers in custody while the lower average daily costs for community-based services reflected an increase in the average daily number of community services provided.

The average daily cost per young person in youth justice conferencing for 2007-08 was \$10 (\$11).

The Department advised that an increase in both remand and control admissions into juvenile justice centres is influencing the daily number of young people in custody. The average daily number in custody has increased from 331 in 2006-07, to 390 in 2007-08. The Department also advised the increased daily numbers are affecting capacity to accommodate juveniles in its centres.

#### OTHER INFORMATION

We identified some opportunities for improvement to accounting and internal control procedures. We will discuss these matters further with Departmental staff and where appropriate report them to management.

#### FINANCIAL INFORMATION

##### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	118,131	108,172
Other	41,367	37,851
<b>TOTAL EXPENSES</b>	<b>159,498</b>	146,023
<b>TOTAL REVENUE</b>	<b>4,062</b>	5,151
Loss on disposal of non-current assets	130	30
<b>NET COST OF SERVICES</b>	<b>155,566</b>	140,902
Government contributions	152,981	138,750
<b>DEFICIT</b>	<b>2,585</b>	2,152

The increase in employee related expenses reflects pay rises and higher staff numbers. The rise in 'other' expenses is due to higher depreciation charges reflecting the impact of revaluations (including reassessment of remaining service potential) and additions to property, plant and equipment.

Revenue includes Treasury Managed Fund hindsight adjustments. The amount received in 2007-08 (\$192,000) was significantly lower than the \$1.6 million received in the previous year.



## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	14,636	13,404
Non-current assets	236,713	232,186
<b>TOTAL ASSETS</b>	<b>251,349</b>	245,590
Current liabilities	17,196	14,551
Non-current liabilities	603	634
<b>TOTAL LIABILITIES</b>	<b>17,799</b>	15,185
<b>NET ASSETS</b>	<b>233,550</b>	230,405

## DEPARTMENT ACTIVITIES

The Department operates under a single program covering Custody, Community and Youth Justice Conferencing. The objective is to work towards breaking the juvenile crime cycle and reducing the level of re-offending. It provides a range of services and activities to maximise the capacity of and opportunity for juvenile offenders to choose positive alternatives to offending behaviour.

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



# Minister for Lands

Refer to Appendix 1 for:

Board of Surveying and Spatial Information



# Minister for Local Government

Department of Local Government



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# Department of Local Government

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Investments

The Michael Cole report on the review of New South Wales Local Government Investments, released in April 2008, assessed councils' investments and investigated the financial impact on councils of investments in structured financial products.

The major findings of the review were:

- at 31 January 2008, it was estimated that councils had suffered mark-to-market losses of approximately \$320 million on the values of their investment portfolios. These losses represent around 5.6 per cent of total investments
- \$200 million (62.5 per cent) of the losses came from exposures to Collateralised Debt Obligations (CDOs)
- many councils appear to fund long term liabilities from one large pool of investments, irrespective of whether those funds are associated with a liability or long term restriction which must be met in the future. This makes it impossible to accurately assess the extent to which restricted or unrestricted funds are being invested in structured or other products
- a number of New South Wales' councils were identified as holding in excess of 45 per cent of their total investments in high risk CDOs and/or Capital Protected Notes.

The Department has incorporated the recommendations in its revised Ministerial Investment Order.

While the Audit Office audits the Department it does not audit individual local councils with the exception of the Council of the City of Sydney, which does not have a significant exposure to these high risk investments.

### Planning and Reporting System

The Department is developing a new planning and reporting system for New South Wales local government. The new system will encourage councils to draw their various plans together and to get maximum leverage in consultation with local, regional and state service providers.

## PERFORMANCE INFORMATION

### New South Wales Local Government Councils Comparative Information and Publications (Repeat Issue)

As recommended last year, consideration should be given to improving the timeliness of compiling and reporting comparative information on the performance of all local councils in New South Wales.

More up to date information will increase the relevance of the report.

The Department compiles comparative information on the performance of all local councils in the State. The latest publication 'Comparative Information on New South Wales Local Government Councils 2005/2006' was issued in January 2008 and this publication reported a range of comparative data such as the average level of revenues generated by each council, capital expenditure ratio, current ratio and debt service ratio.

We have not included any performance information of local councils as the available data relates to 2005-06, which is out-of-date.

### Other Publications

The Department also issues various publications across a broad spectrum of activities designed to assist the general public. The latest publication 'Guidelines for Council when Notification of an Intention to Use Fireworks is Received' was issued in October 2008. These guidelines were developed to provide councils with a standard framework when deciding whether to object to WorkCover in regard to a fireworks display for which a council has received notification.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related expenses	6,865	6,600
Other expenses	81,386	80,992
<b>TOTAL EXPENSES</b>	<b>88,251</b>	<b>87,592</b>
<b>TOTAL REVENUE</b>	<b>6,219</b>	<b>6,125</b>
Other gains	3	--
<b>NET COST OF SERVICES</b>	<b>82,029</b>	<b>81,467</b>
Government contributions	81,290	80,431
<b>DEFICIT</b>	<b>739</b>	<b>1,036</b>

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	7,086	7,675
Non-current assets	599	729
<b>TOTAL ASSETS</b>	<b>7,685</b>	<b>8,404</b>
Current liabilities	2,822	2,803
Non-current liabilities	9	8
<b>TOTAL LIABILITIES</b>	<b>2,831</b>	<b>2,811</b>
<b>NET ASSETS</b>	<b>4,854</b>	<b>5,593</b>



## Abridged Program Information

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Development, oversight of and assistance to local government	282	9,651	9,369	9,254
Rate rebates for pensioners	--	72,589	72,589	72,004
Companion animals	5,940	6,011	71	209
<b>Total all programs</b>	<b>6,222</b>	<b>88,251</b>	<b>82,029</b>	<b>81,467</b>

## DEPARTMENT ACTIVITIES

The Department aims to improve the quality of service from local government by providing a clear legislative, policy and performance framework, and by monitoring the 152 local government councils in the state.

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



# Minister for Mineral Resources

New South Wales Coal Compensation Board



# New South Wales Coal Compensation Board

## AUDIT OPINION

The audit of the Board's financial report for the six month period ended 31 December 2007 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Abolition of the New South Wales Coal Compensation Board and the New South Wales Coal Compensation Review Tribunal

Schedule 2 of the *Coal Acquisition Legislation Repeal Act 2007* commenced on 1 January 2008 and:

- abolished the New South Wales Coal Compensation Board and transferred its functions to the Director-General of the Department of Primary Industries
- abolished the New South Wales Coal Compensation Tribunal and transferred its functions to the Land and Environment Court.

This will be the last Auditor-General's report on the Board.

## PERFORMANCE INFORMATION

### Compensation Claims and Settlements

Class	Balance 1 July 2007		Net Settlements/Transfers/ Adjustments		Balance 31 December 2007	
	No. of Claims	\$'000	No. of Claims	\$'000	No. of Claims	\$'000
Assessed claims	32	11,545	(32)	(11,545)	--	--
Claims under litigation	--	--	11	1,264	<b>11</b>	<b>1,264</b>
Reacquisition claims under litigation	--	--	--	--	--	--
Pecuniary loss claims	2	25	(2)	(25)	--	--
<b>TOTALS</b>	<b>34</b>	<b>11,570</b>	<b>(23)</b>	<b>(10,306)</b>	<b>11</b>	<b>1,264</b>

Source: New South Wales Coal Compensation Board financial statements for the six month period ended 31 December 2007.

The due date for lodgement of claims under any of the schemes administered by the Board has expired. The Board considers it is unlikely that there will be any new claims. The closing date for compensation scheme claims was 7 July 1994 and for most reacquisition scheme claims was 30 June 1998.

The voluntary scheme is still open but requires Crown approval for a claimant to be successful in transferring title of the coal rights to the Crown and getting paid compensation.

During the six month period ended 31 December 2007, the number of outstanding claims decreased by 68 per cent and the corresponding provision fell by 89 per cent after claims were paid, when compared to 2006-07.

All nine claims received from Local and State Aboriginal Land Councils for compensation for the loss of coal rights were processed and none were considered eligible.

At 31 December 2007, there were no native title claims held on file in the event that traditional owners are nominated by Aboriginal Land Councils before the scheme is closed (214 in 2006-07).

## FINANCIAL INFORMATION

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	Six month period ended 31 December 2007 \$'000	Year ended 30 June 2007 \$'000
Revenue	130	199
Employee related expenses	2,225	6,322
Other expenses	989	14,359
Net cost of services	3,084	20,482
Government contributions	13,938	74,091
Surplus	10,854	53,610

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Other expenses decreased by \$13.4 million mainly because there was no compensation settled for the six month period ended 31 December 2007. Since the Board commenced operations, a total of \$795 million in compensation has been paid (\$785 million up to 2006-07).

## BOARD'S ACTIVITIES

The Board was established under the *Coal Acquisition (Compensation) Arrangements Act 1985*. The Board determines claims and compensates private coal rights that are vested in the State under the *Coal Acquisition Act 1981*. These Acts were repealed by the *Coal Acquisition Legislation Repeal Act 2007* and the *Coal Acquisition Legislation Repeal Act 2007*. The Board also recommends to the Minister for Primary Industries, where it believes it is necessary, for the State to buy coal rights from private owners.

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

# Minister for Planning

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

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

Department of Planning

Landcom

Sydney Harbour Foreshore Authority

Sydney Olympic Park Authority

Western Sydney Parklands Trust





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# Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act, 1979*'

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Asset Transfers to Western Sydney Parklands

During the year the Corporation transferred property valued at \$314 million to Western Sydney Parklands Trust.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

## FINANCIAL INFORMATION

The following information relates to the Corporation's finances.

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	112,796	39,456
Expenditure	33,633	23,903
Surplus	79,163	15,553
Net Assets (at 30 June)	1,025,483	1,252,068

Revenue and surplus increased mainly due to property, valued at \$48.8 million, being recognised for the first time, a \$29.9 million gain on disposal of properties held for sale and a \$7.7 million grant from the Department of Planning for the South West Rail Link Project.

Net assets declined due to the transfer of properties, valued at \$314 million, to Western Sydney Parklands Trust and increased borrowings of \$71.5 million for the North West and South West Rail Link Project offset by property acquisitions of \$175 million.

## ENTITY ACTIVITIES

The Minister for Planning is incorporated as the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act, 1979*'. The Corporation's main activities are to acquire land, control and manage its vested lands and dispose of surplus land.

The Office of Strategic Lands of the Department of Planning administers the functions of the Corporation.

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

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### AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

### FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	969	916
Expense	431	927
Surplus/(deficit)	538	(11)
Net assets (at 30 June)	9,156	8,618

During the year, the Commonwealth Minister for Environment and Water Resources approved the redirection of excess funds (\$250,000) from the National Estate Grant Program to the Parramatta Heritage Precinct Project. These funds were recognised as income during 2007-08.

### CORPORATION'S ACTIVITIES

The Corporation's main function is to acquire and conserve heritage items and provide financial assistance for these purposes.

Under the *Heritage Act 1977*, the Minister for Planning is incorporated as the Corporation Sole, 'Minister Administering the *Heritage Act 1977*'.

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

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# Department of Planning

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	53,989	56,752
Other operating expenses	16,789	15,495
Grants and subsidies	35,636	25,249
Other expenses	899	1,453
<b>TOTAL EXPENSES</b>	<b>107,313</b>	<b>98,949</b>
Sale of goods and services	40,743	38,018
Other revenue	4,074	5,910
<b>TOTAL REVENUE</b>	<b>44,817</b>	<b>43,928</b>
Other losses	1,014	2,517
<b>NET COST OF SERVICES</b>	<b>63,510</b>	<b>57,538</b>
Government contributions	67,752	64,686
<b>SURPLUS</b>	<b>4,242</b>	<b>7,148</b>

Grants and subsidies increased due to a \$7.7 million (\$294,000 in 2006-07) grant to the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*' for the South West Rail Corridor Project and a \$2.8 million (\$920,000) grant to the Building Professionals Board.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	17,108	23,411
Non-current assets	31,247	32,730
<b>TOTAL ASSETS</b>	<b>48,355</b>	<b>56,141</b>
Current liabilities	15,904	25,218
Non-current liabilities	46	887
<b>TOTAL LIABILITIES</b>	<b>15,905</b>	<b>26,105</b>
<b>NET ASSETS</b>	<b>32,405</b>	<b>30,036</b>

Non-current assets include coastal lands with a value of \$23.0 million (\$24.4 million). The Department has not yet transferred this land to appropriate Local Government Councils.

## Program Information

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Strategy and policy development	14,042	21,069	7,027	3,860
Major development assessment and strategy	23,177	71,332	48,155	45,408
Heritage policy and assistance	375	8,703	8,328	8,270
Personnel Services	7,223	7,223	--	--
<b>Total all programs</b>	<b>44,817</b>	<b>108,327</b>	<b>63,510</b>	<b>57,538</b>

## DEPARTMENT ACTIVITIES

The Department oversees and implements Government policies on land use planning and development ensuring the ongoing sustainability of New South Wales' communities, and supporting Local Government planning functions.

It plays a critical role in key State investment decisions in its role as lead agency advising the Minister and Government on the approval of major development and infrastructure projects of significance to New South Wales' economy and employment.

The Department leads and coordinates State-wide planning strategies to guide growth and development, and to inform infrastructure planning, staging and delivery.

Key legislation includes the *Environmental Planning and Assessment Act 1979*, the *Heritage Act 1977* and the *Coastal Protection Act*.

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

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# Landcom

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## AUDIT OPINION

The audit of Landcom's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

### Financial Performance

The table below compares Landcom's financial results against targets set in its Statement of Corporate Intent (SCI).

Year ended 30 June	Actual					Target*
	2004	2005	2006	2007	2008	2008
Earnings before interest and income tax (\$m)	132.2	100.3	72.6	68.4	<i>56.8</i>	<i>49.7</i>
Dividend to Consolidated Fund (\$m)	50.2	45.3	44.3	39.6	<i>36.0</i>	<i>26.0</i>
Income tax to Consolidated Fund (\$m)	37.8	29.8	17.5	17.7	<i>14.3</i>	<i>11.1</i>
Return on equity (%)	24.6	16.6	12.3	11.6	<i>9.2</i>	<i>7.2</i>
Return on assets (%)	15.1	8.9	7.3	5.8	<i>4.8</i>	<i>4.5</i>
Debt to total equity (%)	33.7	55.0	48.6	56.5	<i>48.3</i>	<i>30.6</i>

\* Performance indicators included in Landcom's 2007-08 SCI.

Landcom achieved the majority of its financial targets for 2007-08. The targets however, were lower than those in previous years in anticipation of the continued flat demand for residential land and new housing.

Landcom's performance against economic, social and environmental targets have been published in its Annual Report for 2008.

## OTHER INFORMATION

We identified some opportunities for improvement to internal control procedures and reported them to management.

### Distribution to The Treasury

Landcom's dividend payment is agreed with its shareholders annually as part of the SCI process. For 2007-08, it was agreed to pay 100 per cent of the net profit after tax, adjusted for certain non-cash items such as superannuation gains/losses, and financial instrument fair value movements. This equated to 108 per cent (94 per cent in 2006-07) of net profit after tax, being paid to The Treasury as a dividend.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Sales income	349,572	322,479
Cost of sales	250,048	215,707
<b>GROSS PROFIT</b>	<b>99,524</b>	<b>106,772</b>
Other income	5,435	5,056
Employee related expenses	22,132	17,695
Other expenses	26,071	25,693
<b>PROFIT BEFORE INTEREST AND INCOME TAX</b>	<b>56,756</b>	<b>68,440</b>
Finance income	4,744	5,181
Finance expense	14,064	13,775
Income tax equivalent expense	14,292	17,728
<b>PROFIT</b>	<b>33,144</b>	<b>42,118</b>
Dividend provided	36,013	39,606

Sales income increased by \$27.1 million primarily due to increased fees from its participation agreement at Rouse Hill, increased sales at Victoria Park and The Ponds, and a combination of new projects released to the market.

Although Landcom was able to improve its turnover from sales, it did experience a decline in gross sales margin, falling from 33 per cent in 2006-07 to 28 per cent in 2007-08, a decrease of five per cent. Increased development costs together with market pressure on sales price combined to adversely impact gross margin.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Inventory	451,157	491,504
Other	245,414	230,281
<b>TOTAL ASSETS</b>	<b>696,571</b>	<b>721,785</b>
Borrowings	173,929	204,321
Other	162,841	155,412
<b>TOTAL LIABILITIES</b>	<b>336,770</b>	<b>359,733</b>
<b>NET ASSETS</b>	<b>359,801</b>	<b>362,052</b>

Total assets reduced mainly due to some inventory moving out of the development stage and being sold during the year.

Total liabilities decreased largely due to the repayment of a \$30.0 million loan from TCorp.

## LANDCOM ACTIVITIES

Landcom is constituted under the *Landcom Corporation Act 2001*. Landcom develops and sells residential, commercial and industrial properties. As part of urban management, it develops land for residential purposes and redevelops inner city land for medium/high density housing. It also provides for the development of shopping centres, aged care and commercial facilities to complement its residential developments.

The principal objectives of Landcom are to:

- be a successful business, and to this end:
  - to operate at least as efficiently as any comparable business
  - to maximise the net worth of the State's investment in it
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- protect the environment by complying with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*
- approach regional development and decentralisation responsibly
- undertake, or assist the Government in undertaking, strategic or complex urban development projects
- assist the Government in achieving its urban management objectives
- be a responsible developer of residential, commercial and industrial land.

For further information on Landcom, refer to [www.landcom.nsw.gov.au](http://www.landcom.nsw.gov.au).



# Sydney Harbour Foreshore Authority

## AUDIT OPINION

The audits of the Authority and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance.

### Conferences and Exhibitions

Year ended 30 June	2004	2005	2006	2007	2008	Target*
Economic contribution (\$m)	481	539	482	478	474	474
International events	29	30	25	31	23	22
Attendance ('000s)	27	43	21	24	23	24
National conferences	490	471	422	495	524	448
Attendance ('000s)	1,042	1,032	1,040	969	1,027	1,034

\* Target is set by the Senior Management.

### Assessment of Planning Applications

Year ended 30 June	Actual			Target*
	2006	2007	2008	2008
Development applications	390	222	217	210
Modification applications	11	30	60	45
Development applications assessed within 40 days (%)	32	91	88	85

\* Target is set by the Senior Management.

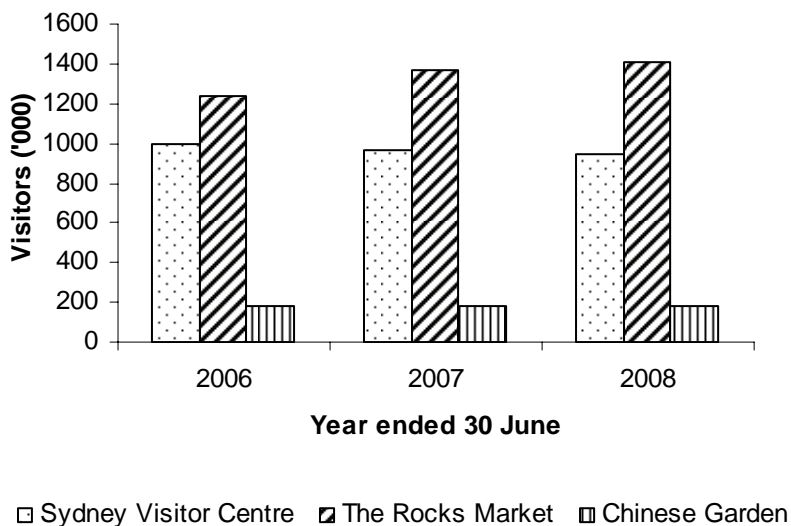
### Water and Energy Consumption

Year ended 30 June	Actual			Target*
	2006	2007	2008	2008
Reduction in greenhouse gas emissions (%)	12.1	16.3	13.1	6.0
Reduction in water consumption (%)	11.7	21.1	25.7	6.0

\* Target is set by the Authority's 'Sustainability Outcomes Strategy' 2007.

Target set to reduce both the greenhouse gas emission and water consumption by 80 per cent by 2020 using 2000 as base year.

### Visitors to Harbour Foreshore Precincts



### Barangaroo Site Development

The Authority acquired the 22 hectare Barangaroo site from Sydney Ports Corporation on 22 December 2007 for \$96.7 million. It plans to develop this site in stages at a cost of \$2.5 billion over the next 12 years. The first stage will include 11 hectares of public parkland and 220,000 square metres of office space. The development is expected to include significant private sector participation.

In November 2008, the New South Wales Government announced that it will establish the Barangaroo Delivery Authority to oversee and manage the development.

### Darling Walk Development

On 20 August 2008, the Authority contracted with a private entity for a \$560 million Darling Walk site development to house 58,000 square metres of commercial office space. The construction is expected to commence in 2009 for completion in 2011.

### Callan Park

The Authority incurred \$1.0 million in developing a land use plan for 61 hectares at Callan Park site. On 22 October 2008, the New South Wales Government decided not to proceed with the plan and leased the land to Leichhardt Council for 99 years.

### Ballast Point

Last year we reported on the legal proceedings for compensation concerning the Ballast Point land site acquired from a private entity. On 27 February 2008, the High Court ruled in favour of the Authority. The ruling was appealed by the entity and the case was returned to the Land and Environment Court.

The Authority will claim the deposit of \$41.0 million on a favourable ruling by the Land and Environment Court.

## FINANCIAL INFORMATION

## Abridged Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>REVENUE</b>				
Rental revenue	57,492	54,664	57,492	54,664
Car park revenue	14,095	12,661	14,095	12,661
Venue hire revenue	68,476	66,453	68,476	66,453
Other	63,335	24,844	63,335	24,844
<b>TOTAL REVENUE</b>	<b>203,398</b>	<b>158,622</b>	<b>203,398</b>	<b>158,622</b>
<b>EXPENSES</b>				
Property related expenses	74,223	71,001	74,223	71,001
Employee related expenses	28,904	25,494	28,904	25,494
Depreciation and amortisation	17,656	15,260	17,656	15,260
Other expenses	37,478	35,243	37,478	35,243
<b>TOTAL EXPENSES</b>	<b>158,261</b>	<b>146,998</b>	<b>158,261</b>	<b>146,998</b>
<b>SURPLUS BEFORE INCOME TAX</b>	<b>45,137</b>	<b>11,624</b>	<b>45,137</b>	<b>11,624</b>
Income tax equivalent expense	262	1,208	262	1,208
<b>SURPLUS</b>	<b>44,875</b>	<b>10,416</b>	<b>44,875</b>	<b>10,416</b>

The increase in other revenue reflects increases in the market value of investment properties. Improvements in the waterfront property market increased the value of investment properties by \$40.9 million (\$1.8 million decrease in 2006-07).

## Abridged Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	100,204	81,495	100,204	84,685
Non-current assets	1,535,800	1,069,978	1,535,800	1,066,788
<b>TOTAL ASSETS</b>	<b>1,636,004</b>	<b>1,151,473</b>	<b>1,636,004</b>	<b>1,151,473</b>
Current liabilities	64,594	61,957	64,594	61,957
Non-current liabilities	625,902	415,995	625,902	415,995
<b>TOTAL LIABILITIES</b>	<b>690,496</b>	<b>477,952</b>	<b>690,496</b>	<b>477,952</b>
<b>NET ASSETS</b>	<b>945,508</b>	<b>673,521</b>	<b>945,508</b>	<b>673,521</b>

The increase in non-current assets is mainly due to the acquisition of the Barangaroo site (\$415 million). The increase in non-current liabilities is predominately due to additional provisions for property development (\$88.2 million) and payable to Sydney Port Corporation (\$96.9 million)

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

## AUTHORITY ACTIVITIES

The Authority's roles are to:

- protect and enhance the natural and cultural heritage of the foreshore area
- promote, coordinate, manage, undertake and secure the orderly and economic development and use of the foreshore area, including the provision of infrastructure
- promote, coordinate, organise, manage, undertake, secure, provide and conduct cultural, educational, commercial, tourist, recreational, entertainment and transport activities and facilities.

The Authority owns and manages land within its precincts, including most Sydney Harbour foreshore land. The Authority also manages the Cooks Cove project in Arncliffe and the Luna Park Reserve Trust.

The Authority provides place management services on behalf of other organisations including the Circular Quay and King Street Wharf promenades, Blackwattle Bay and the Sydney Conservatorium of Music.

The Authority was established under the *Sydney Harbour Foreshore Authority Act 1998*.

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

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## CONTROLLED ENTITIES

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

For further financial and other information on these entities we have listed the entities' websites.

Entity Name	Website
Cooks Cove Development Corporation	<a href="http://www.shfa.nsw.gov.au">www.shfa.nsw.gov.au</a>
Office of the Sydney Harbour Foreshore Authority	*
Sydney Harbour Foreshore Authority Casual Staff Division	*

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\* These entities do not have a website.

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# Sydney Olympic Park Authority

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## AUDIT OPINION

The audits of the Authority and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

### Master Plan 2030

The Authority has developed a draft Master Plan 2030, which is to supersede the current Master Plan 2002. The Master Plan is aimed at providing a comprehensive blueprint for the sustainable development of the Park over the next 22 years. The Authority anticipates that construction of new high-grade commercial office space, medium to high density housing, education campus facilities and retail outlets will support an expected daily population of up to 45,000 people by 2030.

### Major Projects at the Park

The first of the \$245 million Commonwealth Bank project's three new office buildings was completed in 2007, with 900 Commonwealth Bank staff moving in prior to the end of the year. The remaining two buildings are due for completion in late 2008. Upon completion, the complex will provide 60,000 square metres of office space and accommodate 3,500 staff.

Two new Accor Hotels, the \$65.0 million five-star Pullman Hotel and the \$19.0 million two-star Formule 1 Hotel, were opened in 2008.

Other commercial developments planned or underway include:

- a \$320 million residential development
- a \$40.0 million sports and specialist hospital
- office buildings projected to \$92.5 million.

## FINANCIAL INFORMATION

## Abridged Consolidated Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee related	19,798	19,751	--	--
Personnel services	1,134	832	20,212	20,027
Operating expenses	46,230	48,765	45,837	48,486
Depreciation and amortisation	40,547	41,129	40,547	41,129
Grants and subsidies	3,800	800	4,760	2,000
<b>TOTAL EXPENSES</b>	<b>111,509</b>	<b>111,277</b>	<b>111,356</b>	<b>111,642</b>
<b>TOTAL REVENUE</b>	<b>39,233</b>	<b>37,686</b>	<b>39,644</b>	<b>38,306</b>
Gain on sale of non-current assets	993	1,963	993	1,963
Other gains	19,859	20,002	19,859	20,002
<b>NET COST OF SERVICES</b>	<b>51,424</b>	<b>51,626</b>	<b>50,860</b>	<b>51,371</b>
Government contributions	20,660	30,620	20,070	29,894
<b>DEFICIT</b>	<b>30,764</b>	<b>21,006</b>	<b>30,790</b>	<b>21,477</b>

The increase in grants and subsidies expense is due to a \$3.0 million contribution paid to the Roads and Traffic Authority for intersection upgrade works.

Total revenue increased mainly due to rises in car park revenue, and revenue from the Sydney Olympic Park Aquatic and Athletic Centres.

Other gains primarily represent the emergence in the value of the right to receive assets over the concession period.

The decrease in government contributions is mainly due to a \$7.3 million reduction in capital funding.

## Abridged Consolidated Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	54,008	73,409	51,918	71,284
Non-current assets	1,701,713	1,489,103	1,701,713	1,489,103
<b>TOTAL ASSETS</b>	<b>1,755,721</b>	<b>1,562,512</b>	<b>1,753,631</b>	<b>1,560,387</b>
Current liabilities	15,515	17,270	15,419	17,113
Non-current Liabilities	46,353	33,317	46,353	33,317
<b>TOTAL LIABILITIES</b>	<b>61,868</b>	<b>50,587</b>	<b>61,772</b>	<b>50,430</b>
<b>NET ASSETS</b>	<b>1,693,853</b>	<b>1,511,925</b>	<b>1,691,859</b>	<b>1,509,957</b>

The fall in current assets was mainly due to an \$18.0 million reduction in receivables due to the receipt of a further \$19.0 million instalment on the former Lidcombe Hospital site. The sale proceeds, comprising capital of \$74.9 million and interest of \$24.6 million, have been received over a five year period. This was the final instalment. All proceeds from the sale have been paid to The Treasury.

The increase in non-current assets is primarily due to the revaluation of property which increased by \$213 million.

Non-current liabilities rose due to the deferral of income received in advance for long term leases of land sites.

## AUTHORITY'S ACTIVITIES

The Authority was established in July 2001 by the *Sydney Olympic Park Authority Act 2001*, as a statutory body. It assumed certain assets and rights of the Olympic Coordination Authority, Bicentennial Park Trust and the State Sports Centre.

Under the Act, the Authority:

- promotes, coordinates and manages the orderly and economic development and use of Sydney Olympic Park, including the provision and management of infrastructure
- conducts cultural, sporting, educational, commercial, tourist, recreational, entertainment, and transport activities and facilities
- protects and enhances the natural and cultural heritage of Sydney Olympic Park, including the Millennium Parklands
- provides, operates, and maintains public transport facilities within Sydney Olympic Park
- liaises with and maintains arrangements with Olympic organisations, such as the International Olympic Committee and the Australian Olympic Committee Incorporated.

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

## CONTROLLED ENTITIES

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

For further financial and other information on these entities we have listed the entities' websites.

Entity Name	Website
Parklands Foundation Limited	<a href="http://www.parklandsfoundation.org.au">www.parklandsfoundation.org.au</a>
Office of the Sydney Olympic Park Authority	*
Sydney Olympic Park Authority Sydney Olympic Park Aquatic and Athletic Centres Division	*

\* These entities do not have websites.

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# Western Sydney Parklands Trust

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## AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

## FINANCIAL INFORMATION

The financial report for the period 1 January to 30 June 2008 is the first financial report of the Trust. There are no comparative figures.

The following information relates to the Trust's finances.

Period ended 30 June	2008 \$'000
Revenue	2,152
Expenditure	1,475
Surplus	677
Net assets (at 30 June)	339,301

Revenue included grants from the Department of Environment and Climate Change of \$1.3 million and the Department of Planning of \$357,000. Expenditure was mainly fees for services of \$894,000 and maintenance expenses of \$395,000.

The Trust received 5,280 hectares of parkland valued at \$314 million from the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act, 1979*'. The Trust will receive a further four properties during 2008-09.

At 30 June, the Trust revalued its properties which increased their value by \$23.6 million.

## ENTITY ACTIVITIES

The Trust, established by the *Western Sydney Parklands Act 2006*, is subject to the control and direction of the Minister. Its principal function is to develop the parklands into multiuse urban parkland for the region of Western Sydney. Also, the Trust is to conserve, restore and enhance the natural environment and cultural and historical heritage of the parklands.

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



# Minister for Police

NSW Police Force

Refer to Appendix 1 for:  
Police Integrity Commission



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# NSW Police Force

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## AUDIT OPINION

The audit of the Force's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Death and Disability Scheme

We recommend that the Force continues to monitor its liquidity closely to ensure it has sufficient funds to meet the increasing costs of the scheme.

As indicated in our 2007 Report to Parliament, all police officers are covered for death and disability. There are two components of coverage for police officers employed after 1988:

- death and total and permanent incapacity (TPI - covered through First State Super Trustee Corporation)
- partial and permanent incapacity (PPI - self-insured by the Force).

The Force's liability for PPI has grown from \$29.2 million at 30 June 2006 to \$115 million at 30 June 2008. Additional funding was received during 2007-08 to cover scheme costs. Nevertheless, the Force will need to continue to monitor its liquidity position closely to ensure it has sufficient funds to meet the increasing costs of the scheme.

## PERFORMANCE INFORMATION

The following crime statistics have been provided by the Force and the Australian Bureau of Statistics (the Bureau).

The Force informed us that risk factors for crime include unemployment, education standards and quality of housing. The Force does not directly manage these risk factors, but it does participate in multi-agency committees dealing with them. The Force believes community links are crucial to their crime reduction strategies.

The Bureau acknowledges that not all crimes are reported to, or recorded by, the police in the various jurisdictions and this impacts on the comparability of recorded crime levels between States. For example, New South Wales records incidents as crimes that some other jurisdictions may not.

We understand that the Bureau, working with police jurisdictions, has developed a National Crime Recording Standard (NCRS) to improve comparability. The implementation of NCRS across all State jurisdictions is in process. In the meantime, care should be taken in interpreting the data below.

The trend for crime rates against people in New South Wales is compared to the national totals in the following table:

Year ended 31 December	2003	2004	2005	2006	2007
<b>Crime Numbers</b>					
<b>NSW</b>					
Murder	102	72	86	102	94
Attempted murder	121	75	61	71	60
Manslaughter	11	4	4	5	9
Kidnapping/abduction	423	464	463	451	449
Robbery	10,847	8,887	9,565	9,242	9,346
Unlawful entry with intent	128,488	110,765	103,449	87,539	84,761
Motor vehicle theft	34,824	33,209	29,097	27,959	26,481
Other theft	194,006	170,290	157,987	157,360	151,374
<b>National</b>					
Murder	302	263	259	281	253
Attempted murder	361	311	271	244	245
Manslaughter	39	39	42	40	29
Kidnapping/abduction	696	768	729	726	730
Robbery	19,709	16,513	17,176	17,375	17,988
Unlawful entry with intent	354,020	308,675	281,994	262,005	248,423
Motor vehicle theft	98,298	87,939	80,365	75,377	70,650
Other theft	624,036	548,778	518,335	518,734	492,222

Generally, the number of crimes against people in New South Wales has fallen over the last five years, although the rate of decline has reduced in the last three years. This is consistent with trends nationally over the same period.

## Crime Investigations

In 2007-08, the Force spent 27.8 per cent (27.7 per cent in 2006-07) of its net cost of services on criminal investigations. Police effectiveness in this area is measured by the proportion of investigations finalised within 30 days of the offence becoming known. The Force's analysis of its performance in this area is illustrated in the following table:

Crime	Proportion (%) of investigations finalised in 30 days				Proportion (%) of investigations finalised in 30 days involving proceedings against offenders			
	NSW Ranking* 2006	NSW 2007	National Average 2007	NSW Ranking* 2007	NSW Ranking* 2006	NSW 2007	National Average 2007	NSW Ranking* 2007
Homicide	4/6	60.1	73.7	5/5	4/6	95.9	93.8	3/5
Robbery	8/8	13.7	24.1	8/8	6/8	85.0	82.2	4/8
Unlawful entry with intent	6/8	6.0	11.6	7/8	7/8	63.6	67.7	7/8
Motor vehicle theft	7/8	5.0	14.9	7/8	6/8	78.5	62.1	4/8
Other theft	6/8	11.2	17.3	8/8	6/8	74.3	72.5	4/8

\* Information not available for all States/Territories for all categories. The rankings range from one to eight (highest to lowest).

Overall clearance rates in New South Wales remain below the national average for all categories. However the table indicates that New South Wales rankings have improved in investigations involving proceedings against offenders. The Force advised us that the rankings are impacted by New South Wales being more likely to record incidents even when there is no evidence available for investigation. It also advised the increasing use of forensic technologies has led to longer investigative timeframes.

## OTHER INFORMATION

### Asia-Pacific Economic Cooperation (APEC)

In our 2007 Report, we advised that the Force established an APEC (Police and Security) Command to devise, plan, coordinate and implement the security responses for the APEC meeting held in September 2007.

In 2007-08, the Commonwealth Government provided \$31.9 million (\$25.2 million) for the APEC meeting. At 30 June 2008, the Force recognised a further \$5.4 million in expenses recoverable from the Commonwealth during 2008-09.

### World Youth Day (WYD)

The Force established a WYD Security Command to provide policing services for the WYD event, which was held in July 2008. The WYD Coordination Authority contributed \$3.2 million during 2007-08 towards costs incurred by the Force for the event.

### Court Cases and Costs Against the Force

Contingent liabilities from legal claims lodged against the Force totalled \$78.8 million at 30 June 2008 (\$105 million). If a claimant is successful, the settlement will be met by the NSW Treasury Managed Fund.

## Firearms Registry

The Firearms Registry (Registry) is a branch of the Force established to administer State firearms and prohibited weapon laws and to issue firearms licences and permits.

The Force provided the following statistics regarding the Registry:

Year ended 31 December	2004	2005	2006	2007	2008
<b>Licences</b>					
Licence holders (individual, business and clubs)	165,254	167,558	171,154	171,992	<i>167,053*</i>
Permit holders (firearms and prohibited weapons)	6,518	6,003	6,163	6,135	<i>6,159*</i>
<b>Firearms</b>					
Permit to Acquire (PTA) issued annually	32,616	30,111	35,886	39,270	<i>43,095**</i>
Firearm registrations	647,138	649,467	658,808	670,627	<i>687,690*</i>

\* As at October 2008.

\*\* Projected based on average issued per month.

Year ended 30 June	2004	2005	2006	2007	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Net cost of providing registry services	7,187	5,992	5,899	6,806	<i>8,585</i>

The Force explained that the increase over the previous year's costs is largely due to licences being renewed every five years. The renewal process involves reissue of photo licences through the Roads and Traffic Authority. The Authority invoices the Force for the provision of its services. In 2007-08, these costs totalled \$2.1 million (\$568,000). However, revenue from licence holders is remitted to the Crown Entity.

## Practices and procedures

We identified other opportunities for improvement to accounting and internal control procedures. These will be discussed further with Force staff and, where appropriate, reported to management. The main areas involve:

- monitoring of property management arrangements with the private sector to ensure expected benefits are realised
- delays in identifying recoverable expenses
- aged insurance recoveries
- inadequate documentation regarding proceeds from the sale of assets and inventory adjustments
- delays in recognising completed capital projects.

## FINANCIAL INFORMATION

## Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	1,910,509	1,748,356
Other expenses	537,751	534,400
<b>TOTAL EXPENSES</b>	<b>2,448,260</b>	<b>2,282,756</b>
<b>TOTAL REVENUE</b>	<b>122,478</b>	<b>87,851</b>
Other gains	3,707	1,723
<b>NET COST OF SERVICES</b>	<b>2,329,489</b>	<b>2,196,628</b>
Less government contributions	2,304,106	2,177,550
<b>DEFICIT</b>	<b>25,383</b>	<b>19,078</b>

In 2007, we reported that government contributions rose to fund increases in the Force's authorised strength. Government contributions for this purpose totalled \$67.7 million (\$48.2 million). The authorised strength target of 15,206 was maintained throughout 2007-08 with actual authorised police numbers reaching 15,324 at 30 June 2008. The Force advised that the extra police were deployed to high priority areas, particularly critical Local Area Commands as well as key specialised policing operations such as public order and counter terrorism. Employee related expenses also rose because of pay rises, increased contributions to superannuation schemes, higher workers' compensation insurance costs and associated taxes.

Revenue rose largely due to the previously mentioned contributions towards the cost of the APEC and WYD meetings, increases in services provided to other bodies and higher proceeds from the sale of minor items.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	67,179	72,673
Non-current assets	1,432,980	1,380,277
<b>TOTAL ASSETS</b>	<b>1,500,159</b>	<b>1,452,950</b>
Current liabilities	359,550	403,331
Non-current liabilities	302,719	215,740
<b>TOTAL LIABILITIES</b>	<b>662,269</b>	<b>619,071</b>
<b>NET ASSETS</b>	<b>837,890</b>	<b>833,879</b>

The increase in non-current assets (\$52.7 million) reflects additions to, and revaluation of, property, plant and equipment.

The increase in total liabilities reflects additional employee entitlements and associated costs as well as the previously mentioned \$27.6 million rise in the PPI self-insurance scheme. The movement between current and non-current liabilities reflects actuarial reassessment of the PPI scheme.

### Program Information

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net cost of services \$'000	Net cost of services \$'000
Community support	79,279	1,332,455	1,255,173	1,203,330
Criminal investigation	20,031	667,300	648,301	607,511
Traffic	18,552	294,732	276,620	247,854
Judicial support	4,616	153,773	149,395	137,933
<b>Total all programs</b>	<b>122,478</b>	<b>2,448,260</b>	<b>2,329,489</b>	<b>2,196,628</b>

### ENTITY ACTIVITIES

The primary objective of the NSW Police Force is to work with the community to establish a safer environment by reducing violence, crime and fear.

In terms of the *Police Act 1990*, the Commissioner is given responsibility for the effective, efficient and economical management of the NSW Police Force. In exercising these functions, the Commissioner is subject to the direction of the Minister for Police.

For further information on the NSW Police Force, refer to [www.police.nsw.gov.au](http://www.police.nsw.gov.au).



# Minister for Ports and Waterways

Maritime Authority of NSW

Newcastle Port Corporation

Port Kembla Port Corporation

Sydney Ports Corporation



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# Maritime Authority of NSW

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## AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance:

Year ended 30 June	2006	2007	2008
Boating licences issued	445,158	445,736	<i>451,696</i>
Registered recreational vessels	209,382	213,387	<i>217,074</i>
Waste recovered from Sydney Harbour (cubic metres)	3,681	3,471	<i>3,183</i>
Fatalities per 100,000 recreational vessels registered	3.8	9.8	<i>5.5</i>
Fatalities per 10,000 commercial vessels registered and licensed	1.2	2.2	<i>9.7</i>
Safety compliance rate*:			
recreational vessels (%)	91.8	91.1	<i>89.7</i>
commercial vessels (%)	93.9	89.8	<i>93.4</i>
personal watercraft (%)	87.3	83.6	<i>84.5</i>

\* The safety compliance rate reports the proportion of random vessel checks that do not result in infringement or formal warning notices being issued.

After two fatal boating accidents, a 15 knot speed limit was introduced in the Sydney Harbour Bridge vicinity in June 2007. Penalties for unsafe behaviour, night patrols and compliance checks on Sydney Harbour were also increased during 2007-08.

## OTHER INFORMATION

### Dredging Cost of Harbour Channels

The Authority clarified the accounting treatment for the dredging cost of harbour channels with New South Wales port corporations and The Treasury. These costs are to be recognised as dredged assets by the Authority and as a prepaid lease asset by the port corporations.

### Asset Transfer

The Authority received dredging cost assets of \$22.6 million from Port Kembla Port Corporation and transferred land assets with a fair value of \$23.4 million. The land transfer was made under the New South Wales Government's Ports Growth Plan.

## FINANCIAL INFORMATION

## Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Boating revenue	41,244	39,426
Rent revenue	53,099	46,453
Grants and contributions	8,066	5,743
Channel fees	7,666	7,098
Other revenue	17,559	19,122
<b>TOTAL REVENUE</b>	<b>127,634</b>	<b>117,842</b>
Employee related expenses	33,800	31,082
Service contractors	18,408	17,397
Interest expenses	18,331	16,920
Other expenditure	30,853	34,816
<b>TOTAL EXPENSES</b>	<b>101,392</b>	<b>100,215</b>
<b>SURPLUS</b>	<b>26,242</b>	<b>17,627</b>

The \$6.6 million increase in rent revenue is mainly due to gradual implementation of rental determination recommended by the Independent Pricing and Regulatory Tribunal. The increase in grants and contributions reflects the timing of contractual development contributions from private entities. The decrease in other revenue was caused by a decline in investment returns.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	137,994	126,381
Non-current assets	1,045,049	643,149
<b>TOTAL ASSETS</b>	<b>1,183,043</b>	<b>769,530</b>
Current liabilities	111,169	103,346
Non-current liabilities	102,612	84,479
<b>TOTAL LIABILITIES</b>	<b>213,781</b>	<b>187,825</b>
<b>NET ASSETS</b>	<b>969,262</b>	<b>581,705</b>

Net assets increased due to a \$384 million increase in the value of the Authority's dredged harbour channel assets.

## ENTITY ACTIVITIES

The Authority is responsible for marine safety and environmental protection of navigable New South Wales' waterways. It also ensures the appropriate development and use of wetlands and associated maritime assets.

The *Ports and Maritime Administration Act 1995* established the Authority in July 1995.

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

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## 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 operation to the consolidated entity.

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Entity Name
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Maritime Authority of NSW Division
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# Newcastle Port Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Corporation provided the following information regarding its performance:

### Trade Volumes

Year ended 30 June	2004	2005	2006	2007	2008
Total trade ('000 tonnes)	82,721	83,560	85,572	85,603	<b>93,314</b>
Total chargeable vessel visits	1,424	1,447	1,418	1,403	<b>1,519</b>
Total chargeable vessel gross tonnage ('000s)	55,404	56,167	57,443	56,989	<b>61,223</b>

Total trade increased by 7.7 million tonnes mainly due to the increased coal exports to Asia.

### Financial Performance

Year ended 30 June	Actual					Target*
	2004	2005	2006	2007	2008	2008
Return on equity (%)	9.7	7.3	11.6	11.2	7.8	8.2
Return on average assets (%)	10.8	8.2	12.0	9.8	6.7	7.4
Interest cover (times)	13.6	19.5	9.1	na	na	na
Debt/equity ratio (%)	34.6	32.8	31.0	22.3	22.0	21.5
Dividend to Government (\$m)	2.4	3.1	6.0	3.8	4.7	4.7

\* Target agreed with shareholder Ministers in the Statement of Corporate Intent adjusted to include capital contributions.

na: not applicable.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Port revenue	41,501	39,293
Interest	2,920	2,606
Other revenue	4,154	9,543
<b>REVENUE</b>	<b>48,575</b>	<b>51,442</b>
Borrowing costs	2,085	2,099
Other expenses	34,022	32,720
<b>EXPENDITURE</b>	<b>36,107</b>	<b>34,819</b>
<b>PROFIT BEFORE TAX</b>	<b>12,468</b>	<b>16,623</b>
Income tax equivalent expense	4,004	5,094
<b>PROFIT</b>	<b>8,464</b>	<b>11,529</b>

The decrease in other revenue reflects the movements in the market value of investment properties. Slower growth in the property market only increased the value of investment properties by \$220,000 this year compared to \$5.6 million in 2006-07.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	50,204	48,710
Non-current assets	127,106	121,489
<b>TOTAL ASSETS</b>	<b>177,310</b>	<b>170,199</b>
Current liabilities	17,795	15,011
Non-current liabilities	48,552	48,030
<b>TOTAL LIABILITIES</b>	<b>66,347</b>	<b>63,041</b>
<b>NET ASSETS</b>	<b>110,963</b>	<b>107,158</b>

Increase in non-current assets represents acquisition of property, plant and equipments.

## CORPORATION ACTIVITIES

The Corporation was established in July 1995 under the *Ports and Maritime Administration Act 1995*.

The Corporation's principal objectives under the *State Owned Corporations Act 1989* and the *Ports and Maritime Administration Act 1995* are: to be a successful business; to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates; where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development; to exhibit a sense of responsibility towards regional development; to promote and facilitate trade through its port facilities; to ensure its port safety functions are carried out properly.

For further information on the Corporation, refer to [www.newportcorp.com.au](http://www.newportcorp.com.au).



# Port Kembla Port Corporation

## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Corporation provided the following information regarding its performance:

### Trade Volumes

Year ended 30 June	Actual					Target
	2004	2005	2006	2007	2008	2008
<b>Operational Performance</b>						
Total Trade ('000 tonnes )	22,100	24,400	25,900	25,413	27,309	25,550
Total Chargeable vessel visits	567	624	591	607	823	685
Total Chargeable vessel gross tonnage ('000s)	15,940	17,900	17,575	17,987	23,219	18,140

### Financial Performance

Year ended 30 June	Actual					Target*
	2004	2005	2006	2007	2008	2008
Return on equity (%)	12.7	9.0	7.8	9.5	7.8	4.0
Return on assets (%)	9.2	4.4	6.7	7.7	6.8	4.7
Interest cover (times)	2.1	1.5	3.1	4.5	5.7	2.1
Debt/equity ratio (%)	84.7	60.2	56.6	44.3	30.0	65.9
Dividend to Government (\$m)	2.3	6.2	--	--	--	--

\* Target agreed with shareholder Ministers in the Statement of Corporate Intent adjusted to include capital contributions.

## OTHER INFORMATION

### Dredging Cost of Harbour Channels

The Corporation clarified the accounting for 'dredging cost of harbour channels' with Maritime Authority of NSW and The Treasury. These costs are to be recognised by the Corporation as a prepaid lease asset and amortised over 100 years.

## Transfer of Assets

The Corporation acquired \$18.5 million of rail infrastructure assets from Rail Infrastructure Corporation and \$18.4 million of land assets from Maritime Authority of NSW.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
<b>REVENUE</b>		
Port revenue	32,263	14,860
Fair value increase on investment properties	7,315	7,243
Interest revenue	1,156	4,227
Other revenue	10,152	504
<b>TOTAL REVENUE</b>	<b>50,886</b>	<b>26,834</b>
<b>EXPENSE</b>		
Loss on revaluation	15,068	--
Other expense	20,361	16,251
<b>TOTAL EXPENSES</b>	<b>35,429</b>	<b>16,251</b>
<b>PROFIT BEFORE TAX</b>	<b>15,457</b>	<b>10,583</b>
Income tax equivalent expense	201	2,844
<b>PROFIT</b>	<b>15,256</b>	<b>7,739</b>

Increases in vessel gross tonnages of 29 per cent (\$3.2 million) and changes in the accounting treatment of the coal terminal lease (\$11.6 million) increased revenues. The terminal was recognised as a finance lease until February 2008. Reversal of prior year valuation losses relating to certain wharves totalling \$9.8 million (\$89,000 in 2006-07) contributed to the increase in other revenue.

During the year the corporation revalued its other wharves which resulted in a loss of revaluation of \$15.1 million.

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	14,044	38,711
Non-current assets	270,964	143,048
<b>TOTAL ASSETS</b>	<b>285,008</b>	<b>181,759</b>
Current liabilities	14,853	21,270
Non-current liabilities	72,349	49,398
<b>TOTAL LIABILITIES</b>	<b>87,202</b>	<b>70,668</b>
<b>NET ASSETS</b>	<b>197,806</b>	<b>111,091</b>

Non-current assets increased due to a revaluation of property, plant and equipment (\$42.7 million) and major port development programs (\$80.9 million).

This development was funded by a reduction in current assets and increase in non-current liabilities (New South Wales Treasury Corporation borrowings).

#### CORPORATION ACTIVITIES

The Corporation is a statutory State owned corporation incorporated under the *Ports and Maritime Administration Act 1995*.

The Corporation's principal objectives are to:

- promote and facilitate trade through its port facilities
- ensure its port safety functions are carried out properly
- operate at least as efficiently as any comparable businesses
- maximise the net worth of the State's investment in the Port Corporation
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and endeavouring to accommodate these when able to do so.

For further information on the Corporation, refer to [www.kemblaport.com.au](http://www.kemblaport.com.au).

# Sydney Ports Corporation

## AUDIT OPINION

The audits of the Corporation and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Corporation provided the following information regarding its performance:

### Trade Volumes

Year ended 30 June	Actual					Target*
	2004	2005	2006	2007	2008	2008
Total trade ('000 tonnes)	25,100	25,900	26,700	27,800	29,200	30,300
Total chargeable vessel visits	2,408	2,434	2,596	2,564	2,583	2,310
Total chargeable vessel gross tonnage ('000s)	64,100	66,500	72,000	74,000	77,400	69,400

\* Target agreed with shareholder Ministers in the Statement of Corporate Intent.

### Financial Performance

Year ended 30 June	Actual					Target*
	2004	2005	2006	2007	2008	2008
Return on average equity (%)	6.1	17.8	10.4	9.2	12.5	9.6
Return on average assets (%)	8.1	17.2	10.5	9.3	12.5	9.9
Interest cover (times)	4.9	15.6	13.2	8.6	11.5	9.1
Debt/equity ratio (%)	29.0	29.0	27.0	25.4	21.3	23.7
Dividend to government (\$m)	17.6	18.9	22.2	29.0	20.2	23.0

\* Target agreed with shareholder Ministers in the Statement of Corporate Intent adjusted to include capital contributions.

## OTHER INFORMATION

### Disposal of Barangaroo site

The Corporation sold its Barangaroo site to the Sydney Harbour Foreshore Authority (the Authority) on 20 December 2007 for \$96.7 million. The negotiated price was based on port utilisation at that time. This property has since been valued at \$415 million on a commercial development basis by the Authority at 30 June 2008.

## Port Botany Expansion

The Corporation commenced a major expansion at Port Botany and contracted for a majority of works totalling over \$500 million. This project is expected to run over the next four years and be largely funded by New South Wales Treasury Corporation borrowings.

## Dredging Cost of Harbour Channels

The Corporation clarified the accounting treatment for 'dredging cost of harbour channels' with Maritime Authority of NSW and The Treasury. These costs are to be recognised by the Corporation as a prepaid lease asset and amortised over 100 years.

## FINANCIAL INFORMATION

### Abridged Income Statements

Year ended 30 June	Consolidated		Corporation	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Port revenue	136,680	113,803	124,882	102,867
Rental revenue	64,755	57,938	64,859	58,273
Fair value increase on investment properties	24,596	4,401	24,596	4,401
Other	10,311	10,373	11,722	12,068
<b>REVENUE</b>	<b>236,342</b>	<b>186,515</b>	<b>226,059</b>	<b>177,609</b>
Employee benefits expense	33,093	31,188	27,458	25,185
Depreciation and amortisation expense	9,517	10,329	9,260	10,073
Other expenses	48,141	47,185	45,907	45,248
Finance costs	11,383	11,991	11,383	11,991
<b>EXPENSES</b>	<b>102,134</b>	<b>100,693</b>	<b>94,008</b>	<b>92,497</b>
<b>PROFIT BEFORE TAX</b>	<b>134,208</b>	<b>85,822</b>	<b>132,051</b>	<b>85,112</b>
Income tax equivalent expense	41,439	25,644	40,793	25,431
<b>PROFIT</b>	<b>92,769</b>	<b>60,178</b>	<b>91,258</b>	<b>59,681</b>

The increase in port revenue is due to a combination of a ten per cent increase in container trade volumes and a 36 per cent increase in container wharfage. The increase in rental revenue is attributed to increases in rental rates accruing from periodic rental reviews. Improvements in the commercial property market contributed to the increase in the fair value gain on investment properties by \$20.2 million compared to 2006-07.

## Abridged Balance Sheets

At 30 June	Consolidated		Corporation	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	132,995	222,039	130,467	221,211
Non-current assets	1,106,986	861,715	1,105,174	859,741
<b>TOTAL ASSETS</b>	<b>1,239,981</b>	<b>1,083,754</b>	<b>1,235,641</b>	<b>1,080,952</b>
Current liabilities	98,787	81,494	97,306	80,033
Non-current liabilities	334,188	324,841	334,094	324,754
<b>TOTAL LIABILITIES</b>	<b>432,975</b>	<b>406,335</b>	<b>431,400</b>	<b>404,787</b>
<b>NET ASSETS</b>	<b>807,006</b>	<b>677,419</b>	<b>804,241</b>	<b>676,165</b>

The increase in total assets is mainly due to the revaluation of property, plant and equipment (\$66.0 million), expansion of Port Botany (\$56.1 million) and fair value increases in investment properties (\$24.6 million).

## CORPORATION ACTIVITIES

The Corporation was incorporated under the *Ports and Maritime Administration Act 1995*. It is a statutory State owned corporation in accordance with the *State Owned Corporations Act 1989*.

The Corporation's principal objectives are to:

- be a successful business, maximise the net worth of the State's investment in the Corporation and to exhibit a sense of social responsibility
- promote and facilitate trade through its port facilities
- ensure its port safety functions are carried out in accordance with the terms of its Port Safety Operating Licence.

For further information on the Corporation, refer to [www.sydneyports.com.au](http://www.sydneyports.com.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.

Entity Name	Website
Sydney Pilot Service Pty Ltd	<a href="http://www.sydneypilotservice.com">www.sydneypilotservice.com</a>

# Minister for Primary Industries

NSW Food Authority

NSW Ovine Johne's Disease Transaction Based Contribution Scheme

Riverina Citrus

Refer to Appendix 1 for:

Agricultural Scientific Collections Trust

Banana Industry Committee

Belgenny Farm Agricultural Heritage Centre Trust

C.B. Alexander Foundation

Game Council of New South Wales

Rice Marketing Board for the State of New South Wales

Veterinary Practitioners Board





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# NSW Food Authority

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## AUDIT OPINION

The audit of the Authority and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## OTHER INFORMATION

### The 'Name and Shame' Register

The *Food Act 2003* (the Act) was amended by the *Food Amendment (Public Information on Offences) Act 2008* following public debate about the level of information available regarding food law breaches. The amendment enables the Authority to publish penalty notices on a public register, provided certain fairness and accuracy criteria are met. This register is more commonly referred to as 'Name and Shame'.

'Name and Shame' aims to empower consumer choice and creates an incentive for the food industry to enhance its food safety performance. The register was launched on 2 July 2008 and is available on the Authority's website.

From 3 May to 30 June 2008, the Authority identified 129 penalty notices issued by 20 enforcement agencies across New South Wales that were eligible for public disclosure.

### Local Government Food Regulation Partnership

The Authority completed negotiations with 152 local government councils resulting in the introduction of the Food Regulation Partnership (FRP). The FRP aims to enhance food regulation services in New South Wales.

The FRP gives councils a more defined role in monitoring and regulating food safety compliance and aims to facilitate faster and more efficient response times in food emergencies as well as improvements in food safety.

The participation of councils in the FRP falls into three separate categories:

- Category A - emergency response and recalls
- Category B - all of category A plus routine inspections, food complaint investigations and enforcement regulations
- Category C - all of categories A and B plus inspections of food manufacturers and wholesalers (in consultation with the Authority).

At 30 June 2008, councils' participation under the various categories of the FRP was as follows:

- Category A - 152 participating councils
- Category B - 151 participating councils
- Category C - 2 participating councils.

The Department of Environment and Climate Change (managers of the Kosciusko National Park local government area) has elected to participate in all categories.

## Vulnerable Persons Food Safety Legislation

In February 2008, the Authority announced the 'Vulnerable Persons Food Safety Scheme' designed to give added protection to people in hospitals and aged care facilities. Legislation enabling the scheme was passed on 18 August 2008. A new national standard under the Australia New Zealand Food Standards Code followed on 5 October 2008.

The new law will impact businesses such as hospitals, aged care facilities, same-day aged care services, respite services and certain delivered meal organisations such as Meals on Wheels. Businesses covered by the new law will need to hold a NSW Food Authority licence and to have an audited food safety program in place.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Grants and contributions	11,462	12,426
Industry levies and licence fees	5,602	5,438
Other revenue	2,504	2,960
Expenditure	20,804	19,878
(Deficit)/surplus	(1,236)	946
Net assets (at 30 June)	18,391	19,627

Grants and contributions are received from Government through the Department of Primary Industries.

## AUTHORITY ACTIVITIES

The Authority monitors and regulates the safe production, processing, wholesale and distribution of all primary produce and seafood for human consumption from the paddock or ocean to the point-of-sale.

The Authority is under the control and direction of the Minister for Primary Industries. It was established under the Act and also has certain legislative responsibilities under the *Dairy Industry Act 2000* and the *Meat Industry Act 1978*.

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

## CONTROLLED ENTITIES

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

Entity Name
Milk Marketing (NSW) Pty Limited
Office of the NSW Food Authority
Pacific Industry Services Corporation Pty Limited

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# NSW Ovine Johne's Disease Transaction Based Contribution Scheme

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## AUDIT OPINION

The audits of the Scheme's financial reports for the years ended 30 June 2007 and 30 June 2008 resulted in qualified Independent Auditor's Reports.

The qualifications related to uncertainty regarding the Scheme's prime source of revenue - contributions paid by sheep producers. The Scheme does not have systems in place to ensure that all such transactions are accounted for. Accordingly, our audit of the contributions was limited to the amounts entered into the accounting records.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Income	1,229	2,157
Expenses	326	557
Surplus	903	1,600
Net assets (at 30 June)	1,018	115

Income mainly comprised contributions received from producers of \$1.2 million (\$2.2 million in 2006-07).

Expenditure was dominated by refunds to producers of \$177,000 (\$418,000). A producer who has paid a transaction based contribution under the Scheme, and meets the specified criteria, is entitled to a refund of the contribution, if the contributor makes an application to the Fund Administrator no later than seven days after the end of the financial year during which the contribution was made.

## SCHEME ACTIVITIES

The Scheme, which commenced on 1 October 2005, was established under the *Agricultural Livestock (Disease Control Funding) Act 1998*, and provides for the collection of contributions of \$0.20 per sheep and \$0.10 per lamb sold (when the price paid per animal is equal to or greater than \$10.00), to fund payments owed to producers under the OJD Industry Assistance Program and associated costs. Payments owed to producers were fully extinguished early in the 2007-08 financial year. As a result, the Scheme was suspended effective 31 October 2007, having fulfilled its purpose. An assessment of the Scheme has taken place and a Ministerial decision has been made to wind up the Scheme.

The Scheme is administered by the New South Wales Rural Assistance Authority.

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# Riverina Citrus

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## AUDIT OPINION

The audit of Riverina Citrus' financial report for the year ended 30 April 2008 again resulted in a qualified Independent Auditor's Report.

The qualification related to uncertainty regarding the Committee's prime source of revenue - levies paid by citrus growers. The Committee relies on industry data to calculate grower levies rather than collecting individual farm production data. Accordingly, our audit of grower levies was limited to the amounts entered into the accounting records. Previous years' financial reports were similarly qualified.

The Audit Office has previously provided advice to the Committee and the Department of Primary Industries that may assist in having the qualification removed. The latest advice received is that legislative amendments in December 2007 may overcome this matter in the next financial year.

## KEY ISSUES

### Correction of an Error Relating to Prior Period

The financial report included a correction of an error relating to the prior period. In the year ended 30 April 2007, an amount of \$9,000 received by Riverina Citrus was treated as income, but should have been held in trust. As a result, the reported surplus for the year was reduced by \$9,000 and retained equity at 30 April 2007 was restated from \$948,000 to \$939,000.

## FINANCIAL INFORMATION

Year ended 30 April	2008 \$'000	2007 \$'000
Revenue	1,204	1,083
Expenses	865	741
Surplus	339	342
Net assets (at 30 April)	1,278	939

The levy remained at \$4.50 per tonne.

## COMMITTEE ACTIVITIES

The Riverina Citrus Committee was established under the *Agricultural Industry Services Act 1983*. Its purpose is to promote the best interests of the citrus industry in the Murrumbidgee Irrigation Area (MIA) through pest and disease control; improved orchard management; product promotion and market development; and improved relationships among citrus fruit industry participants.

The Committee is funded by levies on producers of all citrus fruit in the MIA.

For further information on the Committee, refer to [www.riverinacitrus.com.au](http://www.riverinacitrus.com.au).

# Minister for Redfern and Waterloo

Redfern-Waterloo Authority



# Redfern-Waterloo Authority

## AUDIT OPINION

The audits of the Authority and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance.

### Conferences and Exhibitions

Year ended 30 June	2004	2005	2006	2007	2008
Economic contribution (\$m)	2.9	2.1	2.8	4.1	<i>4.7</i>
Events	529	487	645	642	<i>632</i>
Attendance ('000s)	32.4	33.9	35.4	36.9	<i>40.9</i>

## FINANCIAL INFORMATION

### Abridged Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	<i>33,808</i>	56,430	<i>10,318</i>	42,567
Expenses	<i>25,351</i>	15,238	<i>9,785</i>	6,005
Surplus	<i>8,457</i>	41,192	<i>533</i>	36,562

The decrease in revenue reflects lower increases in market values of investment properties this year. Slower growth in the property market increased the value of investment properties by only \$5.5 million compared to \$33.8 million in 2006-07. The increase in expenses was mainly due to \$5.5 million land remediation costs on a long-term lease and interest expense of \$3.0 million on borrowings.

## Abridged Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	35,955	33,541	6,652	7,336
Non-current assets	231,570	208,253	207,859	193,349
<b>TOTAL ASSETS</b>	<b>267,525</b>	<b>241,794</b>	<b>214,511</b>	<b>200,685</b>
Current liabilities	17,422	11,964	2,683	1,259
Non-current liabilities	40,228	28,412	40,174	28,305
<b>TOTAL LIABILITIES</b>	<b>57,650</b>	<b>40,376</b>	<b>42,857</b>	<b>29,564</b>
<b>NET ASSETS</b>	<b>209,875</b>	<b>201,418</b>	<b>171,654</b>	<b>171,121</b>

Non-current assets increased due to the construction of roads and infrastructure, \$9.3 million, and commercial buildings, \$8.5 million. Long-term receivables from tenants increased by \$4.6 million. Non-current liabilities increased mainly due to additional borrowings of \$11.9 million for construction.

## AUTHORITY ACTIVITIES

The Authority was constituted by the *Redfern-Waterloo Authority Act 2004* (the Act).

The Authority has an operational area described in the Act and has principal functions that require the Authority to promote, coordinate, manage, undertake and secure the orderly and economic development and use of the operational area. This includes the development and management of land, the provision of infrastructure, and the creation of public areas.

For further information on the Authority, refer to [www.redfernwaterloo.com.au](http://www.redfernwaterloo.com.au).

## CONTROLLED ENTITIES

## Australian Technology Park Precinct Management Limited

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	22,331	21,434
Expenses	13,680	10,400
Profit	8,651	11,034
Net assets (at 30 June)	58,034	49,383



During 2006-07, the Company leased land for 88 years to a private entity for development. Under the lease agreement, the entity will build offices, television studios and 700 car spaces and transfer 350 car spaces back to the Company. The terms and conditions of this contract are under renegotiation and may result in changes in the ownership of the car spaces discussed above.

For further information on the Company, refer to [www.atp.com.au](http://www.atp.com.au).

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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Office of the Redfern-Waterloo Authority

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# Minister for Small Business

Refer to Appendix 1 for:

Small Business Development Corporation of New South Wales



# Minister for Sport and Recreation

Wollongong Sportsground Trust

Refer to Appendix 1 for:

New South Wales Institute of Sport

Parramatta Park Trust

Sydney 2009 World Masters Games Organising Committee



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# Wollongong Sportsground Trust

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## AUDIT OPINION

The audits of the Trust and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUE

The Trust's biggest challenge is to become financially self sufficient. This is dependent on it attracting events, maintaining the use of its facilities and increasing revenue from additional non-event-related opportunities on its site.

A major priority of the Trust is to replace the ageing Western Grandstand so that WIN Stadium meets national and international standards and remains competitive in attracting significant sporting events.

## FINANCIAL INFORMATION

The following information relates to the Trust's consolidated finances.

Year ended 30 June	Consolidated		Trust	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	3,955	3,161	3,955	3,161
Salaries and related expenses	1,709	1,616	--	--
Other expenses	2,771	2,754	4,480	4,370
Loss	525	1,209	525	1,209
Net assets (at 30 June)	55,586	46,397	55,586	46,397

The increase in revenue was largely due to more events being held at the Trust's venues, including eight St George Illawarra Dragons Rugby League events (four in 2006-07).

Net assets increased primarily as a result of a revaluation of land and buildings, comprising both the Stadium and the Entertainment Centre, by \$9.7 million.

## TRUST ACTIVITIES

The Trust is constituted by the *Wollongong Sportsground Act 1986*. The Trust's major objectives are to:

- develop the Wollongong Showground for tourist and recreation purposes
- encourage, promote and facilitate the use and enjoyment of the Trust lands by members of the public.

The Trust is responsible for the care, control and management of the vested land and the public facilities provided, which most notably are the WIN Entertainment Centre and the adjacent WIN Stadium. It is subject to the control and direction of the Minister for Sport and Recreation.

For further information on the Trust refer to [www.wec.org.au](http://www.wec.org.au).

**CONTROLLED ENTITY**

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

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Entity Name
Wollongong Sportsground Trust Division

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# Minister for State Development

Department of State and Regional Development

Refer to Appendix 1 for:  
Ministerial Corporation for Industry



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# Department of State and Regional Development

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The table below shows some of the activities of the Department:

Year ended 30 June	Actual			Target*
	2006	2007	2008	2008
<b>Metropolitan projects assisted</b>				
Investment committed (\$m)	359	1,109	311	400
Employment impact	1,720	2,312	2,900	2,000
<b>Regional projects assisted</b>				
Investment committed (\$m)	667	1,612	792	850
Employment impact	4,309	4,125	5,281	4,000
<b>Total New South Wales tourism visitor nights</b>				
Domestic numbers (million)	83.8	84.9	82.2	83.0
International numbers (million)	52.2	58.7	56.9	55.0
<b>Science and medical research projects</b>				
Number of projects	31	30	78	28
Funding to assist science and medical research projects (\$m)	30	44	36	32

Source: Department (unaudited).

\* Target per the 2007-08 Budget Papers.

Whilst investment committed decreased, total employment impact increased in metropolitan and regional areas. Investment committed and employment impact will vary according to the nature of each project assisted.

Funding for science and medical research projects varies between financial years partly due to the timing of awarding financial assistance. The number of projects increased due to the method of awarding Science Leveraging Fund grants.

## OTHER INFORMATION

We identified opportunities for minor improvements to internal control procedures and have reported these to management.

### Administration of Retail Tenancy Bonds

The Department administers a trust account with a balance of \$92.7 million (\$86.5 million in 2006-07) for retail tenancy bonds under the *Retail Leases Act 1994*. This trust account is not reflected in the Department's financial statements, other than by way of note, as the Department does not control the funds.

The majority of the bonds held in trust are invested in the New South Wales Treasury Corporation Hour-Glass cash facility and earned \$6.2 million in interest during the year. Amounts reimbursed to Bond Holders includes an amount equivalent to interest payable at the rate prescribed in regulation from time to time, currently 0.01 per cent per annum. During the year, \$9.0 million was paid from the trust account to the consolidated fund and \$1.2 million was paid to the Department as a reimbursement of the cost of administering the *Retail Leases Act 1994*.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	44,672	44,197
Grants and subsidies	54,687	64,300
Other operating expenses	24,847	27,990
Other expenses	50,250	45,344
<b>TOTAL EXPENSES</b>	<b>174,456</b>	<b>181,831</b>
<b>TOTAL REVENUE</b>	<b>12,560</b>	<b>9,900</b>
<b>NET COST OF SERVICES</b>	<b>161,896</b>	<b>171,931</b>
Government contributions	162,692	176,723
<b>SURPLUS</b>	<b>796</b>	<b>4,792</b>

Government contributions decreased during the year by approximately \$10.0 million as a result of the cessation of the Major Events Unit following the creation of Events New South Wales Pty Limited. Funding for the activities previously undertaken by the Major Events Unit was transferred from the Department to the Department of Premier and Cabinet.

Grants and subsidies decreased by \$9.6 million mainly due to decreases in science and medical research grants expenditure. In 2006-07, the Hunter Medical Research Institute received a one off grant of \$10.0 million.

The Department has committed another \$110 million in grants and subsidies to various projects over the next few years that are not reflected in the above figures.

## Abridged Balance Sheet

As at 30 June	2008 \$'000	2007 \$'000
Current assets	34,984	30,258
Non-current assets	6,309	7,649
<b>TOTAL ASSETS</b>	<b>41,293</b>	<b>37,907</b>
Current liabilities	12,527	9,921
Non-current liabilities	1,428	1,444
<b>TOTAL LIABILITIES</b>	<b>13,955</b>	<b>11,365</b>
<b>NET ASSETS</b>	<b>27,338</b>	<b>26,542</b>

## DEPARTMENT ACTIVITIES

The Department's objective is to win new business for New South Wales and develop the capacity and productivity of the State's economy by:

- promoting increased investment and economic growth for metropolitan and regional New South Wales
- sustaining growth of the tourism economy
- optimising the effectiveness of the New South Wales Government's investment in science and medical research.

The Department provides administrative support to the Ministerial Corporation for Industry and the Small Business Development Corporation.

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



# Minister for Tourism

Refer to Appendix 1 for:

Luna Park Reserve Trust





# Minister for Transport

Transport Services Overview

Ministry of Transport

Public Transport Ticketing Corporation

State Transit Authority of New South Wales

Sydney Ferries Corporation



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# Transport Services Overview

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## TRANSPORT SERVICES

The Ministry of Transport (MoT), a budget sector agency, and the following Government entities provide, facilitate and regulate the State's transport services:

### State Owned Corporations

- Rail Corporation New South Wales (RailCorp) (a) (e)
- Rail Infrastructure Corporation (RIC) (a)
- Sydney Ferries Corporation (Sydney Ferries) (b)
- Transport Infrastructure Development Corporation (TIDC) (a).

### Statutory Authorities

- Independent Transport Safety and Reliability Regulator (c)
- Chief Investigator of the Office of Transport Safety Investigations (c)
- Public Transport Ticketing Corporation (b)
- State Transit Authority (State Transit) (b)(d)(f).

(a) Separate commentary on these entities appears in Volume Four of the Auditor-General's Report to Parliament.

(b) Separate commentary on MoT and these entities appear in this Report.

(c) These entities are listed in Appendix One to Volume Four of the Auditor-General's Report to Parliament.

(d) For-Profit Entity.

(e) RailCorp includes CityRail and CountryLink.

(f) State Transit Authority includes Sydney Buses, Western Sydney Buses, and Newcastle Buses and Ferries.

## AUDIT OPINIONS

The audits of the above entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

### Corporate Governance Structures in Transport

We recommend the Government reconsider the appropriateness of the corporate governance structure of TIDC, being now the only not-for-profit Statutory State Owned Corporation in the Transport Portfolio.

As at 30 June 2008, RailCorp, RIC, TIDC and Sydney Ferries were not-for-profit State Owned Corporations (SOCs). These agencies are the only not-for-profit SOCs in the New South Wales public sector. State Transit is a for-profit Statutory Authority.

On 23 October 2008 the Government introduced a Bill to Parliament that will change the governance structures of RailCorp and Sydney Ferries from SOCs to Statutory Authorities, having management structures and accountabilities similar to State Transit.

The Government released the Mini-Budget 2008-09 on 11 November 2008 which announced the plan to merge RIC with RailCorp.

SOCs are generally for-profit entities (e.g. Electricity and Water SOC). The *State Owned Corporations Act 1989*, includes the following principal objective for all SOC:

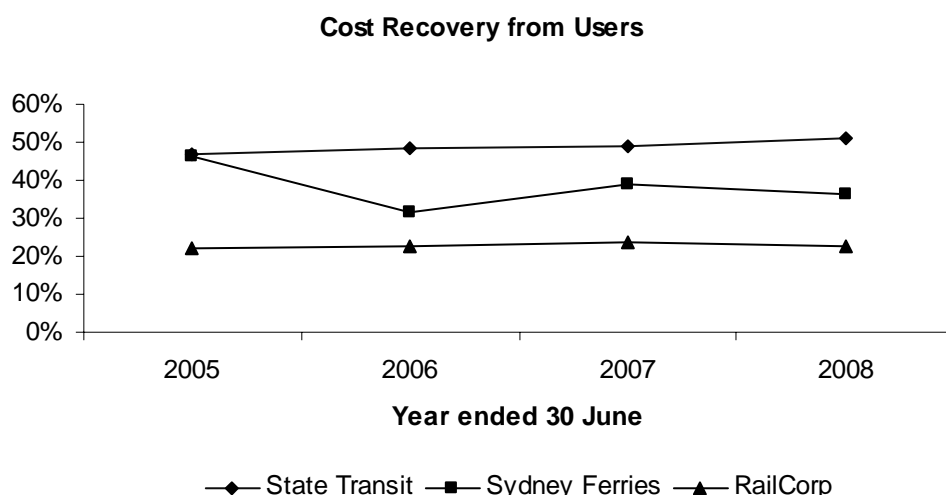
- to be a successful business and, to this end:
  - to operate at least as efficiently as any comparable business
  - to maximise the net worth of the State’s investment in the SOC.

Given the Government’s changes to the RailCorp and Sydney Ferries governance structures, along with the merger of RIC into RailCorp, consideration should now also be given to reviewing the continued appropriateness of the governance structure of TIDC. While the activities of TIDC are significantly different to RailCorp and Sydney Ferries, it is now the only not-for-profit SOC in the New South Wales Public Sector.

**Cost Recovery from Users**

The Transport Services sector incorporates rail, bus and ferry services. As well as providing direct benefits to their users, these services generate substantial indirect benefits to the wider community (including reduced road congestion, traffic accidents and greenhouse gas emissions). These external benefits are funded by taxpayers through government subsidies.

Rail services continue to depend significantly on government funding to meet both operating expenses and capital investment. The level of cost recovery has remained consistently low, notwithstanding increases in the absolute level of fare income. In 2007-08, RailCorp’s passenger revenue only recovered approximately 22 per cent of the cost of operating RailCorp.



State Transit is a for-profit entity and has the best level of cost recovery from users of the three transport services. State Transit’s cost recovery was approximately 51 per cent in 2007-08. The cost recovery for ferry services has dropped from a high of 46 per cent in 2004-05 to 36 per cent in 2007-08, as total expenses increased by 38 per cent over those years whereas farebox revenue only increased by 8 per cent.

Cost of services provided per passenger journey for rail and ferry services increased significantly from 2007 to 2008 largely due to increases in employee related expenses, but corresponding passenger revenues only increased marginally over those years.

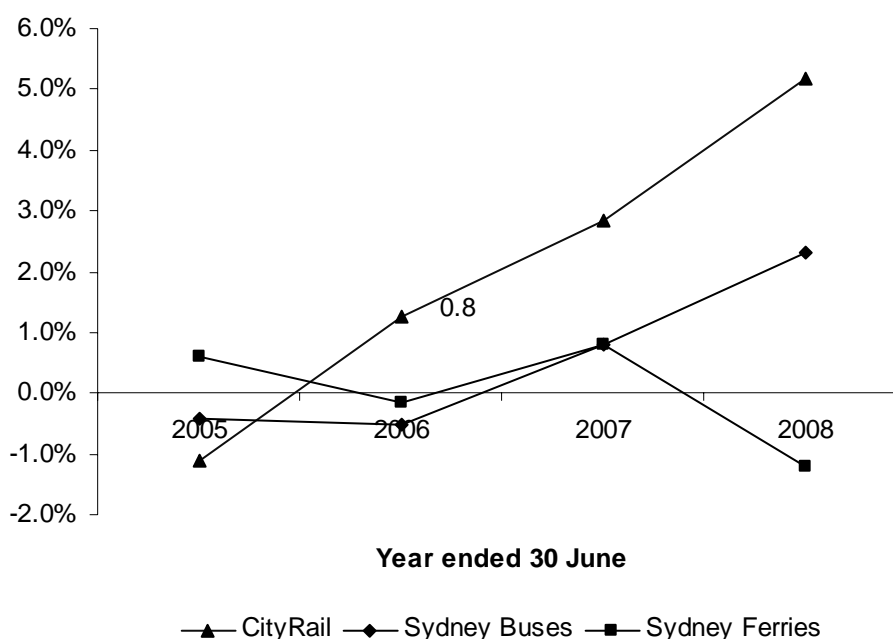
Year ended 30 June	RailCorp		State Transit		Sydney Ferries	
	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$
Cost of services provided per passenger journey	8.45	9.35	2.51	2.56	8.69	9.62
Passenger revenue per passenger journey	2.01	2.09	1.23	1.31	3.40	3.50
Net cost per passenger journey*	6.44	7.26	1.28	1.25	5.29	6.12

\* The net cost per passenger journey represents the amount subsidised by taxpayers through Government contributions.

### Patronage Growth

Several factors, including increasing fuel prices and CBD employment, have resulted in more passengers choosing to travel by CityRail trains and Sydney Buses. However, passengers travelling by Sydney Ferries decreased over the four years. Sydney Ferries' passengers have decreased by approximately 1.2 per cent, from 14.1 million passenger journeys in 2006-07 to 14.0 million in 2007-08.

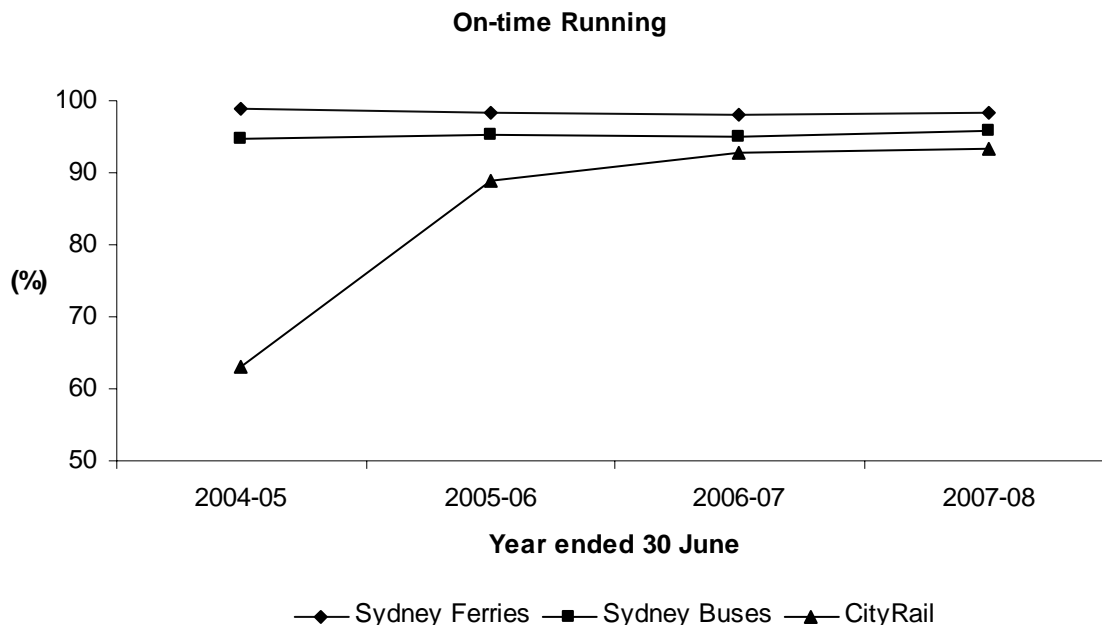
**Increase in Passenger Journeys**



CityRail passenger journeys increased by approximately 5.2 per cent, from 281 million in 2006-07 to 296 million in 2007-08, while Sydney Buses passenger journeys increased by approximately 2.3 per cent, from 187 million to 191 million.

### Transport Services Performance

On-time running performance for Sydney ferry and bus services remained steady over the four years. In 2007-08, their on-time running performances were 98 per cent and 96 per cent respectively.



CityRail’s on-time running performance has continued to improve from 2005-06 to a high of 93 per cent in 2007-08. Contributing to this outcome was the introduction of revised timetables and the change in performance measurement from percentage of timetabled peak train services reaching their destination within 3 minutes 59 seconds of scheduled arrival time for suburban services (2004-05) to five minutes (2005-06 onwards).

In contrast to RailCorp on-time running performance indicators for Sydney Buses and Sydney Ferries are both measured as the percentage departing within five minutes of the scheduled timetable.

### Transport Planning

The Government has in recent years developed a number of plans and strategies that collectively form the State’s Transport Planning Framework.

Of significance are the following:

- **State Plan, A New Direction for New South Wales** (November 2006) - defines future strategies and priorities for the public sector. The State Plan includes priorities that the transport agencies will need to address.
- **SydneyLink** (March 2008) - developed in the context of the Government’s State Plan priorities, including the need to increase public transport journeys to work, via a number of metro lines. The first of which is the North West Metro and South West Rail Link with a possible future metro to the west and the south east.

On 24 October 2008, the Premier announced construction would begin in 2010 on a Sydney Metro System to allow for future metro projects to western and north western Sydney. The proposed line from Central Station to Rozelle will cost \$4.0 billion. The New South Wales Transport Minister has announced that the \$12.0 billion North West Metro project has been deferred indefinitely. Stage One of the South West rail link is expected to be completed by 2014, but further expansion is deferred. The Government plans to buy 300 buses with one third to be used in Sydney’s north west.

- **The New South Wales State Infrastructure Strategy (2006)** - links the four year capital budget contained in the Infrastructure Statement (New South Wales Government Budget Paper Number 4) with longer term planning strategies. Infrastructure investment is a key driver to achieving transport outcomes within the State Plan.
- **Premier's Urban Transport Statement (November 2006)** - The Statement outlines the Government's response to Sydney's transport challenge, and includes initiatives to increase the availability and reliability of public transport across the Sydney region. The Urban Transport Statement facilitates the implementation of key transport priorities identified in the State Plan.
- **Metropolitan Strategy, City of Cities - A Plan for Sydney's Future (December 2005)** - transport is a critical element of this strategy which aims to provide a broad framework for the sustainable growth and development of Sydney over the next 25 years.

Further details on the New South Wales State Plan are included under 'Other Information'.

### Coordination of a Multi-Modal Public Transport Network

The Report of the Special Commission of Inquiry into the Sydney Ferries Corporation was released on 1 November 2007. The Commissioner said:

'The coordination of public transport is currently the responsibility of the Ministry of Transport. The Ministry manages the 131 500 Transport Infoline which provides information in relation to rail, bus, train and ferry services. All timetables for bus, train and ferry have to be approved by the Ministry of Transport. However, despite this, the timetables do not always align well.'

The Commissioner recommended:

'...the establishment of a coordinating body, whose role it is to ensure the transport network is properly integrated. In particular, such a body must ensure that timetables are properly coordinated across modes. In default of agreement between service providers, it should be empowered to determine changes for all of them.'

In addition, the challenge of integrating multi-modal transport plans that integrate Sydney's inter-modal transport network as a whole was also reported in our June 2007 Performance Audit titled 'Connecting with Public Transport: Ministry of Transport'.

The MoT is the lead agency in the New South Wales transport portfolio. It provides policy oversight and strategic advice to the Minister on key issues as well as regulating the bus, taxi and hire car industries and managing bus and ferry contracts. The MoT has a coordination role for identified transport priorities, including interchanges and commuter car parks, and their delivery in collaboration with other government agencies.

The MoT has the lead role in developing whole of Government responses to the State Plan. The Centre for Transport Planning and Product Development also continues its central role in advancing major transport initiatives. Modelling by the MoT's Transport Data Centre assists the planning of these and other transport projects.

As noted in last year's report, the MoT has increased its role in service planning and timetable integration since the establishment of the new metropolitan and outer metropolitan bus contracts. It also continues to manage the 131 500 Infoline which provides information in relation to rail, bus and ferry services.

The MoT advises that planned changes to governance arrangements for RailCorp and Sydney Ferries will give the Minister for Transport greater control over how these agencies fulfil their responsibilities. RailCorp and Sydney Ferries will also be required to have service contracts with the MoT, providing further scope to improve service and timetable integration.

During the year, the MoT developed 'Guidelines for the Development of Interchange Facilities', to provide the foundation for the development of effective transport interchange facilities to meet the Government's transport objectives.

For more information on the Sydney Ferries Corporation report, refer to [www.nsw.gov.au/docs/Inquiry\\_SydneyFerries\\_311007.pdf](http://www.nsw.gov.au/docs/Inquiry_SydneyFerries_311007.pdf) and on the Performance Audit report, refer to [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au).

### **New Electronic Ticketing System**

The Public Transport Ticketing Corporation is charged with procuring a new electronic ticketing system to replace the terminated TCard project. The new system will operate over the CityRail suburban and intercity network, metropolitan and outer-metropolitan public and private bus services, and Sydney Ferries' services.

The MoT advise that the introduction of a new electronic ticketing system provides an opportunity to improve public transport fares.

Restructuring CityRail fares based on consistent distance considerations is one of numerous recommendations of the Independent Pricing and Regulatory Tribunal in a draft report issued as part of its regulatory review of CityRail services and draft fare determination for the period 2009-2012.

The MoT has advised that the new electronic ticketing system would be 'pay as you go', based on a mode-specific, distance-based fare structure. An automatic, multi-modal discounting regime that rewards frequent public transport users will apply, with fare capping providing for the Pensioner Excursion Ticket.

For more information, including further commentary on the terminated TCard project, refer to comments on the Public Transport Ticketing Corporation later in this Report.

## **OTHER INFORMATION**

### **2008-09 Transport Funding Announcements**

In June 2008, the Government announced the 2008-09 Budget which included \$3.7 billion funding for rail, bus and ferry services.

The Transport Services sector's capital program is \$1.9 billion in 2008-09 (including \$397 million for NSW Port Corporations) and includes:

- \$353 million for the Rail Clearways Program
- \$153 million for rolling stock acquisitions
- \$148 million toward the completion of the Epping to Chatswood Rail Line
- \$170 million for the North West Metro and South West Rail Link
- \$60.8 million for the acquisition of 52 Euro-5 diesel and 70 standard compressed natural gas buses for the Sydney and Newcastle networks
- \$35.0 million to enable private metropolitan and outer metropolitan Sydney operators to bring into service 101 replacement buses
- \$30.3 million for Sydney Ferries to improve safety and service reliability.



The Government delivered the Mini-Budget 2008-09 on 11 November 2008. Some capital projects such as the North West Metro have been deferred, with a staged delivery implemented for the South West Rail Link. In addition, some new projects, such as the Sydney Metro system, were announced.

The Mini-Budget as it relates to transport, focused on increasing capacity and delivering better services. Key investment includes:

- \$1.8 billion towards the Sydney Metro system, including the redevelopment of Central Station to allow for swift interchange between different modes of transport
- \$370 million for additional outer suburban carriages - OSCARs, - and stabling, to come into service from 2010
- \$170 million over two years for an additional 300 buses to be rolled out from 2009
- \$115 million to fast track the delivery of 150 articulated buses
- \$56.0 million for additional commuter car parks to be delivered at train stations across suburban Sydney, the Central Coast, Illawarra and the Blue Mountains
- \$56.0 million to deliver better frontline customer services for City Rail travellers.

A number of savings measures were also introduced in the Mini-Budget including:

- up to \$10.0 million per annum to be saved through the benchmarking of RailCorp maintenance services against the private sector
- up to \$30.0 million per annum to be saved by outsourcing cleaning services on the CityRail network
- up to \$20.0 million per annum to be saved by reforming RailCorp's bureaucracy.

### NSW State Plan

On 14 November 2006, the Government released the 'State Plan: A New Direction for New South Wales'. It defines future strategies and priorities that transport agencies will need to address. These include:

- increasing the share of commuter trips made by public transport to and from the Sydney CBD during peak hours to 75 per cent by 2016 (72.8 per cent in 2005)
- increasing the proportion of total journeys to work by public transport in the Sydney metropolitan region to 25 per cent by 2016 (22 per cent)
- consistently meeting public transport reliability targets including 92 per cent on-time running for CityRail, 95 per cent for Sydney buses and 99.5 per cent for Sydney ferries
- reducing road fatalities to 0.7 per 100 million vehicle kilometres travelled by 2016.

The 'State Plan' is long term, extending over ten years. Its first year of implementation was 2006-07. See Volume Three of the Auditor-General's Report to Parliament for more details.

### Broadacre Agreement

In recent years, we have reported progress made by Pacific National in discharging its remaining obligations under the Broadacre Agreement. We understand the Government and Pacific National have agreed that fulfillment of the original obligations was not appropriate and that a new arrangement was entered into on 30 June 2008.

Details of the revised arrangements are included in this report under the MoT.

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# Ministry of Transport

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## AUDIT OPINION

The audit of the Ministry's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## OTHER INFORMATION

### Transport Concessions for University Students

The 2007 Report to Parliament referred to a review by the Ministry of processes and procedures for the issuing of transport concession cards to tertiary students. The review was undertaken following our enquiries into these arrangements.

The review identified that procedures for removing cards from students no longer eligible to use them were inconsistent. The Ministry has advised us that it has improved website information regarding eligibility and entitlements. Institutions are now required (in respect of ineligible students) to recall the cards or remove the sticker/bitmap indicating eligibility on the student's identification card.

The Ministry intends to assess the impact of the improved guidance and changed requirements during a further review in early 2009.

### Broadacre Agreement

In recent years, Reports to Parliament have provided background and progress on what is known as the 'Broadacre Agreement'. Prior to its sale in November 2001, FreightCorp signed contracts with the then Department of Transport that imposed certain obligations on the purchaser, Pacific National. These obligations were for the construction of grain consolidation facilities, the purchase of 315 new grain wagons and upgrading of 800 existing grain wagons (under a 'Works Deed'). The cost of these works was estimated at \$118 million. Other obligations included servicing silos, providing agreed grain movement capacity levels, and capping of price increases ('Grain Haulage Services Deed').

We have also reported that the Ministry held securities of \$89.6 million under the 'Works Deed' and \$10.0 million under the 'Grain Haulage Services Deed' against default in the performance of the contractual obligations. The 'Grain Haulage Services Deed' expired on 14 November 2007 and the 'Works Deed' has been subject to significant negotiations.

In 2007, we reported that Pacific National had acquired 105 high capacity grain wagons and upgraded the 800 existing wagons, but had deferred its obligations to construct grain consolidation facilities and acquire a further 210 high capacity wagons. We also reported that some stakeholders in the grain industry believed investment in other assets may be more beneficial to the grain supply chain and suggested alternative investments for the Government to consider. We also reported that the Ministry had commenced negotiations with the grain industry to develop a long term sustainable solution for the haulage of grain on the New South Wales' regional rail network.

The Ministry has advised us the Government has agreed with Pacific National that fulfilling the remaining obligations under the 'Works Deed' would not be an efficient use of the remaining monetary obligations as they do not effectively address current supply chain needs and the provision of export grain haulage services in New South Wales. On this basis, the Government and Pacific National have agreed that the construction of grain consolidation facilities and the acquisition of new rolling stock by Pacific National will not proceed. The Ministry advises that the Government has agreed that Pacific National can satisfy its unfulfilled obligations under the 'Works Deed' by:

- upgrading '81 Class' locomotives tied to grain operations (to a value of \$40.0 million)
- continuing to make available, until 30 June 2009, 4 train sets (comprising 180 wagons and 18 '48 Class' locomotives with crew) to be billed on a marginal cost basis to users to a value of \$30.0 million
- disposing of the restricted line train fleet at the direction of the Government and by accounting to the Government for the net proceeds (if any) after 30 June 2009.

The Ministry and Pacific National have agreed to replace the 'Works Deed' with a 'New Works Deed' which includes the alternatives detailed above. The Ministry also advised that the agreed value of the remaining obligations under the 'New Works Deed' is \$70.0 million. The 'New Works Deed' is effective from 30 June 2008.

We have not assessed whether these arrangements are adequate compensation for the \$118 million adjustment to the price paid by Pacific National for FreightCorp in 2002 (including the time value of money).

#### NEXUS Taxi Licences

Since 2005 we have been reporting on the administration of Nexus taxi licences.

We have previously referred to an 'interim' report on the taxi industry in New South Wales which criticised many aspects of the industry, including the administration of the Nexus plates. Our 2007 Report to Parliament also referred to advice received from the Ministry of Transport that a further review of the Nexus licences was in the process of being finalised.

Following completion of its review, the Ministry now advises:

- the majority of Nexus licences were issued on a temporary basis at no cost to some taxi co-operatives and taxi companies in the 1980s, to help provide additional services in support of the introduction of random breath testing (RBT)
- the available records suggest these licences were extended on an 'indefinite' basis to help offset the additional costs of operating Wheelchair Accessible Taxi (WAT) licences already held by those entities
- these licences were subject to a range of different conditions, including a restriction on transfers. However, until amended in 2000, the non-transfer condition was inconsistent with the provisions of the *Passenger Transport Act 1990* and some transfers occurred during this period. No licences have been transferred since 2000
- a further small number of licences were issued in 1990, together with an equal number of WAT licences, with the aim of increasing the WAT fleet. Revenue from the operation of these licences was intended to offset the additional costs of operating these new WAT licences

- administration of Nexus licences had been hampered by records that were not complete, largely due to the loss of records with the abolition of the Department of Motor Transport in 1989. Since that time the Ministry has established a database to better manage taxi and other passenger transport based accreditations, authorisations and licences
- existing licensing arrangements generally, are overly complex, with three classes and some 29 different categories of licences with different conditions of operation. This complexity has hampered effective licence administration and enforcement.

To address these issues, we have been advised by the Ministry that it is finalising a package of administrative improvements for consideration by the Government. It is intended that issues relating to the status of Nexus licences will be resolved as part of that process.

## FINANCIAL INFORMATION

The following information relates to the Ministry's finances.

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Grants and subsidies	2,831,879	2,895,708
Employee related	33,461	26,675
Other expenses	606,104	544,591
<b>TOTAL EXPENSES</b>	<b>3,471,444</b>	<b>3,466,974</b>
 <b>TOTAL REVENUE</b>	 <b>64,227</b>	 <b>54,032</b>
 <b>NET COST OF SERVICES</b>	 <b>3,407,217</b>	 <b>3,412,942</b>
Government contributions	3,418,900	3,401,109
 <b>SURPLUS/(DEFICIT)</b>	 <b>11,683</b>	 <b>(11,833)</b>

The increase in employee related expense reflects pay rises and the full year impact of some transport planning functions transferred to the Ministry in 2006-07. The increase in revenue is mainly due to contributions received towards community transport and other projects.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	84,895	68,774
Non-current assets	299,182	180,842
<b>TOTAL ASSETS</b>	<b>384,077</b>	<b>249,616</b>
Current liabilities	49,046	38,551
Non-current liabilities	251,240	138,957
<b>TOTAL LIABILITIES</b>	<b>300,286</b>	<b>177,508</b>
<b>NET ASSETS</b>	<b>83,791</b>	<b>72,108</b>

The increase in non-current assets and liabilities reflects bus acquisitions and financing arrangements under Metropolitan and Outer Metropolitan Bus System Contracts.

## Abridged Program Information

The table below details the Ministry's net cost of services for the year by program:

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
<b>Program description</b>				
Transport policy and strategy	6,382	20,998	14,616	11,147
Contracting and regulating transport services	57,845	3,450,446	3,392,601	3,401,795
<b>Total all programs</b>	<b>64,227</b>	<b>3,471,444</b>	<b>3,407,217</b>	<b>3,412,942</b>

## MINISTRY ACTIVITIES

The Ministry of Transport was established on 1 July 2003. Its role is to assist the Government in its objectives by:

- providing independent policy advice to the Minister for Transport
- providing financial, budgetary and strategic coordination within the transport portfolio
- managing regulation and contracting of transport services
- contracting for the provision of bus services in New South Wales
- administering a range of community transport programs.

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

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# Public Transport Ticketing Corporation

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## AUDIT OPINION

The audits of the Corporation and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## KEY ISSUES

### Financial Viability

The Corporation recorded a deficit of \$68.9 million for 2007-08 (a surplus of \$4.3 million in 2006-07). At 30 June 2008, current liabilities of \$76.9 million significantly exceeded current assets of \$12.9 million.

The Board determined that preparation of the financial report on a going concern basis was appropriate because:

- the Corporation is a New South Wales Government statutory authority
- the Corporation's debt is guaranteed by the New South Wales Government
- The Treasury has issued a letter of financial support, and
- the New South Wales Government, through the Ministry of Transport, will provide funding for continuing operations.

### Tcard Project

The Tcard project was based on smart card technology being developed for public transport in the Greater Sydney Metropolitan Area.

Our 2007 Report to Parliament advised that delays in implementing the agreed Tcard project timetable resulted in uncertainty regarding the value of recognised intangible assets. At that time, the Corporation advised it was working within the parameters of the project agreement in relation to the delays (including exercising such rights as it considered appropriate) to facilitate successful completion of the project.

On 23 January 2008, the Corporation terminated its contract with the private sector provider. This resulted in the Corporation reassessing the carrying value of its intangible assets. After effecting a number of adjustments identified by our audit, the carrying value of the intangible assets at the date of contract termination was \$59.1 million. The Corporation determined these assets no longer had any realisable service potential and their carrying value was written down to nil.

The Corporation has instituted legal proceedings against the contractor, who has responded by lodging a cross claim against the Corporation. The Corporation has disclaimed responsibility and is defending the action. These proceedings are current.

## Interim School Student Transport Scheme (ISSTS)

Our 2007 Report to Parliament also detailed costs incurred for the development and operation of the ISSTS. This scheme involved approximately 300,000 school students using Tcard on privately operated bus services in metropolitan Sydney and outer metropolitan areas.

The termination of the Tcard contract meant that the operation and maintenance of ISSTS equipment (with a carrying value of \$2.1 million) was no longer supported. In March 2008 the ISSTS was cancelled and the equipment was decommissioned. The carrying value of this equipment of \$2.1 million was also written down to nil.

## Electronic Ticketing System for the Greater Sydney Region

In August 2008, the Corporation invited Expressions of Interest (EOI) for an Electronic Ticketing System (ETS) for the greater Sydney region.

An industry briefing was held in Sydney on 10 September 2008 to provide potential respondents to the EOI with an overview of the EOI and the EOI process.

The EOI closed on 16 October 2008, and the Corporation advised it received 15 responses. Details of the respondents are available through the Corporation's website [www.pttc.nsw.gov.au](http://www.pttc.nsw.gov.au). We understand that the Corporation is evaluating responses to identify entities that will be invited to participate in the next stage of the procurement process, the Request for Proposal (RFP) stage.

## OTHER INFORMATION

We identified some opportunities for improvement to accounting and internal control procedures. We will discuss these further with Corporation staff and where appropriate will report them to management.

## FINANCIAL INFORMATION

### Abridged Income Statements

Year ended 30 June	Consolidated		Corporation	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Government contributions	2,522	7,269	2,522	7,269
Other revenue	5,678	4,798	5,678	4,798
<b>TOTAL REVENUE</b>	<b>8,200</b>	<b>12,067</b>	<b>8,200</b>	<b>12,067</b>
Employee related expenses	1,429	1,031	--	--
Personnel services	--	--	1,429	1031
Impairment of Assets	61,190	--	61,190	--
Other expenses	14,437	6,734	14,437	6,734
<b>TOTAL EXPENSES</b>	<b>77,056</b>	<b>7,765</b>	<b>77,056</b>	<b>7,765</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(68,856)</b>	<b>4,302</b>	<b>(68,856)</b>	<b>4,302</b>

## Abridged Balance Sheets

At 30 June	Consolidated		Corporation	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	12,884	16,407	12,875	16,372
Non-current assets	191	71,561	191	71,561
<b>TOTAL ASSETS</b>	<b>13,075</b>	<b>87,968</b>	<b>13,066</b>	<b>87,933</b>
Current liabilities	76,948	56,236	76,939	56,201
Non-current liabilities	--	26,749	--	26,749
<b>TOTAL LIABILITIES</b>	<b>76,948</b>	<b>82,985</b>	<b>76,939</b>	<b>82,950</b>
<b>NET(LIABILITIES)/ASSETS</b>	<b>(63,873)</b>	<b>4,983</b>	<b>(63,873)</b>	<b>4,983</b>

Current assets include cash and cash equivalents of \$11.5 million (\$14.8 million). Non-current assets reduced by \$71.4 million due to the previously mentioned asset write downs and realisation of liquidated damages through claims against security deposits.

Current liabilities include borrowings of \$71.2 million (\$49.2 million). Non-current liabilities reduced by \$26.7 million due to the Corporations claiming security deposits provided by the contractor following termination of the contract. These security deposits were offset against amounts due from the contractor and the value of assets under construction.

## CORPORATION ACTIVITIES

The Corporation's functions are to: establish and maintain a ticketing and fare payment system for public transport passengers and participating public transport operators in the State; and control and manage any funds within the ticketing and fare payment system that represent unused prepaid fares.

For further information on the Corporation, refer to [www.pttc.nsw.gov.au](http://www.pttc.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.

Entity Name
Public Transport Ticketing Corporation Division



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# State Transit Authority of New South Wales

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## AUDIT OPINION

The audits of the Authority and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

For general transport industry information, refer to the 'Transport Services Overview' section earlier in this Report.

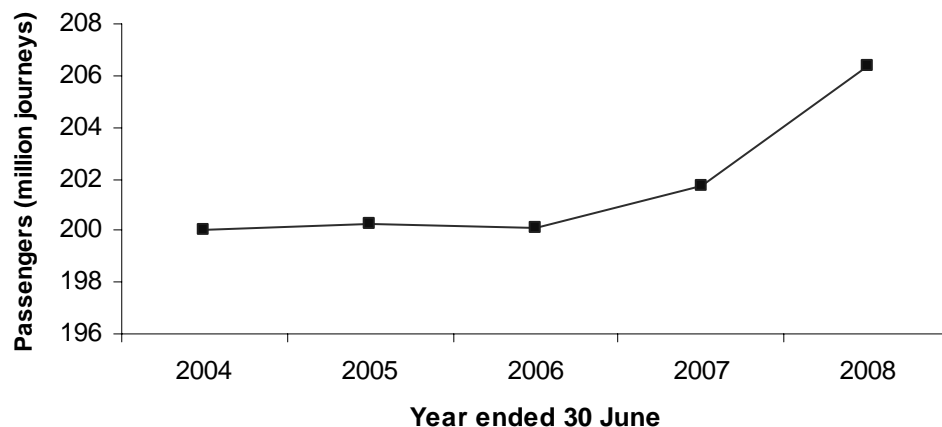
### Growth in Patronage and Services

Patronage increased by 2.3 per cent over the prior year to 206 million passenger journeys. The Authority responded to this increased demand by introducing an additional 77 weekday services providing around 200 extra trips a day. The additional buses support peak period growth on strategic bus corridors including Epping Road, Military Road, the Pittwater corridor, Eastern Valley Way, Anzac Parade and Victoria Road.

An additional 107 bus drivers were required across Sydney depots to resource the increased service level. At the end of June 2008, actual staffing levels across Sydney depots were 97.6 per cent of target with a shortage of 80 drivers. No new bus drivers were employed in Newcastle during 2007-08. Actual driver numbers decreased by 17 in 2007-08 via natural attrition, bringing staffing levels across Newcastle depots to 97.4 per cent, (a shortage of seven drivers) at 30 June 2008.

The Authority continued its marketing strategy for additional bus drivers throughout 2007-08. This resulted in a 69 per cent increase in the number of trainee drivers appointed compared with the previous year. The number of bus drivers in Sydney increased from 3,196 at 30 June 2007 to 3,303 as at 30 June 2008. The average age of all bus drivers across the Authority is 46 years old. The Authority is continuing a high profile recruitment campaign to meet the requirements of ongoing staff turnover, increased service levels and the introduction of a new metrobus service.

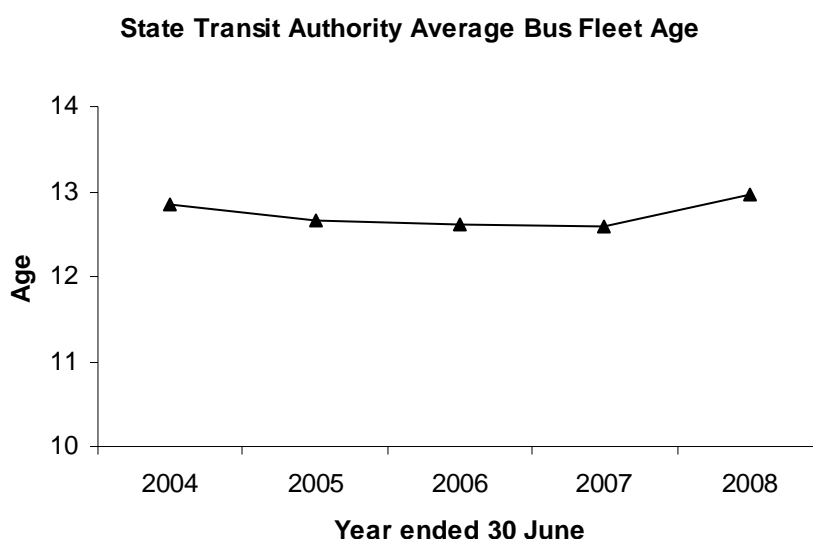
**State Transit Authority Patronage**



Sydney services carried 191 million passengers (187 million in 2006-07), an increase of 4.3 million passengers over the prior year. Newcastle Buses and Ferry Service patronage remained stable at 12.5 million passengers and patronage on the Liverpool to Parramatta Transitway reached 2.5 million (2.3 million), an increase of 10.7 per cent from the previous year.

### Bus Fleet

As at 30 June 2008, the Authority's bus fleet totalled 2,027 buses (1,978). The Authority acquired 73 new buses (100) during the year. It has also contracted to replace more than a quarter of its existing fleet over the next four years. The average age of the fleet has increased from 12.6 years in 2006-07 to 13 years in 2007-08. Under the Metropolitan Bus System Contract, the average age of the fleet is to remain within 12 years. The Authority has been granted a temporary exemption from compliance with the average age provision. The Authority expects the average fleet age to fall to less than 12 years in 2009-10.



### Loss of \$1.5 million in Federal Training Grants due to Employment Arrangements

We recommend the New South Wales Government reconsider the cost and ongoing appropriateness of Employment Divisions in New South Wales.

Under current arrangements where staff are employed by Divisions rather than directly by the Authority, State Transit advises that it will lose entitlement to approximately \$1.5 million in Commonwealth Government training grants during 2008-09.

The Commonwealth Government announced a change to the Australian Apprenticeships Incentives Program (AAIP) in its 2008-09 budget. Where an employer is a Department of State, a Department of Parliament, or an Agency within the state or territory executive arm of government, they cease to be eligible for employer incentives under AAIP. Where the employer is a statutory authority, statutory body or body corporate, they will continue to be eligible for employer incentives. This change is effective after 1 July 2008.

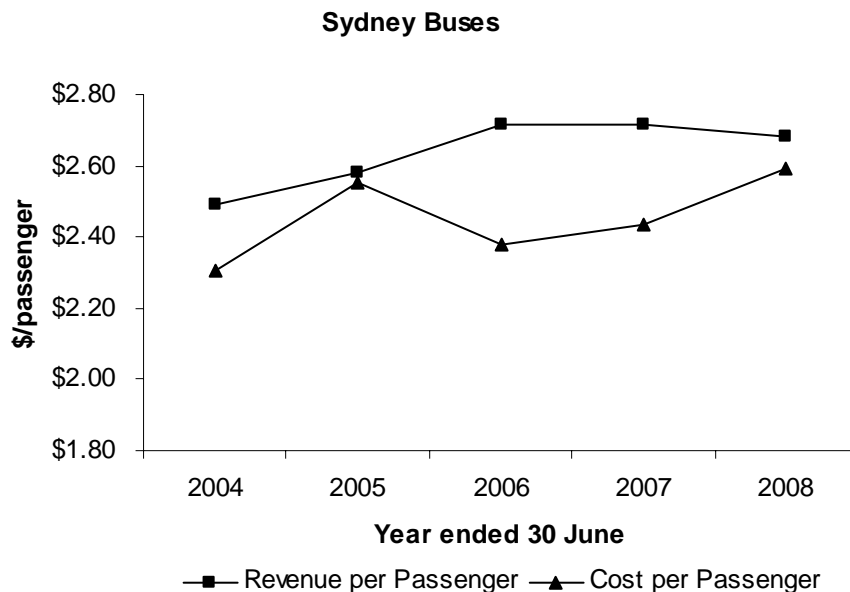
The Auditor-General's Report to Parliament 2006, Volume Four commented on how the New South Wales Government, as a response to the then Commonwealth Government 'Workchoices' workplace relations reforms, created approximately 60 special purpose entities (referred to as Employment Divisions). This resulted in the transfer of employees of statutory authorities like the Authority to the newly created Divisions. Employees of the Authority are employed by its two Divisions, namely the State Transit Authority Division and Western Sydney Buses Division.

Given that further workplace relations reform has occurred at a Federal level, consideration should be given by the New South Wales Government as to whether the employee Divisions that were created in 2006 still meet the objectives for which they were created. The administrative cost of these additional entities along with lost funding as is the case for the Authority should be taken into account in any such review of existing arrangements.

## PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance.

Revenue versus Cost (per passenger) in 2007-08 dollars



Note: Revenue from 2003-04 to 2004-05 includes revenue received from passengers and payments from Government for providing free and concessional travel and Community Service Obligations. Revenue for 2005-06 onwards includes payments received under the provisions of the Metropolitan and Outer Metropolitan Bus System Contracts.

The Authority continues to operate five bus service contracts. Four are within the Sydney metropolitan region which commenced operation on 1 July 2005 and expires 30 June 2012. A fifth contract was gained on 1 July 2006 to provide bus services in Newcastle to June 2013. The funding model under all five contracts includes proportional cost payments for operating the bus services. These contracts provide patronage change incentive payments in consideration for 'growth' in patronage. In 2007-08, the Authority achieved an incentive payment of \$4.4 million (\$1.4 million). Under these contracts, revenue received through the farebox (\$1.31 per passenger) belongs to the Ministry of Transport.

## OTHER INFORMATION

### PrePay Services

Prepaid tickets continue to be popular with passengers with prepaid ticket sales up 5.9 per cent on the previous year. Prepaid tickets are now being used for 72 per cent of all core passenger trips.

Following from the success of the Bondi Bendy PrePay campaign, an additional 16 bus routes were converted to PrePay during 2007-08. The continuing success of the PrePay campaign has also been attributable to the increase in the number of ticket vendors selling bus tickets. This is evidenced by a 20 per cent increase in the number of ticket resellers across the network in 2007-08. Total revenue from ticket sales to resellers in 2007-08 exceeded \$147 million, an increase of 17 per cent on the previous year.

### **Western Sydney Buses**

The Liverpool to Parramatta Transitway is public infrastructure, built and owned by the New South Wales Government. It is the first of a network of rapid bus transitways planned for Western Sydney. The Authority has operated the Transitway since February 2003. Transitway patronage increased by 10.7 per cent over the previous year from 2.3 million to 2.5 million journeys.

Since inception, the Transitway has recorded net losses for each financial year with a loss of \$1.6 million in 2007-08 (\$1.7 million). The Authority's contract to operate this route extends to January 2011. The Transitway contract lies outside the Metropolitan Bus System Contracts.

### **Metrobus**

To increase capacity on some of Sydney's busiest routes, the New South Wales Government has committed to a two year trial of metro-style buses. The Authority will launch five high capacity metrobuses in 2008-09 supported by nine buses to operate the high frequency services. The buses carry more passengers than a normal bus and will service the highly popular Parramatta Road and Anzac Parade corridors between Leichhardt and Kingsford. The first three new high capacity buses started operating in October 2008.

### **Improving Bus Fleet Emission Standards**

The Authority commenced membership with the Greenhouse Challenge Plus program in November 2007. As part of this program, the Authority has been working on its action plan to reduce its greenhouse gas emissions.

The Authority's overall fleet emission standard profile will improve with the delivery of 505 new low emission buses as part of its \$263 million investment in buses. The New South Wales Government has committed another \$115 million to fund a further 150 environmentally friendly buses to meet the growing demands on the bus network. A \$35.4 million redevelopment of Leichhardt depot is underway to support the low emission bus fleet.

In November 2007, the Authority announced a pilot scheme offering bus travel as a 'green' alternative for short trips within Sydney's central business district. It is intended that the 'green ticket', called the Breathe Easy TravelTen, will save companies money whilst at the same time reducing their environmental footprint. The scheme is currently being considered for introduction in 2008-09.

## FINANCIAL INFORMATION

## Abridged Income Statements

Year ended 30 June	Consolidated		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Operational revenue*	541,056	513,250	541,056	513,250
Other income	30,872	27,778	30,872	27,778
<b>TOTAL REVENUE</b>	<b>571,928</b>	<b>541,028</b>	<b>571,928</b>	<b>541,028</b>
Employee benefits	340,662	291,996	--	--
Personnel services	--	--	365,237	314,613
Fleet running expenses	89,916	80,204	89,916	80,204
Depreciation and amortisation	32,984	34,211	32,984	34,211
Finance costs	5,652	5,545	5,652	5,545
General operating expenses	100,195	96,406	75,619	73,789
<b>TOTAL EXPENSES</b>	<b>569,409</b>	<b>508,362</b>	<b>569,409</b>	<b>508,362</b>
<b>PROFIT</b>	<b>2,519</b>	<b>32,666</b>	<b>2,519</b>	<b>32,666</b>

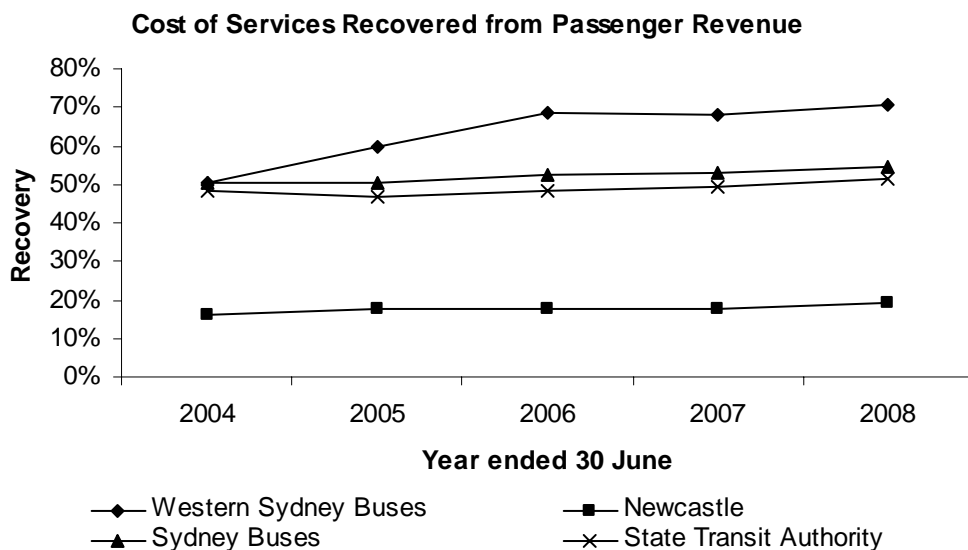
\* Operational revenue is predominantly revenue from the Metropolitan and Outer Metropolitan Bus System Contracts. Farebox revenue is not included (except for Western Sydney Buses) as it belongs to the Ministry of Transport.

Operational revenue increased primarily due to the increase in Metropolitan and Outer Metropolitan Bus system Contracts income.

Employee benefits expense has increased primarily due to the fall in equity markets resulting in a negative impact on superannuation fund investments in 2007-08 compared to 2006-07.

## Cost Recovery

In 2007-08, the Authority's passenger farebox revenue covered approximately 51.2 per cent of the cost of services provided. This has increased by 2.1 per cent from the previous year primarily due to the growth in patronage.



The lower recovery rate of 19 per cent in 2008 for Newcastle buses is due to lower patronage levels in comparison to Sydney services. Western Sydney Buses have the highest recovery rate of 71 per cent, partly due to growth in patronage and lower operating costs due to the less complex nature of providing a bus service that runs on a dedicated Transitway.

### Abridged Balance Sheets

At 30 June	Consolidated		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	31,338	47,475	31,035	46,047
Non-current assets	621,626	574,028	621,626	574,028
<b>TOTAL ASSETS</b>	<b>652,964</b>	<b>621,503</b>	<b>652,661</b>	<b>620,075</b>
Current liabilities	152,541	147,914	152,238	146,486
Non-current liabilities	223,602	198,966	223,602	198,966
<b>TOTAL LIABILITIES</b>	<b>376,143</b>	<b>346,880</b>	<b>375,840</b>	<b>345,452</b>
<b>NET ASSETS</b>	<b>276,821</b>	<b>274,623</b>	<b>276,821</b>	<b>274,623</b>

The increase in total assets in 2007-08 is primarily due to plant and equipment additions made during the year and increased finance lease receivables arising from additional buses leased to the Ministry of Transport.

### AUTHORITY ACTIVITIES

The Authority, a statutory body incorporated under the *Transport Administration Act 1988*, operates bus services in Sydney and bus and ferry services in Newcastle. For further information on the Authority, refer to [www.sta.nsw.gov.au](http://www.sta.nsw.gov.au).

### CONTROLLED ENTITIES

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity. These divisions were enacted as a requirement of the *Public Sector Employment and Management Act 2002*.

Entity Name
State Transit Authority Division
Western Sydney Buses Division

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# Sydney Ferries Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Financial Viability

The Corporation's financial operations for 2007-08 resulted in a deficit of \$3.9 million (\$2.9 million in 2006-07). At 30 June 2008, its current liabilities totalled \$32.6 million (\$38.1 million), significantly exceeding current assets of \$13.3 million (\$16.2 million). To ensure its viability, it sought and obtained the New South Wales Government's commitment to support operating and financial obligations.

Since its inception as a separate entity in 2005, the Corporation's main challenges have been to address a business history of making losses and to develop plans to address inefficient activities. The Corporation recognised that enhancement of staffing arrangements and business systems were needed to achieve these objectives.

The Corporation advised that in order to improve its work force flexibility and effectiveness, it developed a new labour strategy. The strategy seeks to address labour costs and areas requiring reform. The Corporation currently has five enterprise bargaining agreements, three of which relate to 'maritime employees working together afloat'. It is negotiating with maritime unions to develop a single agreement for all maritime employees. We understand the Corporation has undertaken preparatory work for enterprise bargaining with its Balmain Shipyard employees. Progress has been made implementing the Integrated Management System to improve business management capabilities. During 2007-08 finance, fixed asset and project ledger modules were successfully established.

### Special Commission of Inquiry

The New South Wales Government commissioned an inquiry under the authority of the *Special Commission of Inquiry Act 1983* in April 2007. The inquiry examined the Corporation's management structures and practices, operations, industrial practices, measures to achieve cultural change and regulatory and governance arrangements. On 31 October 2007, the Special Commission of Inquiry (Commission) reported that:

'...overall, Sydney Ferries' performance has been less than satisfactory. It has consistently spent more than it has earned or received, it has not achieved much by way of productivity gains from its workforce, it is beset by cultural problems and it does not yet have in place all the management tools needed to efficiently run its operations.'

The Commission recommended commencement of processes offering a comprehensive service contract, including fleet replacement responsibilities, to the market as soon as possible. The Report of the Special Commission of Inquiry is available at:

[www.nsw.gov.au/docs/Inquiry\\_SydneyFerries\\_311007.pdf](http://www.nsw.gov.au/docs/Inquiry_SydneyFerries_311007.pdf).

At the date of finalising our audit of the Corporation's financial report, we received confirmation from Board representatives that they were not aware of any matters likely to impact the continued operating structure and financial viability of the organisation.

However, in response to the Commission's recommendations, on 21 October 2008 the Government of New South Wales announced it would 'take control of the State owned corporation responsible for the Corporation.' The Government also stated that it would:

- implement a service contract agreement for the Corporation to establish clear standards of service delivery for the organisation
- immediately begin the process of seeking Expressions of Interest to decide if the ferry system can be better run by the private sector
- establish a commuter service to the expanding Parramatta community.

We understand that the Government intends to change the Corporation from a State owned corporation to a statutory authority with management structures and accountabilities similar to the State Transit Authority (from which it was separated on 1 July 2004). Draft legislation also provides 'for new service contract provisions for regular ferry services (including ferry services operated by Sydney Ferries), while retaining the service contract provisions for existing regular ferry services'.

#### Total Assets Management Plan (TAM)

The 2007 Report to Parliament indicated that finalisation of the Corporation's TAM was deferred to incorporate strategic directions arising from the Commission's enquiry.

In June 2008, a draft TAM was presented to the Corporation's Board. The TAM details strategies aimed at providing and maintaining assets over a ten year period. The TAM was endorsed by the board on 24 September 2008.

#### Overtime (Repeat Issue)

We recommend the Corporation review rostering procedures and monitor overtime levels to ensure the benefits of Enterprise Bargaining Agreements are realised.

We have made this recommendation in our 2006 and 2007 Reports to Parliament.

Our 2007 report advised that the rise in overtime costs and the number of recipients appear inconsistent with the objectives of the pre-paid overtime arrangements within the Enterprise Bargaining Agreements. In response to our findings, the Corporation advised that approval processes in each of its Divisions were being reviewed to strengthen the controls over the approval of overtime. The Corporation also advised that the development of new rosters and improved practices would maximise the use of pre-paid overtime hours.

The Corporation's strategies have not yet had any significant impact. This is demonstrated by the following table which provides details of overtime paid to operational staff over the past three years.

Year end 30 June	Staff Numbers		
	2006	2007	2008
<b>Overtime</b>			
\$30,001 to \$50,000	--	8	12
\$20,001 to \$30,000	3	29	29
\$10,001 to \$20,000	17	89	95
\$5,001 to \$10,000	91	115	101
\$0 to \$5,000	229	350	289
<b>Total</b>	<b>340</b>	<b>591</b>	<b>526</b>
<b>Total \$'000</b>	<b>2,958</b>	<b>3,628</b>	<b>3,745</b>



The Corporation advises that the implementation of new human resources, rostering, attendance and payroll systems will help it to better manage overtime.

#### Leave Entitlements (Repeat Issue)

We recommend the Corporation continue to monitor and manage leave entitlements to minimise adverse impact on the Corporation's financial position.

We have made the above recommendation previously.

Leave entitlements are paid at rates applicable at the time the leave is taken. Excessive leave balances will place additional financial pressures on the Corporation.

In response to our findings, the Corporation advised greater emphasis would be placed on the clearance of leave and that appropriate strategies would be implemented. These strategies appear to have had some success as demonstrated by the following table. However, the Corporation should continue its efforts to reduce leave balances.

Entitlement (days)	2007			2008		
	No of Personnel	Total Days	Average Days	No of Personnel	Total Days	Average Days
<b>Annual Leave</b>						
> 100	8	1,021	128	10	1,287	129
81 - 100	10	894	89	6	537	90
61 - 80	22	1,513	69	15	1,034	69
<b>Total</b>	<b>40</b>	<b>3,428</b>	<b>86</b>	<b>31</b>	<b>2,858</b>	<b>92</b>
<b>Public Holidays</b>						
> 60	8	622	78	8	663	83
41 - 60	8	420	53	7	326	47
21 - 40	14	392	28	14	386	28
10 - 20	24	342	14	17	243	14
<b>Total</b>	<b>54</b>	<b>1,776</b>	<b>33</b>	<b>46</b>	<b>1,618</b>	<b>35</b>
<b>TOTAL EMPLOYEES</b>	<b>644</b>			<b>634</b>		

## PERFORMANCE INFORMATION

The Corporation provided the following information regarding its performance.

Year ended 30 June	Actual				Target
	2005	2006	2007	2008	2008
<b>Operational performance</b>					
Services that run on time (%) (i)	98.9	98.4	98.0	98.3	99.5
Patronage growth (%)	0.6	(0.2)	0.8	(1.2)	1.0
Number of customer complaints	853	1,243	1,808	1,220	800
Number of significant incidents (ii)	3	2	2	0	0
Number of passenger injuries (iii)	11	17	35	15	16
Number of sick days taken per employee	10.1	9.6	8.4	9.0	7.0
Fleet availability (%) (iv)	73	71	77	79	80
Vessel reliability (%) (v)	Not Measured	91	93	94	95
<b>Financial performance</b>					
Earnings before interest, taxes, depreciation and amortisation (\$m) (vi)	10.1	(35.0)	16.8	18.3	(2.4)
Operating deficit (\$m) (vi)	6.3	53.5	2.9	3.9	25.9
Return on average assets (%) (vii)	(1.7)	(39.4)	1.9	1.7	(19.7)
Return on average equity (%) (viii)	(7.7)	(88.7)	(7.7)	(10.6)	(70.2)

- (i) Proportion of actual services departing on time (within five minutes of scheduled departure as measured at Circular Quay).
- (ii) Incidents resulting in loss of life, life-threatening injury or injury to multiple persons, and/or damage over \$100,000.
- (iii) Passenger injury that occurs as a result of ferry operations and requires medical attention.
- (iv) Percentage of fleet available for scheduled services (days available as a percentage of total working days).
- (v) Percentage of available vessels that remain in service without withdrawal as a consequence of mechanical failure.
- (vi) Excludes capital grants.
- (vii) Operating result before interest and tax (excludes capital grants) as percentage of annual average assets.
- (viii) Operating result after interest and tax (excludes capital grants) as percentage of annual average total equity.

The Corporation attributes the absence of incidents resulting in major injury or damage (the first time since its establishment as a separate entity) to the growing maturity of the Safety Management System and safety improvement initiatives.

## OTHER INFORMATION

### Policies and Procedures

In our 2007 Report, we advised that the Corporation had yet to develop an accounting procedures manual. Management advised that a comprehensive accounting procedures manual would be prepared and implemented as a distinct operating project parallel to the implementation of the Integrated Management System. The Corporation advised that it expects the manual to be finalised during December 2008.

We identified other opportunities for the Corporation to improve its practices and procedures. We will discuss these further with Corporation staff and, where appropriate, report them to management.

## FINANCIAL INFORMATION

The following information relates to the Corporation's finances.

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Farebox revenue	48,851	48,039
Government contributions	81,095	71,175
Other	561	728
<b>TOTAL REVENUE</b>	<b>130,507</b>	<b>119,942</b>
Employee related expenses	68,639	62,172
Operations and maintenance expenses	43,726	41,020
Depreciation and amortisation	16,178	14,678
Borrowing costs	5,950	4,952
Other Gains	(124)	--
<b>TOTAL EXPENSES</b>	<b>134,369</b>	<b>122,822</b>
<b>DEFICIT</b>	<b>3,862</b>	<b>2,880</b>

The increase in employee related expenses reflects a \$2.2 million reduction in defined benefits superannuation scheme assets (an increase of \$2.1 million for 2006-07). The remainder of the increase is largely due to higher pay rates and worker's compensation costs.

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	13,259	16,228
Non-current assets	118,058	99,942
<b>TOTAL ASSETS</b>	<b>131,317</b>	<b>116,170</b>
Current liabilities	32,631	38,143
Non-current liabilities	61,118	41,841
<b>TOTAL LIABILITIES</b>	<b>93,749</b>	<b>79,984</b>
<b>NET ASSETS</b>	<b>37,568</b>	<b>36,186</b>

The decrease in current assets was largely due to the reduction in the level of prepaid superannuation. Non-current assets increased by \$18.1 million, reflecting additions to property, plant and equipment (\$29.0 million, offset by depreciation and amortisation charges of \$16.2 million), and net revaluation increments of \$5.2 million. The movements in current and non-current liabilities reflect the roll over of, and increase in, borrowings.

## CORPORATION ACTIVITIES

Sydney Ferries Corporation was established as a statutory State owned corporation on 1 January 2004 by amendments to the *Transport Administration Act 1988*. It is a not-for-profit entity that operates ferry passenger services on Sydney Harbour and the Parramatta River. Its principal objective is delivery of safe and reliable ferry services in an efficient, effective and financially responsible manner.

For further information on Sydney Ferries, refer to [www.sydneyferries.nsw.gov.au](http://www.sydneyferries.nsw.gov.au).

# Minister for Water

Water Industry Overview

Cobar Water Board 2007

Cobar Water Board 2008

Department of Water and Energy

Gosford Water Supply Authority

Hunter Water Corporation

State Water Corporation

Sydney Catchment Authority

Sydney Water Corporation

Wyong Water Supply Authority



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# Water Industry Overview

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The following Government entities provide water services:

## State Owned Corporations

- Hunter Water Corporation (Hunter Water)
- Sydney Water Corporation (Sydney Water)
- State Water Corporation.

## Statutory Body

- Sydney Catchment Authority.

## Water Supply Authorities

- Cobar Water Board
- Gosford Water Supply Authority, part of Gosford City Council
- Wyong Water Supply Authority, part of Wyong Shire Council.

Separate commentary on the above entities appears elsewhere in this Report.

## AUDIT OPINIONS

Except for the audit of Sydney Water, audits of the above entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

The Sydney Water qualification related to assets and liabilities of the Build-Own-Operate (BOO) schemes not being recognised in Sydney Water's balance sheet. The audit report for 2006-07 was similarly qualified.

The audits of Gosford Water Supply Authority and Wyong Water Supply Authority for the year ended 30 June 2008 are not yet complete.

## KEY ISSUES

### Demand/Supply Initiatives

The State Infrastructure Strategy 2008-2018 and Metropolitan Water Plan 2006 (the Plan) identified a number of demand management initiatives including:

- large users of water (in excess of 50 million litres per year) were to develop water saving action plans by the end of 2006. At 30 June 2008, 221 businesses, 34 government sites and 44 councils had developed water saving action plans. A small number of these plans are yet to be approved
- leak reduction program. Sydney Water has completed significant work on a program to reduce water loss due to leakage. Sydney Water believes the full benefits of this program have been realised
- water savings. Sydney Water is required to reduce water consumption per capita per day to 329 litres by 2011. Water consumption, including affects of water restrictions, during 2007-08 was 308 litres per capita per day (326 in 2006-07). This means Sydney Water is currently achieving this target.

The Plan also identified a number of supply initiatives which have been completed or are underway to meet the requirements of a growing population and business sector. These initiatives include:

- construction of a desalination plant. The plant will have the capacity to supply approximately 15 per cent of Sydney's daily water needs. Sydney Water is currently constructing a desalination plant at Kurnell
- accessing groundwater supplies. Sydney Catchment Authority is progressing a groundwater project at Kangaloon to a state of preparedness
- deep water access. Sydney Catchment Authority has completed work at Warragamba, Avon and Nepean dams to provide deep water access
- preparing for the construction of Hunter Water's Tillegra Dam. Hunter Water is purchasing land for this Dam and progressing with the approval process.

### Proposed Changes in Water Industry Entities and Businesses

When the Central Coast Water Corporation is established, it will assume the activities of the Gosford Water and Wyong Water Boards. The Corporation will have Gosford City Council and Wyong City Council as the shareholders.

The New South Wales Parliament passed the *Central Coast Water Corporation Act 2006* in November 2006. The Act has not yet commenced. The Minister administering the act cannot proclaim it until the Councils approve a constitution for the Corporation, enter into a shareholder's agreement and request the Minister to recommend the Act is proclaimed. We understand the Councils have requested amendments to the legislation.

## PERFORMANCE ISSUES

### Financial Performance

For the four largest New South Wales water supplier and distributors, the key financial ratios are shown below.

Year ended 30 June	Sydney Water 2008	Hunter Water 2008	Sydney Catchment Authority 2008	State Water Corporation 2008
Return on average equity (%) (a)	2.6	2.6	0.7	(1.5)
Return on average assets (%) (b)	3.7	3.9	3.5	(1.2)
Interest cover (times) (c)	2.2	3.1	1.4	(2.2)
Debt to equity ratio (d)	62.6	25.0	66.6	11.7
Dividend paid/payable (\$m)	140.0	35.3	6.2	--

Calculated as:

- (a) Profit after income tax expense divided by average equity.
- (b) Profit before tax and interest expense divided by average assets.
- (c) Operating profit plus interest and tax expense divided by interest expense.
- (d) External debt divided by equity (net assets).

Targets for these key ratios are not set for the New South Wales water industry, however targets for individual agencies are agreed with the shareholding ministers.



## Non-financial Performance

Relevant non-financial key performance indicators are included in the comments for each entity. These indicators are used by the entities in measuring their performance.

The Government does not develop performance information for the sector as a whole.

## OTHER ISSUES

### Competition

The aim of the *Water Industry Competition Act 2006* is to encourage competition in relation to the supply of water and the provision of sewerage services and to facilitate the development of infrastructure for the production and reticulation of recycled water.

The New South Wales Parliament passed the *Water Industry Competition Act 2006* in November 2006. The Act commenced in August 2008.

### Industry Risk Factors

The industry faces a number of risks, which are set out below. We have not assessed the probability of these events occurring.

- Drought. In the current drought, water utilities have experienced revenue shortfalls due to water restrictions and, in some rural valleys, zero entitlements. Sydney Water is constructing a desalination plant partly in response to the current drought. This plant may contribute to Sydney Water experiencing a net cost increase.
- Regulatory risk. Regulators' decisions may adversely affect revenue.
- Statutory risk. The repealing, amending or enacting of a new law or regulation (or a new interpretation of the law or regulation) can substantially affect water utilities and returns.
- Environmental and planning risks. Environmental laws and regulations can affect the operations of water utilities. Laws and regulations establish health and environmental quality standards and may provide for penalties for the violation of provisions (which can be uncapped as is the case under the *Environmental Planning and Assessment Act 1979*).

Community and environmental groups may oppose the existence of certain infrastructure assets or the development of new assets due to perceived pollution, visual and noise impact, and effects on the environment.

- Inflation risk. Depending on anticipated cash flows, the structure of an infrastructure asset and the extent to which its revenues are linked to inflation, returns can be influenced by inflation rate fluctuations.
- Force majeure risk. Force majeure refers to events such as fire, flood, earthquake, war, acts of terrorism and strike. Some force majeure risks are generally uninsurable. A force majeure event may adversely affect a party's ability to perform its obligations until it is able to remedy the force majeure event. In some cases, agreements can be terminated if the event is so catastrophic to render it incapable of remedy within a reasonable time period.

### *Operating Licences*

Sydney Water Corporation, Hunter Water Corporation, State Water Corporation and Sydney Catchment Authority hold operating licences which allow them to fulfil their functions.

IPART administers the operating licences. Their administration of operating licences is designed to:

- maintain and improve service quality and the reliability of supply
- protect consumers
- assess the impact of the industry on the environment
- encourage compliance through ongoing auditing of performance.

It achieves these objectives through regular review of the operating licences and annual audits of performance.

The Governor has the legislative power to grant operating licences.

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# Cobar Water Board

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## AUDIT OPINION

The audit of the Board's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Audit Report.

## FINANCIAL INFORMATION

Year ended 30 June	2007 \$'000	2006 \$'000
Revenue	1,736	1,212
Expenses	2,667	2,039
Loss	931	827
Net assets (at 30 June)	61,061	57,688

The increase in expenses is due primarily to additional maintenance work on the Board's infrastructure assets. Net assets increased due to a revaluation of infrastructure assets.

## BOARD'S ACTIVITIES

The Board is a statutory body under the *Water Management Act 2000*. It consists of five part-time members who are appointed by the Governor on the recommendation of the responsible Minister. Nominees include representatives of the local mining companies and the Cobar Shire Council.

The Board maintains and operates water works, and makes agreed quantities of water available to the Council and two mining companies. This is based on an agreement between the Board, Cobar Shire Council and the mining companies.

The Board does not employ any staff. The Cobar Shire Council performs administration and works for the Board.

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## CONTROLLED ENTITY

### Cobar Water Board Division

The objective of the Division is to provide personnel services to Cobar Water Board. Cobar Water Board and the Division had no staff during the year. The Division did not prepare a financial report for 2006-07.

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# Cobar Water Board

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## AUDIT OPINION

The audit of the Board's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Audit Report.

## KEY ISSUE

Water service charges have not increased since 2005-06. The Board requested an increase in water charges in 2006-07 and 2007-08. Under the *Water Management Act 2000*, the Minister must approve water service charges before the commencement of a financial year.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	1,431	1,736
Expenses	2,700	2,667
Loss	1,269	931
Net assets (at 30 June)	62,196	61,061

Net asset increased due to a revaluation of infrastructure assets.

## BOARD'S ACTIVITIES

The Board is a statutory body under the *Water Management Act 2000*. It consists of five part-time members who are appointed by the Governor on the recommendation of the responsible Minister. Nominees include representatives of the local mining companies and the Cobar Shire Council.

The Board maintains and operates water works, and makes agreed quantities of water available to the Cobar Shire Council and two mining companies. This is based on an agreement between the Board, Cobar Shire Council and the mining companies.

The Board does not employ any staff. The Cobar Shire Council performs administration and works for the Board.

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## CONTROLLED ENTITY

### Cobar Water Board Division

The objective of the Division is to provide personnel services to Cobar Water Board. Cobar Water Board and the Division had no staff during the year. The Division did not prepare a financial report for 2007-08.

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# Department of Water and Energy

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Water Management Charges

The Department developed a timetable to issue water management invoices for 2005-06 and 2006-07 water years. The Department issued these invoices during the year. The invoices issued were for the period 2005-06, all customers, \$18.2 million; 2006-07, regulated customers, \$7.5 million; 2006-07, unregulated and groundwater customers, \$8.1 million.

Because the Department issued all invoices within a short time period, customers have been granted extended repayment terms.

In Volume Two of the Auditor-General's Report to Parliament 2008, we reported that the former Department of Natural Resources issued water management bills late. The Department is now responsible for issuing water management bills.

### Murray-Darling Basin Reform

On 3 July 2008, the Basin States and the Commonwealth of Australia agreed on the Murray-Darling Basin Reform (the Reform) which will commence on 1 November 2008. The Reform will establish the Murray-Darling Basin Authority (MDBA) and transfer the current functions and powers of the Murray-Darling Basin Commission to MDBA. At the time of this report, the Reform transition details were not finalised.

At 30 June 2008, the Department had an investment of \$647 million (\$615 million at 30 June 2007) in the Murray-Darling Basin Commission.

### Achieving Sustainable Groundwater Entitlements Program (ASGE)

During 2007-08, the Department provided grants of \$95.2 million to licensees under the ASGE Program. The grants are to assist licensees adjust to a reduction in water entitlements.

The Department estimates that the program helped reduce water entitlement volumes by 942.3 gigalitres per year in the affected water sources. This represents a total reduction of 54 per cent in water entitlements.

The inland groundwater systems included in the ASGE Program are the Upper and Lower Namoi, Lower Murrumbidgee, Lower Gwydir, Lower Lachlan, Lower Macquarie and Lower Murray.

Water entitlements were reduced when the Water Sharing Plan for each water source under the program commenced. This meant licences under the *Water Act 1912* were replaced with licences under the *Water Management Act 2000*. The new licences are perpetual.

**OTHER INFORMATION**

We identified opportunities for improvement to accounting and internal control procedures and reported them to management.

**FINANCIAL INFORMATION**

**Abridged Operating Statement**

Year ended 30 June	2008 \$'000	2007* \$'000
Employee related	66,534	11,949
Grants	330,688	60,326
Other	70,570	7,681
<b>TOTAL EXPENSES</b>	<b>467,792</b>	<b>79,956</b>
<b>TOTAL REVENUE</b>	<b>70,969</b>	<b>14,987</b>
Other losses	22,151	5,681
<b>NET COST OF SERVICES</b>	<b>418,974</b>	<b>70,650</b>
Government contributions	433,204	76,425
<b>SURPLUS</b>	<b>14,230</b>	<b>5,775</b>

\* For the period 27 April 2007 to 30 June 2007.

Grants paid included funding for the ASGE Program of \$95.2 million for the first time; water and sewerage assistance to Sydney and Hunter Water Corporations of \$107 million (\$24.1 million in 2006-07); Country Towns Water Supply and Sewerage Program of \$31.3 million (\$11.5 million); and pensioner energy rebates of \$74.1 million (\$12.7 million).

Other expenses included contribution to irrigation areas and Great Artesian Basin sustainability initiative \$25.9 million.

Other losses included the Department's share of operating losses in its investment in the Murray-Darling Basin Commission and Dumaresq-Barwon Border Rivers Commission of \$22.1 million (\$5.6 million).

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	131,010	112,558
Non-current assets	744,558	709,263
<b>TOTAL ASSETS</b>	<b>875,568</b>	<b>821,821</b>
Current liabilities	59,129	45,920
Non-current liabilities	2,223	2,078
<b>TOTAL LIABILITIES</b>	<b>61,352</b>	<b>47,998</b>
<b>NET ASSETS</b>	<b>814,216</b>	<b>773,823</b>

Current assets and liabilities included \$10.6 million (\$4.0 million) unspent Government contributions repayable to the Consolidated Fund.

Included in non-current assets are the State's investment in the Murray-Darling Basin Commission of \$647 million (\$615 million) and Dumaresq-Barwon Border Rivers Commission of \$36.2 million (\$36.3 million).

## Program Information

Year ended 30 June	2008		2007*	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Water and energy policy and program delivery - urban water	9,028	157,534	148,506	40,046
Water and energy policy and program delivery - rural water	54,391	210,147	155,756	15,258
Water and energy policy and program delivery - energy	7,550	122,262	114,712	15,346
<b>Total all programs</b>	<b>70,969</b>	<b>489,943</b>	<b>418,974</b>	<b>70,650</b>

\* For the Period 27 April 2007 to 30 June 2007.

## DEPARTMENT ACTIVITIES

The Department provides policy and management advice in relation to water and energy matters to the Government and delivers the Government's policy and reform agenda for the water and energy sectors in New South Wales.

Key legislation includes the *Water Act 1912*, *Water Management Act 2000*, *Murray-Darling Basin Act 1992*, *National Electricity (New South Wales) Act 1997* and *Electricity Supply Act 1995*.

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

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# Gosford Water Supply Authority

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## AUDIT OPINION

The audit of the Authority for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Charges and Contributions Paid to Gosford City Council

Gosford City Council now charges the Authority administration costs based on actual expenditure incurred instead of budgeted expenditure. This resulted in a saving of \$188,000 in 2006-07 to the Authority.

For a number of years, we have been reporting our concern with using budgeted expenditure for determining administration charges.

### Desalination Plant

Wyong Shire and Gosford City Councils' Water Supply Authorities have obtained planning approval to build a desalination plant in the Wyong Shire Council area, should the need arise. Currently, the Authorities do not intend to proceed with constructing the desalination plant.

The proposed plant would produce up to 20.0 million litres of drinking water per day from seawater and is one option under the Water Plan 2050 to help ensure long term water supply.

### Central Coast Water Corporation

In 2006, the New South Wales Parliament assented to the *Central Coast Water Corporation Act 2006*. The Act, once commenced, will establish the Central Coast Water Corporation (the Corporation) as a water supply authority. Assets, rights and liabilities of Wyong Shire and Gosford City Councils' may be transferred to the Corporation.

The Minister administering the act cannot proclaim it until the Councils approve a constitution for the Corporation, enter into a shareholder's agreement and request the Minister to recommend the Act is proclaimed. We understand the Councils have requested amendments to the legislation.

### Dividend

Gosford Water paid a dividend of \$946,000 (\$1.3 million in 2005-06) to Gosford City Council. Local Government water and sewerage supply businesses are permitted to pay an annual dividend to their Council from their surplus.

The dividend payable is split into two components, comprising dividend for tax equivalents and dividend from surplus.

The dividend for tax equivalents is mandatory and is based upon the annual tax equivalent charges (excluding income tax) for water and sewer business activities.



## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2007 \$'000	2006 \$'000
Service charges	31,285	30,141
Usage charges	14,834	13,101
Other	12,983	12,948
<b>TOTAL REVENUE</b>	<b>59,102</b>	<b>56,190</b>
<b>TOTAL EXPENSES</b>	<b>53,406</b>	<b>49,719</b>
<b>SURPLUS</b>	<b>5,696</b>	<b>6,471</b>

The increase in service and usage charges was due to an increase in prices determined by the Independent Pricing and Regulatory Tribunal.

## Abridged Balance Sheet

At 30 June	2007 \$'000	2006 \$'000
Current assets	8,459	25,133
Non-current assets	840,725	549,979
<b>TOTAL ASSETS</b>	<b>849,184</b>	<b>575,112</b>
Current liabilities	6,819	7,627
Non-current liabilities	29,227	8,227
<b>TOTAL LIABILITIES</b>	<b>36,046</b>	<b>15,854</b>
<b>NET ASSETS</b>	<b>813,138</b>	<b>559,258</b>

The increase in non-current assets was mainly due to an increase in non-current investments of \$20.0 million and an increase in water and sewerage supply network assets of \$249 million, following an independent revaluation.

The increase in liabilities was mainly due to the Authority taking out loans of \$21.8 million in 2006-07 to pay for some of its capital works.

## AUTHORITY ACTIVITIES

Gosford Water Supply Authority is part of Gosford City Council and provides water, sewerage and related services.

For further information on Gosford City Council, refer to [www.gosford.nsw.gov.au](http://www.gosford.nsw.gov.au).

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# Hunter Water Corporation

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## AUDIT OPINION

The audits of the Corporation and its controlled entities' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

We are unable to complete the audit of Regional Land Management Corporation Pty Ltd. The Australian Securities and Investment Commission deregistered the company on 27 August 2008. The Crown Solicitor has advised The Treasury that former directors (or equivalent) of a former statutory body can prepare and submit the financial report, but they cannot sign the financial report and, as a result, the Auditor-General cannot issue an audit opinion. The Treasury is investigating ways to overcome this problem.

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

## KEY ISSUES

### Tillegra Dam

The Corporation currently estimates the cost of acquiring land and constructing a dam at Tillegra is \$407 million, an increase of \$62.3 million from the original approved budget. The Corporation advises that the increase is mainly due to a greater allowance for cost escalation over the life of the project and additional costs relating to road changes. At 30 September 2008, the Corporation had incurred \$64.2 million on the project, of which \$55.6 million related to the acquisition of land.

The cost of the Tillegra dam will be recovered based on the principle of beneficiary pays. The beneficiaries of the dam are existing and growth customers in the Hunter, and potentially the Central Coast. The Corporation's proposal to the Independent Pricing and Regulatory Tribunal (IPART) for the next price determination, covering the period 1 July 2009 to 30 June 2013, recommends allocating 40 per cent and 60 per cent of the costs to the existing and growth beneficiaries respectively.

## PERFORMANCE INFORMATION

### Financial Performance Indicators

Year ended 30 June	2004	2005	2006	2007	2008
Profit before tax (\$m)	41.5	55.8	95.5	89.2	<i>56.0</i>
Dividend payable (\$m)	36.0	33.8	35.1	34.6	<i>35.3</i>
Income tax payable (\$m)	19.5	19.6	20.2	23.5	<i>18.4</i>
<b>Total distributions to government</b>	<b>55.5</b>	<b>53.4</b>	<b>55.3</b>	<b>58.1</b>	<b><i>53.7</i></b>
Dividend and tax/profit before tax (%)	133.7	95.7	57.9	65.1	<i>95.9</i>
Capital expenditure (\$m)	51.3	74.6	105.0	117.1	<i>116.5</i>
Total borrowings (\$m)	124.9	165.9	235.0	331.9	<i>414.6</i>
Current ratio	0.73	0.38	0.53	0.32	<i>0.65</i>

Source: Hunter Water.

This table shows that distributions to Government (i.e. dividends plus income tax payable) for 2007-08 were 95.9 per cent of pre-tax operating profits (65.1 per cent for 2006-07). The increase was largely due to the Corporation incurring actuarial losses on its defined superannuation schemes of \$15.9 million (\$14.6 million gain), resulting in a reduced profit before tax.

The current ratio measures whether an entity has sufficient liquid assets to meet current liabilities. A current ratio of one is, in theory, considered appropriate. The Corporation can manage its cash with a lower current ratio. This is because its revenues and expenditures are highly predictable and because it can quickly source funds from a 'Come and Go' facility with the New South Wales Treasury Corporation, as well as from approved borrowing facilities.

The table below shows that for 2006-07, the Corporation's return on assets, return on equity, debt to equity and current ratio are below the water industry average.

Year ended 30 June	Hunter Water		All States	
	2006	2007	Water 2007	All GTEs 2007
Return on assets (%)	3.7	4.3	4.9	5.7
Return on equity (%)	3.8	4.2	5.0	0.3
Debt to equity (%)	11.9	21.0	28.1	34.8
Cost recovery (%)	167.8	159.8	150.5	112.5
Interest cover (times)	6.0	5.0	3.9	6.1
Current ratio (%)	56.8	34.0	50.8	89.6

Source: Productivity Commission's Report 'Financial Performance of Government Trading Enterprises 2006-07'.

Note: Inconsistencies in measurement bases for assets may exist between different agencies.

## Operational Performance Indicators

### *IPART Audit*

IPART annually measures the Corporation's operational performance against Operating Licence standards. The latest report was for 2006-07.

IPART found that the Corporation 'managed its resources to achieve predominantly full compliance with its Operating Licence'. The audit identified a small number of areas where Hunter Water could further improve its performance, including developing a catchment management framework.

### *Benchmarking Against the Australian Water Industry*

The Water Services Association of Australia (WSAA) has in the past reported on the performance of the Australian urban water industry. It compared performance on customers, service, and infrastructure, as well as economic and financial performance across Australian water retailers and wholesalers. The National Water Commission now reports this information under the National Water Initiative. The following table shows the Corporation's performance over the last five years on some of the key indicators.

Year ended 30 June	2004	2005	2006	2007	2008
Average volume of water consumed (kl) per residential property	208.0	197.0	205.0	195.0	<i>177.0</i>
Water quality complaints per 1,000 properties	7.2	6.3	6.8	3.9	<i>2.8</i>
Average number of water supply interruptions per 1,000 properties					
Unplanned	378.0	395.9	386.9	372.3	<i>225.2</i>
Water main breaks and leaks per 100km of water main	46.3	42.4	44.7	37.4	<i>30.3</i>
Number of property connection sewer breaks and chokes per 1,000 properties	12.4	14.1	14.1	13.6	<i>11.1</i>
Wastewater biosolids available for reuse (% reused/recycled)*	99.0	89.0	88.0	104.4**	<i>100.0</i>

Source: National Water Initiative Report 2008.

\* Does not include biosolids from Burwood Beach Waste Water Treatment Works - not stabilised and stockpiles at Shortland and Dora Creek.

\*\* Use of historic stockpiles.

Overall the Corporation's performance has improved in 2008. The volume of water consumed by the Corporation's customers has gradually declined since 2004. While the Corporation promotes a number of water saving schemes, water restrictions did not apply to the Hunter region from 2004 to 2008 due to favourable water storage levels (97 per cent of capacity at 18 October 2008). Greater rainfall in 2007-08 resulted in a 9.2 per cent reduction in usage from 2006-07.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

### Regional Land Management Corporation Pty Ltd (RLMC)

During the year, the New South Wales Government directed the company to cease operations prior to 30 June 2008.

RLMC, a wholly owned subsidiary of the Corporation, was established in March 2003. RLMC's primary functions were to:

- facilitate responsible private sector development to bring jobs and investment to the Hunter region
- manage a number of sites and buildings for lease
- remediate the former Newcastle Steelworks (now Intertrade Industrial Park) site.

The Hunter Development Corporation is now responsible for these functions.

### Expansion of Operations

The Corporation now provides water and sewer services to the local government area covered by Dungog Shire Council. The services were previously provided by the Council. The Corporation and the Council agreed that the Corporation will complete the Clarence Town sewerage scheme, and provide water and sewerage services. This change was effective 1 July 2008.

As a result of the transfer of responsibility, certain assets and liabilities of Dungog Shire Council will be transferred to the Corporation. At the time of writing this report the Council and the Corporation were still finalising the details of the transfer. The net impact on the Corporation's balance sheet is not yet known but Hunter Water does not expect the impact to be material.

## FINANCIAL INFORMATION

### Abridged Consolidated Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Tariff charges	162,528	158,028	162,528	158,028
Other revenue	80,940	99,021	50,041	64,526
<b>TOTAL REVENUE</b>	<b>243,468</b>	<b>257,049</b>	<b>212,569</b>	<b>222,554</b>
Operational costs	113,008	112,000	84,860	81,200
Depreciation	30,586	37,277	30,055	36,816
Other expenses	43,842	18,524	41,964	18,807
<b>TOTAL EXPENDITURE</b>	<b>187,436</b>	<b>167,801</b>	<b>156,879</b>	<b>136,823</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>56,032</b>	<b>89,248</b>	<b>55,690</b>	<b>85,731</b>
Income tax expense	21,088	28,377	19,655	26,519
<b>PROFIT</b>	<b>34,944</b>	<b>60,871</b>	<b>36,035</b>	<b>59,212</b>

Other revenue and other expenses include movements in defined benefit superannuation plans. In 2007-08, Hunter Water recorded a net superannuation expense of \$17.6 million (\$11.5 million revenue).

### Abridged Consolidated Balance Sheets

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	57,568	50,847	53,753	43,739
Non-current asset	2,119,053	1,976,005	2,120,751	1,975,866
<b>TOTAL ASSETS</b>	<b>2,176,621</b>	<b>2,026,852</b>	<b>2,174,504</b>	<b>2,019,605</b>
Current liabilities	89,000	156,417	87,090	150,946
Non-current liabilities	695,311	531,018	700,999	536,228
<b>TOTAL LIABILITIES</b>	<b>784,311</b>	<b>687,435</b>	<b>788,089</b>	<b>687,174</b>
<b>NET ASSETS</b>	<b>1,392,310</b>	<b>1,339,417</b>	<b>1,386,415</b>	<b>1,332,431</b>

Current assets increased primarily due to the reclassification of a Treasury bond falling due within 12 months of year-end.

Non-current assets increased primarily due to \$117 million of asset acquisitions during the year.

Current liabilities decreased primarily due to the refinancing of existing debt. As a result, the debt was reclassified as non-current. Non-current liabilities increased due to additional borrowings entered into in order to finance Hunter Water's capital works program.

## CORPORATION ACTIVITIES

The Corporation is a statutory State owned corporation that operates within the Lower Hunter Region. It collects, conserves, preserves and distributes water, provides sewerage facilities, and constructs, controls and maintains certain stormwater channels.

Its charter is to be commercially successful as a company while delivering water, wastewater and associated services.

For further information on Hunter Water, refer to [www.hunterwater.com.au](http://www.hunterwater.com.au).

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## CONTROLLED ENTITIES

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

For further financial and other information on these entities, we have listed the entities' websites.

Entity Name	Website
Hunter Water Australia Pty Limited	<a href="http://www.hwa.com.au">www.hwa.com.au</a>
Regional Land Management Corporation Pty Ltd (deregistered 27 August 2008)	*

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\* This entity does not have a website.

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# State Water Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Organisational Restructure

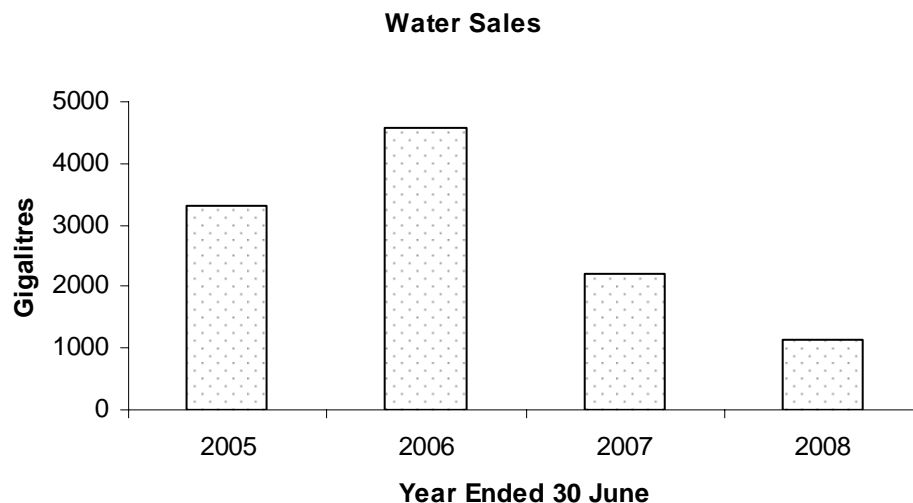
The Corporation is implementing a new organisational structure. The main reason for this is to reduce operating costs by 14 per cent, in line with the Independent Pricing and Regulatory Tribunal's (IPART) assessment of the Corporation's efficient operating expenditure. The new structure is based on functional roles, whereas the old structure divided the organisation into geographical areas. The Corporation expects to complete the restructure by July 2009.

The restructure will result in the Corporation reducing full time equivalent staff by 58, or approximately 17 per cent of its workforce. The Corporation will largely achieve this through voluntary redundancies. It estimates the restructure will cost \$9.0 million, of which \$5.8 million relates to voluntary redundancy costs and \$1.7 million relates to relocation costs with these costs projected to be incurred over three years commencing 2007-08. Once fully implemented, the restructure should result in savings of \$5.7 million per year, based on 2008-09 dollars.

### Financial Viability

The ongoing drought is significantly affecting the Corporation's financial performance. Continuation of the drought may result in the Corporation becoming increasingly reliant on Government funding to remain viable, and to supplement the shortfalls in its revenue. The Corporation, along with The Treasury, is closely monitoring and analysing the Corporation's capital structure and long term viability.

In 2007-08, State Water delivered 1,125 gigalitres of water (2,201 gigalitres in 2006-07). This is some 20 per cent of long term average annual sales. Sales over the last four years are shown below.



Based on estimated water sales of 1,200 gegalitres in 2008-09, the Corporation's credit rating may fall below investment grade being a credit rating of BBB. This is due to lower sales and the cost of implementing the organisational structure. However, should water sales return to around 4,500 to 5,000 gegalitres per year, the Corporation believes it can maintain at least a BBB credit rating in the longer term.

## PERFORMANCE INFORMATION

### IPART Operational Audit

IPART annually assesses the Corporation's operational performance against its Operating Licence standards. At the time of preparing this report, IPART was finalising its review for 2006-07 and 2007-08.

The 2005-06 IPART audit found that the Corporation had achieved 84 per cent full or high compliance. Full compliance means the Corporation met all the requirements of a particular clause, while high compliance means most requirements were met with some minor technical failures.

### Government Trading Enterprises

The following table compares the Corporation to the Australian water industry and other Government Trading Enterprises (GTEs).

Year ended 30 June	State Water Corporation		All States	
	2006	2007	Water 2007	All GTEs 2007
Return on assets (%)	3.1	2.9	4.9	5.7
Return on equity (%)	--	(0.7)	5.0	0.3
Debt to equity (%)	20.2	11.0	28.1	34.8
Interest cover (times)	2.9	4.9	3.9	6.1
Current ratio (%)	161.1	92.7	50.8	89.6

Source: The Productivity Commission's Financial Performance of Government Trading Enterprises 2004-05 to 2006-07.

The indicators show the Corporation's returns for the last two years have been lower than the water industry average. However, the Corporation's current ratio is better than the industry average of 50.8 per cent.

Because of differences in the market environment and the valuation of assets, it is difficult to make a direct comparison between the Corporation and the water industry and all GTEs. For example, the water entities that value infrastructure assets at historic cost may report a higher rate of return on assets than those applying fair value, such as the Corporation.

## OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management. These mainly related to debtor management, general ledger reconciliations and the general information technology environment.



## Financial Management System

In 2007-08, the Corporation upgraded its financial management system. As part of the upgrade it implemented a new general ledger structure and project ledger. The upgrade was necessary because the previous system did not meet the Corporation's business needs and there were concerns around the reliability of data.

The Corporation's internal auditor completed a post implementation review of the project in October 2008. The review found that the project had met its objective of improving data reliability. However, the review did identify a number of opportunities to improve change management, system documentation, data migration and training.

## Dam Safety Compliance

The Corporation has to upgrade 18 of its 20 dams to comply with Dams Safety Committee (DSC) requirements. Whilst all of the Corporation's dams are safe for day to day operation, they need upgrading to meet current safety requirements for large to extreme floods and earthquakes.

Work has commenced on the first phase of this project. This phase relates to seven dams which the Corporation assessed as being of the highest priority. Whilst still in the investigative stage for most dam upgrades, the Corporation estimates it will cost over \$266 million to complete the first phase. The upgrades should be completed by 30 June 2013.

In accordance with DSC requirements, the Corporation must carry out an annual surveillance inspection of each dam. The table details the level of compliance with this requirement. Due to resourcing and scheduling difficulties, and the ongoing restructure of operational functions, the Corporation inspected 17 of its 20 major dams in 2007-08.

Year Ended 30 June	2006	2007	2008
Annual surveillance inspections completed (%)	95.0	95.0	85.0

Source: State Water.

## Lake Brewster Water Efficiency Project

During the year, the Corporation commenced work on the Lake Brewster Water Efficiency project. The project involves carrying out works to improve the water quality and wetland environment as well as reduce evaporation. Once completed, the works should result in water savings of almost nine gegalitres a year. The Corporation expects to complete the project in August 2011. At 30 June 2008, it had incurred \$2.6 million on the project.

The total estimated project cost is \$12.4 million, of which the Commonwealth Government will fund \$7.5 million under the Water Smart Australia program. The Corporation and the Lachlan Catchment Management Authority will fund the balance of the project, contributing \$2.7 million and \$2.2 million respectively.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue from storage and delivery of water	31,404	32,974
Infrastructure operation, maintenance and construction	11,477	9,079
Government contributions	22,489	27,446
Other revenue	3,892	3,037
<b>TOTAL REVENUE</b>	<b>69,262</b>	<b>72,536</b>
Operational costs	59,484	54,430
Depreciation	7,349	6,013
Finance costs	2,448	2,533
<b>TOTAL EXPENDITURE</b>	<b>69,281</b>	<b>62,976</b>
<b>PROFIT/ (LOSS) BEFORE INCOME TAX AND ACTUARIAL (LOSSES)/GAINS</b>	<b>(19)</b>	<b>9,560</b>
Superannuation actuarial (losses)/gains	(7,295)	5,006
Income tax expense/(benefit)	2,193	(1,618)
<b>(LOSS)/PROFIT</b>	<b>(5,121)</b>	<b>12,948</b>

Revenue from the storage and delivery of water decreased primarily due to less water available for sale because of the continuing drought conditions across Australia.

Infrastructure operation, maintenance and construction revenue increased due to the Corporation completing more work on behalf of the Murray-Darling Basin Commission during the year.

The decrease in Government contributions was primarily due to a \$3.9 million decrease in the Corporation's operating subsidy. The main components of Government contributions for 2007-08 were an operating subsidy of \$6.7 million (\$10.6 million) and an IPART determined contribution to operations of \$15.4 million (\$14.9 million).

The recognition of a \$3.0 million voluntary redundancy provision was the main reason for the increase in operational costs. The redundancy provision relates to the organisational restructure previously mentioned in this report.

## Abridged Balance Sheet

Year ended 30 June	2008 \$'000	2007 \$'000
Current assets	39,545	44,595
Non-current assets	403,985	398,506
<b>TOTAL ASSETS</b>	<b>443,530</b>	<b>443,101</b>
Current liabilities	53,251	47,620
Non-current liabilities	57,705	57,786
<b>TOTAL LIABILITIES</b>	<b>110,956</b>	<b>105,406</b>
<b>NET ASSETS</b>	<b>332,394</b>	<b>337,695</b>

Total assets and liabilities have remained stable. Non-current liabilities include borrowings of \$39.0 million from the New South Wales Treasury Corporation.

## CORPORATION ACTIVITIES

The Corporation is a statutory State owned corporation. It incorporates all of New South Wales' bulk water delivery services outside of the areas of operation of Sydney Catchment Authority, Sydney Water Corporation, Hunter Water Corporation and other water supply authorities.

The Corporation delivers water to irrigation corporations, country town water supply authorities, farms, mines and electricity generators, by releasing flows from its dams into rivers to be accessed by water users. It also provides water for stock and domestic users and is responsible for delivering environmental flows on regulated rivers.

For further information on the Corporation, refer to [www.statewater.com.au](http://www.statewater.com.au).

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# Sydney Catchment Authority

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## AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## KEY ISSUES

### Groundwater Activities

In June 2008, the New South Wales Government announced that construction of groundwater borefields would be put on hold due to the easing of drought conditions. However, the Authority is to finalise the development of the Kangaloon site to enable quick reactivation should the need arise in the future. This involves obtaining planning approval, acquiring land and completing tender documents. At 30 June 2008, the Authority had incurred \$20.0 million on groundwater projects.

The Authority is finalising its studies on the remaining sites, Wallacia and Leonay, to confirm their viability before all three are placed into care and maintenance. Maintenance of the sites is expected to cost at least \$200,000 per year.

The groundwater investigations were one of several initiatives under the New South Wales Government's Metropolitan Water Plan, aimed at securing Sydney's water supply. From its investigative work the Authority identified three borefield sites that could supply 30-45 gigalitres of water for two to three years.

## PERFORMANCE INFORMATION

### Financial Performance Information

Year ended 30 June	2008 \$m	2007 \$m
Profit before tax and superannuation actuarial gains	18.7	24.2
Dividend payable	6.2	19.7
Income tax payable on current year profit	5.8	3.9
<b>Total government contributions</b>	<b>12.0</b>	<b>23.6</b>
(Dividend + tax)/profit before tax and superannuation actuarial gains (%)	64.2	97.5
Capital expenditure	72.1	88.1
Interest cover (times)	1.6	2.0
Debt to equity ratio (%)	66.6	59.4
Net cash flows from operating activities	41.0	41.0
Current ratio	0.56	0.49

The reduction in Government contributions and interest cover was mainly due to the Authority writing off expenditure incurred on the Leonay and Wallacia groundwater projects, following the New South Wales Government's decision to put groundwater extraction on hold. The Authority's current ratio (a measure of its liquidity) is 0.56 (0.49 in 2007). A current ratio of one is, in most instances, considered appropriate. However, the Authority can manage its cash flows with a lower liquidity ratio because its revenues and expenditures are highly predictable and because it can quickly source funds from a 'come and go' facility with New South Wales Treasury Corporation, as well as approved borrowing facilities.

### Non-Financial Performance Targets

The following table outlines the Authority's performance against a number of key non-financial performance targets for 2007-08 and 2006-07. In all instances, the Authority has met or exceeded its targets.

Year ended 30 June	2007		2008	
	Target	Actual	Target	Actual
Health related compliance with the Australian Drinking Water Guidelines (%)	100	100	100	100
Compliance with Bulk Water Supply Agreement with Sydney Water (%)	>95	99.6	>95	99.1
Compliance Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines (%)	100	100	100	100
Environmental release compliance to Water Management Licence (%)	100	100	100	100

Source: All figures supplied by the Authority, and are unaudited.

### Independent Pricing and Regulatory Tribunal (IPART) Operational Audit

The Authority achieved a very high level of compliance with its Operating Licence in 2006-07. The audit found that the Authority achieved 100 per cent high to full compliance. IPART did make a number of recommendations which the Authority is actioning.

IPART reported the results of its 2006-07 operational audit of the Authority in December 2007. The audit assessed the Authority's performance against the standards in its Operating Licence.

### OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

#### Metropolitan Water Plan

The Authority made significant progress on all its projects under the New South Wales Government's Metropolitan Water Plan.

Key projects managed by the Authority under the plan include:

- accessing deep water in dams
- Shoalhaven transfers
- groundwater investigations
- managing environmental flows.

Commentary on groundwater investigations was provided above under the heading 'Key Issues'. The Nepean and Avon dams' deep storage access project was completed in March 2007. An extra 200 billion litres of water is now available, extending greater Sydney's water supply in drought by an additional six to seven months.

In respect of the Shoalhaven transfers, the Authority is investigating engineering options to increase the transfer of water from the Shoalhaven to greater Sydney and the Illawarra. At 30 June 2008, it had spent \$11.3 million on and completing options studies.

Work on managing environmental flows is continuing. The Authority entered into a \$26.0 million contract in January 2008 for the Tallowa dam environmental flows and fish passage works. The Authority expects to complete this project in mid-2009 at an estimated total cost of \$32.0 million.

The Metropolitan Water Plan outlines the government's response to the current drought, river health initiatives, and measures to secure a balance between water demand and supply for the future.

### **Native Title Claims**

The Authority believes that two native title claims lodged against it will be settled by the claimants and other government agencies through an Indigenous Land Use Agreement (ILUA).

The Gundungurra people made two native title claims over lands that are controlled or jointly managed by the Authority. Both claims have been in the Federal Court for approximately seven years, with little progress made. The claims relate to land in 'Special Areas' and under the stored water of Warragamba Dam.

The Gundungurra people have since reduced the size of their claim to a smaller core area, which does not include any land or waters claimed by other native title claimants.

### **Leakage and Loss Management in the Water Supply System**

The Authority estimates that leakage from the system amounts to 2.7 per cent (1.3 per cent in 2006-07) of water sold in 2007-08. This compares to an average across Australian water utilities of seven per cent to 35 per cent. In addition to leakage, the Authority estimates that 8.8 per cent of water inflows during the year were lost because of evaporation (6.1 per cent).

The Authority has a number of actions in place to address water leakage and loss from the water supply system. Some of these include undertaking dam surveillance and collecting data on evaporation to provide consistency of measurement and explain any future changes in localised climate conditions.

Some losses can be an intentional and inherent part of an asset's design. For example, dams are designed to seep for structural safety and to prevent excessive build up of water pressure within or beneath them. Other water supply system losses cannot be prevented. The largest losses of this type include evaporation and groundwater surface interactions.

## Water Storage

The table below shows how the current drought conditions have affected the Authority's water storages over time. The increase of 12.3 per cent since 30 June 2007 was mainly due to wetter than average weather in the 2007-08 summer period. At 16 October 2008, the available storage was 66 per cent.

At 30 June	Full operating storage (MI)	Available storage as % of full operating storage				
		2004	2005	2006	2007	2008
Total storage	2,608,730*	47.5	38.3	41.7	54.4	66.7

\* Prior to 2006, percentages are based on a total storage of 2,385,300.

## FINANCIAL INFORMATION

### Abridged Consolidated Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Water sales	160,107	151,871	160,107	151,871
Other revenue	9,587	6,363	9,587	6,363
<b>TOTAL REVENUE</b>	<b>169,694</b>	<b>158,234</b>	<b>169,694</b>	<b>158,234</b>
Employee related	30,996	30,664	269	267
Contractors	18,977	18,679	49,704	49,076
Financing charges	28,095	24,440	28,095	24,440
Other expenses	72,886	60,298	72,886	60,298
<b>TOTAL EXPENSES</b>	<b>150,954</b>	<b>134,081</b>	<b>150,954</b>	<b>134,081</b>
<b>PROFIT BEFORE TAX AND ACTUARIAL GAINS</b>	<b>18,740</b>	<b>24,153</b>	<b>18,740</b>	<b>24,153</b>
Superannuation actuarial (losses)/gains	(5,054)	2,078	(5,054)	2,078
Income tax expense	9,005	4,419	9,005	4,419
<b>PROFIT</b>	<b>4,681</b>	<b>21,812</b>	<b>4,681</b>	<b>21,812</b>

Increases to water sales were due mainly to real price increases in water volumetric charges as determined by IPART. The increase in other revenue was due to the Authority receiving \$6.4 million in insurance recoveries. The recoveries related to the 2001 bushfires and the Warragamba Dam auxiliary spillway project.

The increase in other expenses was mainly due to the Authority writing off expenditure incurred on the Leonay and Wallacia groundwater project.

### Abridged Consolidated Balance Sheets

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	32,915	33,929	32,860	33,725
Non-current assets	1,156,989	1,117,400	1,156,989	1,117,400
<b>TOTAL ASSETS</b>	<b>1,189,904</b>	<b>1,151,329</b>	<b>1,189,849</b>	<b>1,151,125</b>
Current liabilities	58,700	69,806	63,287	70,019
Non-current liabilities	495,603	443,314	490,961	442,897
<b>TOTAL LIABILITIES</b>	<b>554,303</b>	<b>513,120</b>	<b>554,248</b>	<b>512,916</b>
<b>NET ASSETS</b>	<b>635,601</b>	<b>638,209</b>	<b>635,601</b>	<b>638,209</b>

Non-current assets increased due mainly to capital acquisitions during the year.

Total liabilities increased mainly due to increased borrowings of \$44.4 million to fund capital projects.

### AUTHORITY ACTIVITIES

The Authority is a statutory body under the *Sydney Water Catchment Management Act 1998*.

Its principal role is to manage and protect catchment areas and infrastructure works; to be a supplier of bulk water; and to regulate certain activities within catchment areas.

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

Entity Name
Sydney Catchment Authority Division



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# Sydney Water Corporation

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## AUDIT OPINION

The audit of Sydney Water's financial report for the year ended 30 June 2008 resulted in a qualified Independent Auditor's Report. The qualification related to assets and liabilities of the Build-Own-Operate (BOO) schemes not being recognised in Sydney Water's balance sheet. The audit report for 2006-07 was similarly qualified.

The audits of the financial reports of Australian Water Technologies Pty Ltd and its controlled entity for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

The audit of the financial report of Sydney Desalination Plant Pty Limited (Sydney Desalination) for the period 13 June 2007 to 30 June 2008 resulted in an unqualified Independent Auditor's Report.

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

## KEY ISSUES

### Recoverable Amount Test

We recommend Sydney Water include that portion of future developer contributions relating to past capital investments when determining the value of its system assets.

Each year, Sydney Water values its system (or infrastructure) assets based on their recoverable amount. The recoverable amount is calculated using, amongst other items, future revenue streams. We believe those revenue streams ought to include a portion of future developer contributions.

Sydney Water, in their 2007 submission to the Independent Pricing and Regulatory Tribunal (IPART) on its 'Review of Developer Charges for Metropolitan Water Agencies', indicated a component of developer charges related to pre-1996 assets. Pre-1996 assets are included in Sydney Water's regulated asset base. IPART uses the regulated asset base in determining prices. For this reason, Sydney Water ought to include a portion of future developer contributions.

### Desalination Plant

The desalination plant is on schedule for completion by December 2009. The latest internal status report prepared by Sydney Water suggests there are no significant environmental, technical or time issues related to constructing the desalination plant. The project deliverables are outlined in the table below.

Deliverable	Original Budget* (November 2005) \$b	Approved Budget# (July 2007) \$b	Revised Forecast (June 2008) \$b	Actual costs at (June 2008) \$b
Desalination plant cost	na	1.00	1.00	0.45
Water delivery pipeline cost	na	0.57	0.65	0.12
Development cost	na	0.26	0.24	0.13
<b>Total project cost</b>	1.3	1.83	1.89	0.70

Source: Sydney Water.

\* Based on 125 megalitre per day desalination plant.

# Based on 250 megalitre per day desalination plant.

na: Not available.

The water delivery pipeline will be an asset of Sydney Water and the desalination plant will be an asset of its wholly controlled entity, Sydney Desalination.

The water delivery pipeline's original budget was \$570 million. Sydney Water revised this budget to \$650 million in December 2007 after completing geotechnical investigations. The \$80.0 million increase is due mainly to worse than expected ground conditions, increased complexities and an increase in pipe costs.

In July 2008, Sydney Water entered into contractual arrangements to purchase renewable energy to operate the desalination plant. The arrangements with the private sector require the construction of a wind farm by February 2011. The wind farm will be located between Bungendore and Tarago.

The decision to operate the plant with 100 per cent renewable energy will add over \$18.0 million to the annual electricity cost in the plant's first full year of operation.

The desalination plant, if operated at full capacity, requires approximately 360,000 megawatt hours (MWh) of electricity per year. At a minimum, Sydney Water has committed itself to purchasing renewable energy certificates equivalent to 180,000 MWh of renewable energy each year for a 20 year period. The price at which certificates are acquired is set out in the contract. If the desalination plant operates at less than 50 per cent capacity, Sydney Desalination will accumulate renewable energy certificates in excess of its needs. If this occurs, Sydney Desalination will be able to trade the certificates at market value.

Sydney Water advises the New South Wales Government has not decided on the operating rules for the plant, other than it may operate at full capacity for the first two years as part of the plant commissioning process. Until the operating rules are determined, the impact on Sydney Water's existing arrangements with the operators of the four largest water filtration plants is unknown. Currently, most of Sydney's drinking water is processed by the Prospect water filtration treatment plant. The arrangement with this operator does not expire until 2022.

The supply of water from the desalination plant is unlikely to have a significant financial impact on the Sydney Catchment Authority (SCA). Sydney Water currently sources all of its water from SCA. Sydney Water advises that it expects to favour SCA bulk water over desalinated water when the SCA supply is adequate.

Once operational, the desalination plant will have the capacity to provide over 15 per cent of Sydney's current water consumption by producing 250 megalitres of water per day.

Successive Metropolitan Water Plans progressively developed desalination as a future supply option. The plans determined that construction of a desalination plant would not be necessary until dam levels dropped to around 30 per cent. In February 2007, when water storage levels were at 34 per cent, the New South Wales Government issued a request for tenders to build the desalination plant.

Contracts were signed in June and July 2007 to construct the water delivery infrastructure and desalination plant respectively.

#### **Ability to Replace System Assets in the Future (Repeat Issue)**

As part of its 2008-2012 price determination, IPART analysed the difference between asset values used for accounting purposes and asset values used in price setting.

IPART reported that the main reasons for the significant difference between Sydney Water's replacement asset values and their recoverable amount were:

- the existence of a \$7.2 billion difference between the two at the inception of IPART pricing determinations in 2000-01. IPART chose a lower starting point as it was concerned that past decisions regarding asset construction may not have been made for strictly economic reasons
- the exclusion of developer assets provided free of charge from price setting considerations as these are not funded by Sydney Water, and
- differences in how capital values are indexed. IPART uses the Consumer Price Index to increase the value of the Regulated Asset Base to current prices while Sydney Water has applied an index applicable to the general construction industry to approximate the current replacement cost of its assets.

For the reasons mentioned above, a significant difference will always exist between Sydney Water's asset replacement value and their recoverable amount. Despite this, Sydney Water should earn an appropriate rate of return on its current and future capital investments, as determined by IPART.

At 30 June 2008, Sydney Water estimates it would cost \$29.7 billion (\$24.5 billion at 30 June 2007) to replace its assets as they currently exist at today's prices. In comparison, the recoverable amount of the assets at 30 June 2008, being the estimate of the discounted future net cash inflows the assets are expected to generate over their remaining life, was \$12.4 billion (\$12.0 billion).

In previous years, we reported on the significant gap between Sydney Water's 'replacement' asset values and their value based on cash generating capability (recoverable amount). We also highlighted that the current regulatory framework, amongst other factors, presents a problem for Sydney Water in being able to achieve a commercial rate of return on the replacement value on its water and wastewater services. The IPART decision to increase prices for Sydney Water's services from 1 July 2008, does increase the return on assets toward a more commercial outcome.

### Information Technology Projects

Sydney Water's capital program includes a number of significant information technology projects. Some of these projects and their key deliverables are outlined in the table below.

Project	Original Budget \$m	Revised Budget \$m	Original Service Delivery Date	Revised Service Delivery Date
Field Resource Management (FRM) - Stage 1	9.3	20.5	March 2007	July 2008
Field Resource Management - Stage 2	7.9	7.9	July 2009	July 2009
Customer Management System - Stage 1	18.7	18.7	August 2009	August 2009
Maximo consolidation	18.4	31.3	August 2009	June 2010
Sydney Water Information Management Program	24.0	24.0	June 2011	June 2011

Source: Sydney Water.

Sydney Water commissioned the first stage of FRM in July 2008 at a cost of \$19.7 million. Stage 2 of the project has just commenced and it involves developing a geospatial information system and mobile documents capability. FRM Stage 2 builds upon the Stage 1 deployment by providing accurate and up-to-date location information to the field workforce, reducing search time and improving safety and operational efficiency. FRM Stage 2 is expected to save \$1.2 million per annum.

The customer management system is a three stage project expected to cost \$33.5 million. The project objectives are to improve customer service, reduce reliance on multiple unsupported systems and reduce operating costs. Once implemented, the system is expected to reduce operating costs by \$1.9 million a year.

Sydney Water underestimated the complexity of the Maximo consolidation project and this is the main reason for the \$12.9 million increase in the project budget. The project will replace Sydney Water's current asset management systems which are approaching obsolescence and are unsupported by external vendors.

The Sydney Water Information Management Program will replace a number of disparate document management systems.

### Contaminated Sites

Sydney Water manages a number of contaminated sites. It has identified 11 sites as major contaminated sites and has a strategic management strategy particular to each site. Sydney Water is not the polluter of all contaminated sites it is managing.

Sydney Water has advised us that it has processes in place to help ensure it complies with the Department of Environment and Climate Change's (DECC) reporting requirements. Sites that DECC have determined as a significant risk of harm are detailed below.

Site	Management Strategy
Alexandra Canal	The DECC remediation order does not require any physical remediation. The order prevents disturbances of the bed sediments. Sydney Water has taken appropriate action to comply with the order.
Central Workshops Site Waterloo	DECC have identified a third party as the polluter. Sydney Water is monitoring progress to remediate the site.
Astrolabe Park	DECC has declared Sydney Water is not responsible for remediating the site. An independent review of the site considered the site is suitable for continued open space/park use.

Source: Sydney Water.

### Customer Information Billing System (CIBS)

Sydney Water reached an out of court settlement with PricewaterhouseCoopers (PwC) in May 2008 in respect of a damages claim for the failed CIBS project. As part of the settlement, PwC paid Sydney Water \$5.0 million and Sydney Water paid PwC \$2.8 million relating to a cross claim. This settlement concludes action brought by Sydney Water against PwC in 2003.

The matter was set down for hearing in May 2008. Settlement was reached prior to the hearing. Sydney Water considers that the settlement was in its best interests having regard to all of the circumstances.

## PERFORMANCE INFORMATION

### IPART Operational Audit

IPART reported the results of its 2006-07 operational audit of Sydney Water in December 2007. The audit assessed Sydney Water's performance against the standards in its Operating Licence.

The audit found Sydney Water managed its resources to achieve predominantly full compliance. The results of the last five operational audits are summarised in the table below.

Year ended 30 June	2003 %	2004 %	2005 %	2006 %	2007 %
Full compliance	67	65	71	86	98
High compliance	22	21	19	12	2
Partial compliance	5	7	6	2	--
Low compliance	--	1	1	--	--
Non-compliance	--	--	--	--	--
Insufficient information	7	5	3	--	--

Source: Sydney Water.

The table shows that Sydney Water's performance has improved each year. Full compliance means Sydney Water met all the requirements of a particular standard, whilst high compliance means most requirements were met with some minor technical failures or breaches.

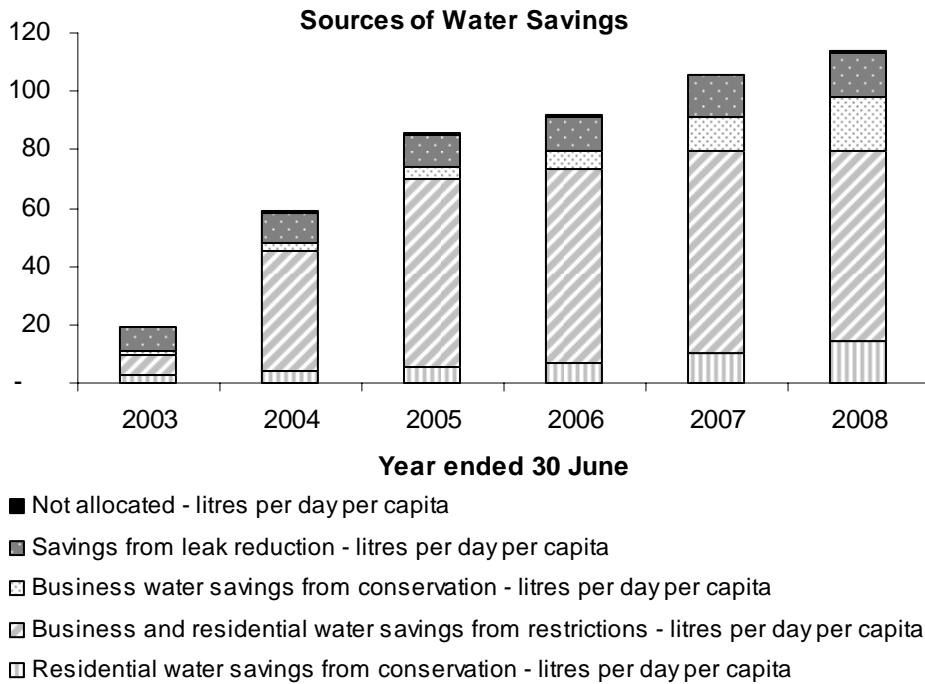
### Water Conservation

Under its Operating Licence, Sydney Water must reduce water consumption to 329 litres per capita per day by 30 June 2011. Water consumption over time is detailed in the table below.

Year ended 30 June	Actual					Target
	2004	2005	2006	2007	2008	2011
Water consumption per capita per day (litres) including the effect of water restrictions	366	342	355	326	<b>308</b>	329

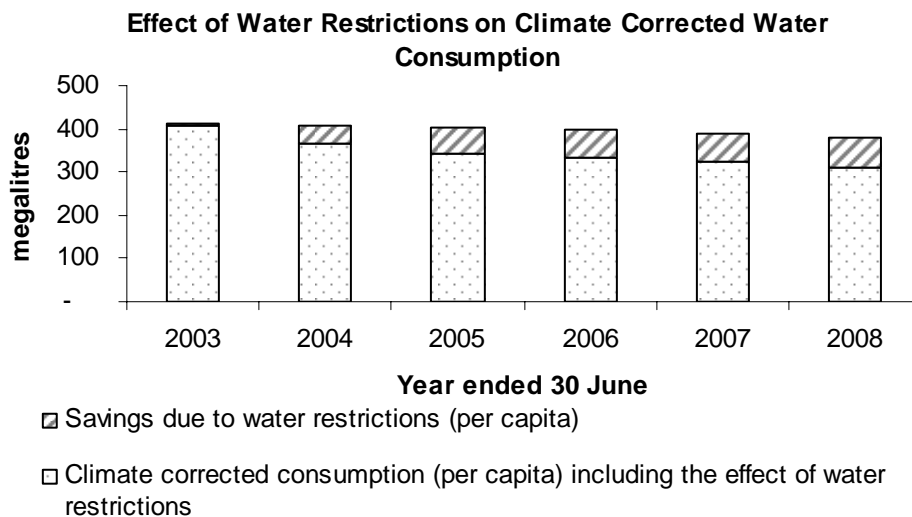
Source: Sydney Water.

In order to achieve this result, Sydney Water has implemented a water conservation strategy that includes demand management initiatives, leak reduction activities and recycled water programs. The graph below illustrates water consumption and savings achieved from water restrictions and water conservation initiatives over the last five years.



Source: Sydney Water.

Through a number of programs aimed at better water management, water savings from business sector conservation measures increased by 65 per cent from last year. The graph also demonstrates the significant impact of water restrictions. In the absence of water restrictions, water consumption would have been 389 litres per capita per day (378 litres). Sydney Water estimates that water restrictions resulted in the saving of 104,866 megalitres in 2007-08 (107,678 megalitres).



Source: Sydney Water.

Mandatory water restrictions since 1 October 2003 have led to significant water savings. Prior to mandatory restrictions, voluntary restrictions existed from 14 November 2002 to 30 September 2003. In 2003-04, water restrictions resulted in water savings of 63,000 megalitres. This increased to 100,000 megalitres in 2004-05 following the introduction of tighter water restrictions in June 2004 (level 2 restrictions). Level 3 restrictions were introduced in June 2005 and this resulted in a further increase of water savings. In 2005-06, 104,000 megalitres were saved due to water restrictions. Since then savings from water restrictions have remained above 100,000 megalitres.

While consumption is currently below the target of 329 litres, Sydney Water does expect consumption to increase once existing water restrictions are removed. However, Sydney Water believes that it should still meet the 30 June 2011 target. It believes that savings of up to 30 per cent of current water restrictions savings will be realised when long term water savings rules replace current restrictions.

Over the last five years, the biggest contributor to water savings under Sydney Water's water conservation strategy has been the leak reduction program. Refer below for further details on water loss and leak reduction activities.

## Recycling

The table below shows the volume of water recycled by Sydney Water over the last three years.

Year ended 30 June	2006	2007	2008
Volume of recycled water (billion litres)	15.0	22.0	24.2
Recycled water as a percentage of total effluent discharged (%)	3.2	4.4	4.4

Source: Sydney Water.

Sydney Water still ranks amongst the lowest recyclers on a percentage basis when compared to other water retailers in Australia.

According to Sydney Water, a direct comparison between water retailers is problematic. The overwhelming majority of water recycling projects in Sydney have been implemented to save drinking water in the dams. Other States have achieved higher volumes of recycling where there are opportunities to recycle for agricultural and irrigation purposes. While these are important uses of recycled water, they do not, in the majority of cases, save on the draw of the stored drinking water supply.

However, the New South Wales Government plans to increase the volume of recycling to 70.0 billion litres a year by 2015 and to 100 billion litres by 2032. At this stage, Sydney Water believes water recycling in Sydney will exceed the 70.0 billion litre target by 2015.

In order to increase the volume of recycling, Sydney Water will invest more than \$580 million on recycling projects over the next five years. The largest recycling project currently underway is the Western Sydney Recycled Water project, which Sydney Water estimates will result in the recycling of up to 27.0 billion litres of water by 2015. Construction on the first stage of this project has commenced, which involves replacing water releases from Warragamba Dam into the Hawkesbury-Nepean River with highly treated effluent from Sydney Water's sewerage system. Sydney Water believes this will save up to 18.0 billion litres of water, and will be commissioned by early 2010, some five or six months behind the original delivery date.

In August 2008, Sydney Water entered into a partnership for the private sector to build, finance, operate and maintain the Rosehill-Camellia recycled water plant. The net cost to Sydney Water in providing recycled water from this project is expected to be \$80.0 million over a 20 year period. The cost to Sydney Water relates to subsidies payable to cover revenue shortfalls in the project until the volumes of recycled water sold increase to profitable levels. The shortfall has been factored into IPART's recent price determination and will be recovered from all Sydney Water customers.

## Water Loss

The table below summarises water loss within the water distribution system. Water is lost because of breaks in water mains.

Year ended 30 June	2007	2008
Volume of water loss (megalitres)	44,261	42,995
Water loss compared to water supplied (%)	8.5	8.2
Costs incurred to reduce water loss (\$m)	91.6	121.2

Source: Sydney Water.

Under its Operating Licence, Sydney Water must reduce water loss to no more than 38,325 megalitres per year by 30 June 2009. Sydney Water believes it should meet this target. Water loss has reduced from 68,620 megalitres in 2002-03 to 42,995 in 2007-08, a reduction of 37.3 per cent.

In 2007-08, Sydney Water inspected 19,600 kilometres of pipeline (18,080 kilometres). It believes this annual inspection program is the main reason for the significant decrease in water loss since 2002-03. However, it also believes the full benefits of this program have been realised and the annual inspection of pipelines will only maintain or slightly reduce current water losses.

In order to reach the 30 June 2009 target, Sydney Water will be relying on additional savings from its water pressure management program, and an increase in its annual inspection activities. The pressure management program involves setting up multiple pressure control zones to reduce pressure which in turns reduces breaks, leaks and water usage.

The target of 38,325 megalitres was assessed by IPART as being the economic level of leakage, which is the point at which costs associated with leakage reduction equal the benefits derived from water savings. Reducing water loss beyond this point would cost more than producing the lost water from another source.

## Response Times

The table below shows the percentage of calls to Sydney Water relating to water main breaks and leaks responded to within the target time. The response times and targets form part of Sydney Water's Operating Licence.

Year ended 30 June	Actual		Target
	2007 %	2008 %	2008 %
Priority 6 (stop water loss within 2 hours)	86.9	77.9	70
Priority 6 (stop water loss within 3 hours)	94.2	91.6	90
Priority 5 (stop water loss within 3 hours)	71.0	72.1	65
Priority 5 (stop water loss within 6 hours)	92.6	92.9	85
Priority 4 (stop water loss by the end of next working day)	79.6	76.4	50
Priority 4 (stop water loss within 5 days)	96.0	96.6	100

Source: Sydney Water.

Overall, Sydney Water responded to 13,408 water main break incidents in 2007-08 (15,009 in 2006-07). While Sydney Water has exceeded the target for all but one category, its performance did decline in some categories. Sydney Water explains this was due to balancing resources between planned and reactive maintenance work in order to meet several Operating Licence conditions.



A Priority 6 is defined as a high flow of water causing an immediate danger to people, property or the environment. Typically this involves water gushing or spurting from the ground and results in a major water loss. A leak is classified as Priority 5 when it is running at a rate greater than the full flow of a garden tap, while a Priority 4 leak exists when the water loss is less than the full flow of a garden tap. Priorities 6 and 5 have tiered response time measures and targets.

### Performance Report

The table below shows Sydney Water's performance over the past four years on some of the key indicators.

Year ended 30 June	2005	2006	2007	2008
Volume of water consumed (kilolitres per residential property)	211.0	203.0	199.0	<b>182.0</b>
Water quality complaints per 1,000 properties	1.1*	0.8	0.8	<b>0.9</b>
Average frequency of unplanned water interruptions per 1,000 properties	na	6.1	5.7	<b>5.2</b>
Water main breaks and leaks per 100 km	37.8	42.5	35.1	<b>30.0</b>
Sewer main breaks and chokes per 100 km	82.0	87.1	90.1	<b>64.2</b>
Water recycled (% of total effluent)	2.5	3.2	4.4	<b>4.4</b>
Water leakage (Infrastructure Leakage Index) (%)	1.8	1.5	1.5	<b>1.5</b>

Source: Figures for 2005 to 2007 from National Performance Report 2006-07. The 2007-08 figures provided by Sydney Water.

\* These numbers are not directly comparable because of a change in definition. Provided for information only.  
na: not available.

The volume of water consumed continues to decrease as a result of water restrictions and Sydney Water's conservation strategies. The decrease in sewer main breaks and chokes was a result of wetter conditions during the year leading to fewer tree root incursions into sewers.

Sydney Water's water leakage has remained constant at 1.5. Further information on this is provided under the heading 'Water Loss'. The International Water Association believes an infrastructure leakage index between one and 2.9 indicates that an entity is making a substantial effort to manage and maintain its infrastructure, and to ensure all detected leaks and bursts are promptly repaired.

### Wastewater Services

Sydney Water operates its 31 sewerage treatment plants and 669 sewer pumping stations in accordance with strict licence conditions set by DECC. The table below highlights Sydney Water's compliance with those licence conditions.

Year ended 30 June	2006	2007	2008
Total number of Penalty Infringement Notices issued by DECC (usually relating to prior year non-compliances)	3	2	--
Total number of licence non-compliances	408	243	<b>155</b>

Source: Sydney Water.

Of the 155 licence non-compliances in 2007-08, 40 per cent (48 per cent) relate to uncontrolled dry weather overflows, which are usually caused by tree root chokes, mechanical and electrical failures and power outages at pumping stations. Sydney Water advises the reduction in overflows is mainly a result of improved response times to incidents and a program of inspecting and rehabilitating key assets susceptible to overflow.

While no penalty infringement notices were issued in 2007-08, Sydney Water did receive an infringement notice in September 2008 for \$1,500. This notice related to an event that occurred in June 2008. Sydney Water has reported its 2007-08 non-compliances to DECC but they have yet to review all non-compliances to determine if any result in a licence breach.

Under its Operating Licence, Sydney Water must ensure no more than 25,000 properties are affected by an uncontrolled dry weather overflow each year. Sydney Water advises it met this target in 2007-08, with 18,148 properties affected (24,924) and attributes the decrease to cooler weather conditions and its maintenance programs.

### Maintenance Activities

The table below shows Sydney Water completed most of its planned maintenance for 2007-08. The results are consistent with the previous year.

Year ended 30 June	2007	2008
Total planned maintenance completed for network and treatment assets (%)	95.0	97.4
Total planned maintenance completed for critical assets (%)	100.0	96.8
Maintenance work completed on time (%)	95.0	92.0
Budgeted maintenance expenditure (\$m)	178.3	187.7
Actual maintenance expenditure (\$m)	175.4	196.6
Backlog maintenance (number of jobs)	6,347	6,924
Backlog maintenance (\$m)	9.5	8.8

Source: Sydney Water.

During 2007-08, Sydney Water completed 192,710 maintenance jobs (210,188). Backlog maintenance has remained steady over the last three years and Sydney Water believes this is an acceptable amount of backlog insofar as it allows efficient scheduling and continuation of workflow. Backlog maintenance is lower priority maintenance work Sydney Water had planned to address by a certain date, but was not achieved. While no formal plan is in place to reduce backlog maintenance by a certain date and/or by a certain percentage, Sydney Water does monitor backlog maintenance each month to ensure critical work is not delayed.

At present, most of Sydney Water's planned maintenance activities are time based. Sydney Water is gradually moving to condition based and 'run to fail' maintenance programs for some less critical assets because these methods are more cost efficient. Under the 'run to fail' maintenance program applying to some non-critical assets, Sydney Water waits until the assets break down before carrying out maintenance.

## Financial Performance Information

Sydney Water's current ratio (a measure of its financial liquidity), has declined to 0.29 (0.36). A current ratio of one is, in most instances, considered appropriate. However, Sydney Water can manage its cash flows with a lower liquidity ratio because its revenues and expenditures are highly predictable, and because it can quickly source funds from a facility with New South Wales Treasury Corporation, as well as approved borrowing facilities and a bank overdraft.

Year ended 30 June	2007 \$m	2008 \$m
Profit before tax before superannuation actuarial gains/(losses)	359.9	<i>388.1</i>
Dividend payable	140.0	<i>190.0</i>
Income tax payable	89.8	<i>75.4</i>
<b>Total government contributions</b>	<b>229.8</b>	<b><i>265.4</i></b>
(Dividend + tax)/profit before tax and superannuation actuarial gains/(losses) (%)	63.9	<i>68.4</i>
Net profit margin before superannuation actuarial gains/(losses) (%)	21.4	<i>22.8</i>
Current ratio*	0.36	<i>0.29</i>
Interest coverage (times)	3.0	<i>2.8</i>
Debt to equity ratio (%)	45.3	<i>62.6</i>

Source: Sydney Water.

\* Current ratio includes taxation payable and derivative liability.

The net profit margin has improved slightly, however, this is largely due to an increase of \$54.2 million in gains from property disposals. The percentage of government contributions has increased to almost 69 per cent of profit before tax and superannuation actuarial gains/losses.

Sydney Water was awarded an A- in its latest 'stand alone' credit rating. This is lower than its previous rating. Sydney Water's rating outlook was assessed as stable, however, key financial indicators such as interest coverage and debt to equity ratio will deteriorate in the short term because of Sydney Water's large capital investment program. While Sydney Water's interest coverage is expected to be 2.6 in 2008-09 and 2009-10, it will deteriorate to below 2.5 until 2015-16.

Sydney Water is currently reviewing its capital structure for the next ten years and will set target benchmarks in order to restore and maintain a credit rating in the 'A' range. Amongst the benchmarks will be an interest coverage target. At this stage, Sydney Water believes it needs to achieve interest coverage of between 2.5 times to three times in order to achieve the target credit rating.

The following table compares Sydney Water to the Australian water industry and other Government Trading Enterprises (GTEs).

Year ended 30 June	Sydney Water		All States	
	2006	2007	Water 2007	All GTEs 2007
Return on assets (%)	3.8	4.7	4.9	5.7
Return on equity (%)	3.9	5.8	5.0	0.3
Debt to equity (%)	41.3	40.7	28.1	34.8
Cost recovery (%)	135.9	143.7	150.5	112.5
Interest cover (times)	2.5	3.0	3.9	6.1
Current ratio (%)	33.9	38.7	50.8	89.6

Source: The Productivity Commission's Financial Performance of Government Trading Enterprises 2004-05 to 2006-07. Current ratio excludes taxation payable and derivative liability.

The indicators show that Sydney Water's financial performance improved considerably in 2006-07. However, its performance for most indicators remains below the water industry average.

Because of differences in the market environment and the valuation of assets, it is difficult to make a direct comparison between Sydney Water and the water industry and all GTEs. For example, the water entities that value infrastructure assets at historic cost may report a higher rate of return on assets than those applying fair value, such as Sydney Water.

#### OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

#### Review of Major Capital Projects

Sydney Water's capital expenditure in 2007-08 was \$1.3 billion (\$648 million). This was four per cent below the Statement of Corporate Intent target of \$1.4 billion. Sydney Water advised that this was mainly due to delays relating to the desalination pipeline project.

In its 2005 price determination, IPART suggested Sydney Water should achieve efficiency savings of 7.5 per cent in delivering its 2007-08 capital works program (six per cent). Sydney Water advised that it achieved capital efficiencies of 1.2 per cent (two per cent).

In 2007-08, Sydney Water introduced a new approach to evaluating and prioritising future capital projects. The approach uses a software tool which evaluates proposals against Sydney Water's corporate objectives and corporate risk framework. The software can then prioritise projects based on set criteria. Sydney Water is currently using this approach in developing its capital investment program for 2009 to 2014.

The original and current cost estimates and service delivery dates for all capital projects with an original cost above \$50.0 million are listed in the table below. Most projects are consistent with the original cost estimate. The delays in service delivery are mainly due to scope changes and delays in obtaining regulatory approvals.

Project	Original Cost Estimate (and year) \$m	Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ estimated Service Delivery Date
<b>Completed during 2007-08:</b>				
Brooklyn and Dangar Island Sewerage Scheme	56 (2006)	57	Mid 2008	March 2008
South Western Sydney Sewerage Scheme	201 (2001)	177	Late 2007	July 2008
<b>In progress at 30 June 2008:</b>				
Desalination Project	1,833 (2007)	1,896	Late 2009	Early 2010
Replacement Flows	265 (2006)	200	Late 2009	Early 2010
Blue Mountains Sewerage Scheme Stage 2	51 (1998)	156	Late 2006	Mid 2009
North Head Sewerage Treatment Plant	106 (2003)	150	Mid 2009	Late 2009
North West Growth Centre (package 1)	133 (2007)	133	Late 2010	Late 2010
Hoxton Park Recycled Water	65 (2006)	65	Mid 2009	Late 2011
Rouse Hill Sewage Treatment Plant and Recycled Water Plant	78 (2006)	64	Late 2008	October 2008

The significant increase in cost of the North Head Sewerage Treatment Plant project is due to a re-evaluation of the design development, cost escalation and tender prices. The significant increase in the cost of the Blue Mountains Sewerage Scheme Stage 2 was caused by a change in how sewage discharge should be treated.

Sydney Water considers the overall risk profile of its capital program, other than the desalination delivery pipeline, to be low. The desalination delivery pipeline is rated as medium risk as the construction passes through difficult soil conditions.

### Asset Management

In 2007-08, IPART reviewed Sydney Water's asset management practices against the conditions in its Operating Licence. It concluded that Sydney Water was complying with the Operating Licence conditions and that Sydney Water is managing the life cycle of assets using an integrated approach that is in line with best practice to achieve a desired level of service and financial return within an acceptable risk framework. However, the review did identify some opportunities for Sydney Water to improve asset management practices which Sydney Water has agreed with.

### Property disposals

Sydney Water sold its Bathurst St Head Office property in 2007-08 for \$140 million, approximately \$55.0 million above an independent valuation provided to Sydney Water before the property sale. Sydney Water disposed of the property because it is surplus to their needs given the imminent move to its new head office to be leased in Parramatta.

Sydney Water disposed of a further 13 properties in 2007-08 for \$52.9 million (ten properties for \$63.4 million). Over the next four years, Sydney Water plans to dispose of a further 29 properties valued at approximately \$92.8 million.

## FINANCIAL INFORMATION

## Abridged Consolidated Income Statements

Year ended 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Service charges	732,790	704,992	732,790	704,992
Usage charges	653,625	651,178	653,625	651,178
Superannuation actuarial gains	--	112,412	--	112,412
Other	379,728	336,034	396,299	335,396
<b>TOTAL REVENUE</b>	<b>1,766,143</b>	<b>1,804,616</b>	<b>1,782,714</b>	<b>1,803,978</b>
Employee related expenses	269,959	291,268	272,847	291,261
Bulk water	159,229	151,015	159,229	151,015
Water treatment	105,156	98,730	105,156	98,730
Maintenance and operational services	177,265	167,161	187,111	167,142
Borrowing	210,471	179,830	210,858	179,830
Depreciation and amortisation	148,363	163,967	148,363	163,967
Other	307,551	280,374	311,649	280,322
Superannuation actuarial losses	140,713	--	140,713	--
<b>TOTAL EXPENSES</b>	<b>1,518,707</b>	<b>1,332,345</b>	<b>1,535,926</b>	<b>1,332,267</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>247,436</b>	<b>472,271</b>	<b>246,788</b>	<b>471,711</b>
Income tax expense	66,916	136,290	66,736	136,120
<b>PROFIT</b>	<b>180,520</b>	<b>335,981</b>	<b>180,052</b>	<b>335,591</b>

The increase in service and usage charges is consistent with the increase in prices determined by IPART. Other revenue increased because of a \$55.6 million gain on the sale of Sydney Water's current head office property.

The decrease in employee related expenses is explained by more employee labour dedicated to capital projects, resulting in an increase in the percentage of labour costs capitalised to the balance sheet.

The increase in borrowing expenses is explained by Sydney Water's increasing debt portfolio to fund its capital works program. The reduction in depreciation and amortisation expense is largely due to a change in the useful life of holes. With the advancement of technology, Sydney Water now relines most sewer pipelines. This means that the hole structure has an indefinite life and is no longer depreciated.

## Abridged Consolidated Balance Sheets

At 30 June	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	243,688	254,175	242,175	253,040
Non-current assets	12,429,428	12,041,637	11,954,319	12,043,668
<b>TOTAL ASSETS</b>	<b>12,673,116</b>	<b>12,295,812</b>	<b>12,196,494</b>	<b>12,296,708</b>
Current liabilities	827,355	710,046	801,911	717,629
Non-current liabilities	5,104,825	4,345,757	4,660,626	4,345,767
<b>TOTAL LIABILITIES</b>	<b>5,932,180</b>	<b>5,055,803</b>	<b>5,462,537</b>	<b>5,063,396</b>
<b>NET ASSETS</b>	<b>6,740,936</b>	<b>7,240,009</b>	<b>6,733,957</b>	<b>7,233,312</b>

Non-current assets were higher than 2007 due to an increase in the recoverable amount for property, plant and equipment. The recoverable amount increased because of higher prices recently determined by IPART.

The increase in total current liabilities was largely due to an increase in capital and operating accruals, and the provision for dividend, as previously noted in this report.

The increase in non current liabilities is largely due to additional funds raised through borrowings to fund the capital expenditure program.

## SYDNEY WATER ACTIVITIES

Sydney Water is a statutory State owned corporation established under the *Sydney Water Act 1994*. It provides sustainable water services to the communities it services, and has as its principal objectives the protection of public health, the protection of the environment, and to be a successful business.

For further information on Sydney Water, refer to [www.sydneywater.com.au](http://www.sydneywater.com.au).

## CONTROLLED ENTITIES

## Sydney Desalination Plant Pty Limited

Year ended 30 June	2008 \$'000
Loss	13
Assets	526,604
Liabilities	492,176
Net assets (at 30 June)	34,428

Sydney Desalination was established in June 2007. The entity is a wholly owned subsidiary of Sydney Water. Sydney Desalination will own the desalination plant and is the contracting party for the plant construction and operation including the renewable energy contract.

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

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**Entity Name**

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Australian Water Technologies Pty Ltd  
AWT International (Thailand) Limited

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# Wyong Water Supply Authority

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## AUDIT OPINION

The audit of the Authority for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Desalination Plant

Wyong Shire and Gosford City Councils' Water Supply Authorities have obtained planning approval to build a desalination plant in the Wyong Shire Council area, should the need arise. Currently, the Authorities do not intend to proceed with constructing the desalination plant.

The proposed plant would produce up to 20.0 million litres of drinking water per day from seawater and is one option under the Water Plan 2050 to help ensure long term water supply.

### Central Coast Water Corporation

In 2006, the New South Wales Parliament assented to the *Central Coast Water Corporation Act 2006*. The Act, once commenced, will establish the Central Coast Water Corporation (the Corporation) as a water supply authority. Assets, rights and liabilities of Wyong Shire and Gosford City Councils may be transferred to the Corporation.

The Minister administering the act cannot proclaim it until the Councils approve a constitution for the Corporation, enter into a shareholder's agreement and request the Minister to recommend the Act is proclaimed. We understand the Councils have requested amendments to the legislation.

### Dividend

Wyong Water paid a dividend of \$350,000 (\$205,000 in 2005-06) to Wyong Shire Council. Local Government water and sewerage supply businesses are permitted to pay an annual dividend to their Council from their surplus.

The dividend payable is split into two components, comprising dividend for tax equivalents and dividend from surplus.

The dividend for tax equivalents is mandatory and is based upon the annual tax equivalent charges (excluding income tax) for water and sewer business activities.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2007 \$'000	2006 \$'000
Service charges	27,658	25,734
Usage charges	13,366	12,591
Other	26,436	13,943
<b>TOTAL REVENUE</b>	<b>67,460</b>	<b>52,268</b>
<b>TOTAL EXPENSES</b>	<b>70,004</b>	<b>49,133</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(2,544)</b>	<b>3,135</b>

The increase in other revenue was mainly due to non-cash contributions increasing by \$9.1 million.

The increase in expenses was mainly due to the Authority contributing \$5.9 million towards the construction of the central coast pipeline, which is owned and operated by Hunter Water Corporation. The increase was also a result of administration costs increasing by \$7.9 million to \$14.4 million mainly due to a change of accounting policy whereby corporate overheads are no longer capitalised.

## Abridged Balance Sheet

At 30 June	2007 \$'000	2006 \$'000
Current assets	52,192	60,008
Non-current assets	962,273	559,923
<b>TOTAL ASSETS</b>	<b>1,014,465</b>	<b>619,931</b>
Current liabilities	21,385	19,208
Non-current liabilities	83,920	58,169
<b>TOTAL LIABILITIES</b>	<b>105,305</b>	<b>77,377</b>
<b>NET ASSETS</b>	<b>909,160</b>	<b>542,554</b>

The increase in non-current assets was due to a revaluation of water and sewerage assets. These assets increased in value by \$372 million.

The increase in liabilities was mainly due to the Authority acquiring loans of \$26.4 million in 2006-07 to pay for some of its capital works.

## AUTHORITY ACTIVITIES

Wyong Water Supply Authority is part of Wyong Shire Council and provides water, sewerage and related services.

For further information on Wyong Shire Council, refer to [www.wyong.nsw.gov.au](http://www.wyong.nsw.gov.au).

# Minister for Youth

Refer to Appendix 1 for:

NSW Commission For Children and Young People

Office for Children



# Premier

Department of Premier and Cabinet  
Election Funding Authority of New South Wales  
Independent Commission Against Corruption  
New South Wales Electoral Commission  
Ombudsman's Office  
World Youth Day Co-ordination Authority

## Refer to Appendix 1 for:

Cowra Japanese Garden Maintenance Foundation Limited  
Cowra Japanese Garden Trust  
Events New South Wales Pty Limited  
Independent Pricing and Regulatory Tribunal  
Infrastructure Implementation Corporation  
Sesquicentenary of Responsible Government Trust Fund



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# Department of Premier and Cabinet

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## AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

We have reported the following matters to the Department for at least the last two years:

- the need to better manage the number of employees (18 per cent at 30 June 2008) with recreation leave balances in excess of 40 days, which is contrary to government guidelines
- the need to action stock take results in time to allow for necessary adjustments to be made to the financial report. Discrepancies of some \$510,000 were identified by the stock take in 2007-08 that may require write-off
- the need for the Department to calculate and disclose employee benefits and related on-costs in line with Treasury circulars and accounting standards.

## OTHER INFORMATION

### Aboriginal Trust Fund Repayment Scheme

The Department received \$1.0 million (\$4.3 million in 2006-07) towards the Aboriginal Trust Fund Repayment Scheme, and paid \$380,893 (\$389,524) to the claimants.

At 30 June 2008, there were 3,221 potential claimants registered with the Scheme, being a 106.7 per cent increase since October 2007. Of these claims 634 (364) are direct claims and 2,587 (1,194) are people who wish to make a descendant claim.

At 30 June 2008, 371 (313) interim assessments had been issued to claimants for their response and 467 (233) claims had been finalised.

Prior to 1969, successive New South Wales Governments deducted money from some Indigenous people's pensions, family endowment payments, apprentice wages, inheritances and lump sum compensation payments. This money was paid into a Trust Fund. In December 2004, the New South Wales Government announced that it would establish an Aboriginal Trust Fund Repayment Scheme to repay the money.

### Controls over Manual Journal Entries

Manual journal entries prepared at the Department are generally not being approved and/or checked by a second officer prior to processing by the service provider. This could lead to unauthorised or inaccurate journals being processed without detection.

### Audit Committee

In 2007-08, the Department appointed an Audit Committee, which held its first meeting in February 2008. This addresses our previous recommendation that the Department appoint an Audit Committee to improve governance and the internal control environment, including regional offices.

## Other Control Issues

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	98,918	84,545
Grant and subsidies	36,095	11,165
Other expenses	82,357	82,338
<b>TOTAL EXPENSES</b>	<b>217,370</b>	<b>178,048</b>
<b>TOTAL REVENUE</b>	<b>9,882</b>	<b>10,454</b>
Other losses	18	66
<b>NET COST OF SERVICES</b>	<b>207,506</b>	<b>167,660</b>
Government contributions	211,304	171,904
<b>SURPLUS</b>	<b>3,798</b>	<b>4,244</b>

Employee related expenses rose due to salary increases, as well as a full 12 month salary cost for staff transferred from the Cabinet Office in April 2007.

Grants and subsidies include \$21.2 million paid to Events New South Wales Pty Limited.

### Abridged Balance Sheet

As at 30 June	2008 \$'000	2007 \$'000
Current assets	30,876	22,501
Non-current assets	14,839	15,630
<b>TOTAL ASSETS</b>	<b>45,715</b>	<b>38,131</b>
Current liabilities	24,263	20,497
Non-current liabilities	103	83
<b>TOTAL LIABILITIES</b>	<b>24,366</b>	<b>20,580</b>
<b>NET ASSETS</b>	<b>21,349</b>	<b>17,551</b>

Current assets increased mainly due to an increase in cash holdings.



## Program Information

The table below details the net cost of services for the Department on a program basis:

Year ended 30 June	2008		2007	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Services for the Governor's Office	--	2,168	2,168	1,948
Services for the Leaders of the Opposition	--	1,981	1,981	2,620
Performance development	--	4,122	4,122	3,829
Ministerial and Parliamentary Services	912	67,073	66,161	66,114
Public Sector Workforce Office	1,882	14,134	12,264	18,364
Strategic Projects	1,412	13,453	12,044	11,819
State Administration Services	5,656	86,239	80,583	55,947
Office for Women	10	4,867	4,857	2,337
General Counsel and Policy Development	1	15,212	15,211	3,295
Parliamentary Counsel's Office	188	8,300	8,115	1,387
Other*	(179)	(179)	--	--
<b>Total all programs</b>	<b>9,882</b>	<b>217,370</b>	<b>207,506</b>	<b>167,660</b>

\* Represents the revenue and expenses that are not attributable to a specific program.

## DEPARTMENT ACTIVITIES

The Department of Premier and Cabinet's role is to:

- provide strategic advice and services to the Premier
- manage issues and projects of significance to the State
- provide drafting and publishing of legislation to the Government and members of Parliament
- provide leadership to the New South Wales public sector
- maintain the effective management of public sector staff and resources, and
- ensure a whole-of-government approach to policy development and service provision within the public sector, especially in regional and rural areas.

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

# Election Funding Authority of New South Wales

## AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Audit Report.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Government contributions	10,053	4,371
Election related expenses	8,407	2,708
Political education expenses	1,646	1,663
Surplus	--	--
Net assets	--	--

The Authority has no physical assets or employees and the New South Wales Electoral Commission administers its transactions.

Election related expenses include the costs of contesting election to the Legislative Council (paid from the Central Fund) and the costs of individual candidates nominated for election to the Legislative Assembly (paid from the Constituency Fund). The total payments in 2006-07 and 2007-08 to political parties in relation to the 2007 State General Election were:

Political Party	Total Payments \$'000
Australian Labor Party (NSW Branch)	3,427
Liberal Party of Australia NSW Division	1,997
National Party of Australia - NSW	999
The Greens	467
Christian Democratic Party (Fred Nile Group)	387
The Shooters Party	245
<b>Total</b>	<b>7,522</b>

Payments to political parties for political education during the year ended 30 June were:

Political Party	2008 \$'000	2007 \$'000
Australian Labor Party (NSW Branch)	692	689
Liberal Party of Australia NSW Division	531	472
National Party of Australia - NSW	198	184
The Greens	176	158
Christian Democratic Party (Fred Nile Group)	49	33
Country Labor Party	--	127
<b>Total</b>	<b>1,646</b>	<b>1,663</b>

## AUTHORITY ACTIVITIES

The Authority registers groups and candidates for elections and meets claims for the public funding of election campaigns. It also:

- receives contribution and expenditure declarations from parties, groups, candidates and third parties in respect to State and Local government elections
- distributes annual political education payments to eligible political parties.

The Authority was established under the *Election Funding and Disclosure Act 1981*. In July 2008, the Act was amended to increase disclosure requirements including:

- candidates and groups must appoint and register an official agent before receiving or spending \$1,000 or more for an election
- six monthly disclosure for parties, members of Parliament and councillors
- uniform political donation disclosure limit of \$1,000
- mandatory disclosure of loans
- ban on certain 'in kind' donations over \$1,000
- new offences for failing to lodge a declaration and making a false statement
- increased powers for the Authority including undertaking audits.

For further information on the Election Funding Authority of New South Wales, refer to [www.efa.nsw.gov.au](http://www.efa.nsw.gov.au).

# Independent Commission Against Corruption

## AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

The Commission achieved its target of completing 90 per cent of investigations within 12 months for a second consecutive year (92 per cent in 2006-07). The information contained in the table below shows the levels of complaints the Commission received, investigated, referred to other agencies or assessed as requiring no further action. Outcomes of investigations have also been provided.

Year ended 30 June	2004	2005	2006	2007	2008	Target
<b>Complaints</b>						
Matters received	2,886	2,511	2,191	2,149	<b>2,702</b>	--
Investigated	170	48	56	73	<b>78</b>	--
Referred to other agencies or assessed as requiring no further action	2,500	2,308	2,051	1,673	<b>2,493</b>	--
						--
<b>Outcomes of Investigations</b>						
Corrupt conduct findings:						
identified	18	15	61	17	<b>51</b>	--
issued investigation report	10	6	7	5	<b>7</b>	--
investigations completed within 12 months (%)	*	30	82	92	<b>90</b>	<b>90</b>
recommendations reported by agencies as addressed (%)	<b>90</b>	<b>95</b>	85	91	<b>85</b>	--

Source: Independent Commission Against Corruption.

\* Not measured.

The number of complaints received by the Commission increased by 25.7 per cent in 2007-08 compared to decreases in the previous years. The Commission's management advised this increase may be due to publicity generated as a result of the major inquiries conducted into corrupt conduct in RailCorp, Wollongong City Council and Housing NSW. The percentage of complaints investigated has fluctuated between 1.9 per cent and 5.9 per cent over the period. In three of the last five years, 90 per cent or more of the recommendations from these investigations were implemented by agencies.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	882	487
Employee related expenses	13,331	11,990
Other expenses	5,291	4,740
Net cost of services	17,740	16,243
Government contributions	17,595	16,467
Net assets (at 30 June)	1,983	2,128

Revenue increased primarily from the Commission's \$249,000 (nil) share of income from the Australian Public Sector Anti-Corruption Conference 2007. The majority of the increase in employee related expenses was for additional resourcing of a number of public hearings held during the year.

In 2007-08, the Commission commenced a capital expenditure project to develop a new case assessment platform. The project is expected to be completed by July 2009 at a budgeted cost of \$927,000. As at 30 June 2008, \$103,000 had been spent on the project.

## COMMISSION ACTIVITIES

The Commission, established by the *Independent Commission Against Corruption Act 1988*, is responsible for promoting integrity in public administration throughout New South Wales by exposing and minimising corruption.

For further information regarding the Commission, refer to [www.icac.nsw.gov.au](http://www.icac.nsw.gov.au).

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# New South Wales Electoral Commission

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## AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

There was a marginal increase in voter participation in the 2007 State General Election. However, 318,095 voters (347,322 in 2003) representing 7.3 per cent (8.1 per cent) did not vote. Penalty notices were issued to 47.8 per cent (59.5 per cent) of the non-voters. The Commission does not issue a penalty notice to a non-voter if it is already aware of a valid reason, including aged or infirm persons, religious objectors and those who will be out of the State. As a result only 71,301 (22.4 per cent) of non-voters were fined.

The table below compares voter participation rates for the State General Elections in 1999, 2003 and 2007.

	1999	2003	2007
Number of enrolments	4,115,059	4,272,104	<i>4,374,029</i>
Voter participation (%)	93.1	91.9	<i>92.7</i>
Penalty notices sent to electors for not voting	105,774	206,548	<i>152,091</i>
Number of citizens asking to be excused from the fine	64,643	125,213	<i>81,551</i>
Number of requests granted	63,030	124,751	<i>80,790</i>
Number of fines collected	12,153	19,056	<i>13,492</i>
Number of fines outstanding	30,591	62,741	<i>57,809</i>

Source: New South Wales Electoral Commission.

## FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related expenses	<i>5,324</i>	5,216
Other expenses	<i>12,313</i>	47,955
Revenue	<i>3,860</i>	1,523
Net cost of services	<i>13,777</i>	51,648
Government contributions	<i>16,435</i>	53,659
Surplus	<i>2,658</i>	2,011
Net assets (at 30 June)	<i>8,193</i>	5,535

Net cost of services and government contributions were lower this year than in 2007 when the State General Election was held. During the year the New South Wales Government paid the Commission \$8.6 million to conduct the Local Government General Election held in September 2008. This amount is recoverable from Local Governments and will be returned to the New South Wales Government. The Commission had spent \$2.5 million at 30 June 2008 in preparation for the September 2008 Local Government General Election.

## COMMISSION ACTIVITIES

The Commission assists the Electoral Commissioner to administer the *Parliamentary Electorates and Elections Act 1912* (the Act) by enrolling electors, preparing rolls and conducting elections. The Commission conducts council elections under the *Local Government Act 1993* and other statutory and industrial ballots.

For further information on the New South Wales Electoral Commission, refer to [www.elections.nsw.gov.au](http://www.elections.nsw.gov.au).

# Ombudsman's Office

## AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## PERFORMANCE INFORMATION

### Formal Complaints and Notifications

In 2007-08, the Office received 34,021 complaints, inquiries and notifications (32,390 in 2006-07). Of these, 9,320 (9,692) were formal complaints and notifications which were down in the prior year in the categories of police, employment related child protection and agencies outside jurisdiction. The extension of 'class and kind agreements' with a number of agencies contributed to these reductions. These agreements mean that certain agencies need not notify certain classes of complaint or allegation to the Ombudsman.

Year ended 30 June	2006		2007		2008	
	Received	Finalised*	Received	Finalised*	Received	Finalised*
Police	3,753	3,833	3,466	3,555	2,969	3,254
Employment related child protection	1,865	1,620	2,078	1,830	1,920	1,921
Community services	595	586	560	569	767	737
Public sector agencies**	3,666	3,630	3,196	3,223	3,280	3,268
Agencies outside jurisdiction	425	427	392	392	384	364
<b>Total</b>	<b>10,304</b>	<b>10,096</b>	<b>9,692</b>	<b>9,569</b>	<b>9,320</b>	<b>9,544</b>

Source: NSW Ombudsman Annual Report 2007-08.

\* Includes complaints and notifications received in previous years.

\*\* Includes witness protection appeals and controlled operations authorities audited.

### Requests for Reviews of Finalised Decisions

Complainants can ask the Ombudsman to review finalised decisions made by his staff. The Office has set the following performance target for each team tasked with making these decisions and uses this as a measure of the quality of the services it provides.

Year ended 30 June	Actual					Target
	2004 %	2005 %	2006 %	2007 %	2008 %	2008
<b>Request for review</b>						
Police	1.9	1.7	1.6	1.7	1.5	<1.8
Employment related child protection	3.5	1.2	6.3	2.5	7.1	<6.0
Community services	2.2	1.5	1.9	1.4	0.4	<6.0
General	6.7	5.5	5.1	6.0	5.8	<6.0

Source: NSW Ombudsman Annual Report 2007-08.



In 2008, the requests for review of finalised decisions were within target except for employment related child protection. Management has advised that the Ombudsman's work in this area is oversighting how agencies handle allegations of misconduct towards children. Only a small part of this work is handling complaints made directly to the Office about how those allegations have been handled. Seventy such complaints were made during the year and five complainants sought a review of the Ombudsman's decision.

#### Outcomes of reviews of finalised decisions

	Total Requests for Review Received	Total Decisions Reviewed*	Affirmed	Resolved	Reopened
Police	55	64	58	6	0
Employment related child protection	5	5	5	0	0
Community services	3	3	3	0	0
Public sector agencies	201	208	190	4	14
Agencies outside jurisdiction	3	3	3	0	0
<b>Total 2007-08</b>	<b>267</b>	<b>283</b>	<b>259</b>	<b>10</b>	<b>14</b>
% of total	3.5	100	91	4	5
Total 2006-07	270	262	238	9	15
% of total	3.6	100	91	3	6

Source: NSW Ombudsman Annual Report 2007-08.

\* Some reviews are not finalised in the same year of request.

In 91 per cent of cases the original decision made by the delegated officer was affirmed by the Ombudsman and four per cent were resolved after the Ombudsman made further contact with the agency and it agreed to take action to resolve the complaint.

#### FINANCIAL INFORMATION

Year ended 30 June	2008 \$'000	2007 \$'000
Revenue	263	177
Employee related expenses	17,114	16,342
Other expenses	4,939	4,688
Net cost of services	21,790	20,853
Government contributions	21,198	20,473
Deficit	592	380
Net assets (at 30 June)	365	957

## OFFICE ACTIVITIES

The Office was established by the *Ombudsman Act 1974*. It deals with complaints about New South Wales' public sector agencies (including local councils) and community service providers on matters about child and family services, disability accommodation and support, home and community care and other services. The Office also oversees and monitors the investigation of allegations relating to child protection against employees of government agencies and certain private organisations such as schools and childcare centres. The Office also reviews the deaths of certain children, young people and people with a disability in care.

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

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# World Youth Day Co-ordination Authority

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## AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

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

## KEY ISSUES

### Cost of World Youth Day Event

The initial cost estimate for the event was \$20.0 million, based on information available at the time of the feasibility study in 2003, and for 150,000 registered pilgrims. The budget for State Government services was revised to \$89.2 million in February 2007, based on an independent assessment of the likely cost of those services, and a revised expectation of pilgrim registration numbers.

In January 2008, funding was approved to secure Randwick Racecourse for the event. State Government funding totalled \$23.0 million, and the Commonwealth Government contributed \$20.5 million. In addition, WYD08 (Catholic Church) agreed to contribute \$10.0 million. The final revised budget was \$142 million.

At 30 September 2008, actual expenses incurred by the Authority totalled \$108 million. Management estimates expenses for the period 1 October to 31 December 2008 are likely to be \$12.6 million. Total expenditure on the World Youth Day event is therefore expected to be approximately \$120 million, which is significantly higher than the 2003 original budget, but some \$22.0 million less than the final revised budget.

The estimated cost, however, does not include some incidental costs incurred by other government agencies which were not charged to the Authority, as noted below.

Service agreements were in place between all venue owners and the Authority, outlining their respective roles and responsibilities, including various costs. Management advised the Authority made good any damage caused by the public during the event, and that only minimal damage had occurred during the event.

### Payments to Other Government Agencies

The Authority paid for services provided by other government agencies on a marginal cost basis. Marginal cost comprises the full salary cost of those staff seconded from other agencies to the Authority; overtime worked by other government agency staff in relation to World Youth Day matters; and the salary costs of those staff in other government agencies whose substantive positions had to be backfilled.

Some incidental costs incurred by government agencies were not charged to the Authority, and therefore not recognised in the Authority's financial report (i.e. at various times other government agency staff worked on World Youth Day related activities as part of their normal duties).

In the case of the NSW Police Force, the Authority largely paid for the overtime worked by police officers on duty for World Youth Day, however, those officers remained under the control of the NSW Police Commissioner, and not under the authority of the *World Youth Day Act 2006*. As such, they were also available, and did attend to, other public matters. Some in-kind services were consequently received from the NSW Police Force. The cost of these services does not appear in the Authority's financial report as the value could not be reliably determined.

### **Access Agreement - Randwick Racecourse**

Under the Access Agreement (the Agreement) for World Youth Day 2008, payments of \$41.1 million were made to the racing industry to secure access to Randwick Racecourse (the Racecourse) for the World Youth Day event. Payments were funded 50 per cent by the State Government and 50 per cent by the Commonwealth Government, including costs associated with relocating horses and trainers, \$10.0 million. The Agreement includes a defects liability period, in case racing cannot be held at the Racecourse anytime between 6 September 2008 and 31 December 2008, because of event related matters. The Agreement stipulates an amount to be paid to the Australian Jockey Club in such an event. Management advised that, given the extensive risk mitigation measures put in place by the Authority to protect the training and racing surfaces at the Racecourse, a claim is considered to be highly unlikely.

The Authority advised that the decision to use the Racecourse for the Papal Mass was determined after an exhaustive analysis of over 18 sites. The Racecourse was deemed the best option against three principal criteria, namely transport service capacity; venue capacity; and overnight temperature.

### **Turf Replacement Costs**

The Authority has grown special turf to rectify any damage to the racing and training surfaces at the Racecourse caused by World Youth Day. The cost incurred by the Authority in growing the turf was \$2.3 million. The Authority advised that it is currently negotiating with prospective buyers to sell any surplus turf.

### **Comparison of Costs to Past World Youth Days**

In relation to the size of the State Government's contribution toward World Youth Day, compared with past World Youth Days in Cologne and Toronto, the full cost of government services provided in support of the Cologne and Toronto events cannot be reliably determined. The Authority advised that, given the different levels of support and approaches taken by the respective governments, as well as the different structural arrangements in each country, a direct comparison cannot be reliably made.

In relation to the finalisation of agreements as to costs between the State and WYD08 (Catholic Church), all agreements were finalised before the event.

### **Cost Benefit Analysis**

DSRD undertook an Economic Impact Analysis (EIA) for New South Wales for hosting the World Youth Day event. The EIA report, dated 5 October 2006, estimated 'the gross total direct and flow-on value added' to New South Wales from hosting the event to be \$152 million. The estimate was qualified by DSRD however, for the following:

- as the costs of the State Government were unable to be confirmed with sufficient confidence to include, the estimates would need to be adjusted as the costs became available to account for this significant contribution, and
- the economic impact estimate did not include potential benefits from additional tourism, business generated, any international media coverage and intangible costs such as business disruption.

We recommend DSRD or the Department of Premier and Cabinet undertake a post implementation review, including a cost/benefit analysis, now that the costs incurred by the State Government are sufficiently known, and the other factors included in the above qualification are also better known. The Review report should be published.

A post event survey was recently conducted by the Authority. The survey showed:

- the Authority succeeded in creating wide awareness in Sydney before the event
- the event drew a diversity of visitors from across the world
- pilgrims left Sydney with positive feelings towards Sydney
- the event attracted many people to Australia who would not otherwise have come
- on average each survey respondent spent \$5,000 in Australia
- many interstate and international pilgrims expect to revisit Sydney and Australia in the future, and
- strong positive word of mouth is anticipated for Sydney and Australia as travel destinations.

#### Wind Up of the Authority

The Authority and the Office of World Youth Day Co-ordination Authority are due to cease operations on 31 December 2008, as the *World Youth Day Act 2006* is scheduled to be repealed on 1 January 2009. As a result, the financial reports were prepared on a realisation basis and not a going concern basis.

## FINANCIAL INFORMATION

### Abridged Operating Statements

Period ended 30 June	Consolidated		Authority	
	2008 \$'000	2007* \$'000	2008 \$'000	2007* \$'000
Employee related	3,138	708	--	--
Personnel services expenses	--	--	3,138	708
Grants and subsidies	42,024	--	42,024	--
Other expenses	17,645	1,804	17,645	1,804
<b>TOTAL EXPENSES</b>	<b>62,807</b>	<b>2,512</b>	<b>62,807</b>	<b>2,512</b>
<b>TOTAL REVENUE</b>	<b>10,537</b>	<b>8</b>	<b>10,739</b>	<b>99</b>
<b>NET COST OF SERVICES</b>	<b>52,270</b>	<b>2,504</b>	<b>52,068</b>	<b>2,413</b>
Government contributions	68,877	2,493	68,675	2,402
<b>SURPLUS/(DEFICIT)</b>	<b>16,607</b>	<b>(11)</b>	<b>16,607</b>	<b>(11)</b>

\* Seven month period.

Employee related expenses and other expenses increased due to a rise in expenditure as the World Youth Day event drew closer, and for a full 12 months in 2007-08, as opposed to seven months in 2006-07. The event took place from 15 to 20 July 2008.

Grants and subsidies include the payments made to the racing industry of \$41.1 million to secure access to the Racecourse. Refer to 'Key Issues' section above for further details.

Revenue comprises \$10.0 million received from WYD08 (Catholic Church) as a contribution for the use of various venues during the event.

### Abridged Balance Sheets

At 30 June	Consolidated		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets	18,899	335	18,899	335
Non-current assets	266	470	266	470
<b>TOTAL ASSETS</b>	<b>19,165</b>	<b>805</b>	<b>19,165</b>	<b>805</b>
Current liabilities	2,552	798	2,552	799
Non-current liabilities	--	1	--	--
<b>TOTAL LIABILITIES</b>	<b>2,552</b>	<b>799</b>	<b>2,552</b>	<b>799</b>
<b>NET ASSETS</b>	<b>16,613</b>	<b>6</b>	<b>16,613</b>	<b>6</b>

Assets and liabilities increased largely due to the increased activities of the Authority leading up to the event in July 2008.

### AUTHORITY ACTIVITIES

The principal function of the Authority was to develop policies, strategies and plans for the delivery of, and to coordinate and manage the delivery of, integrated government services for World Youth Day events.

The Authority was established under the *World Youth Day Act 2006*. The Act will be repealed on 1 January 2009.

### 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.

#### Entity Name

Office of the World Youth Day Co-ordination Authority

# Treasurer

Crown Entity

Crown Leaseholds Entity

Electricity Tariff Equalisation Ministerial Corporation

Energy Industries Superannuation Scheme

NSW Self Insurance Corporation

Parliamentary Contributory Superannuation Fund

SAS Trustee Corporation - Pooled Fund

State Super Financial Services Australia Limited

The Treasury

## Refer to Appendix 1 for:

Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability)  
Superannuation Fund

Crown Lands Homesites Program

Internal Audit Bureau of New South Wales

Land Development Working Account

Liability Management Ministerial Corporation

State Rail Authority Residual Holding Corporation





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# Crown Entity

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## AUDIT OPINION

The audit of the Crown Entity's financial report for the year ended 30 June 2008 resulted in a qualified Independent Auditor's Report. We were unable to obtain all the information we required to form an opinion on the value of Crown Reserves that should be recognised as land in the financial report. Our audit report for the year ended 30 June 2007 referred to the same matter.

Major progress has been made during 2007-08 on the valuation project and it is expected to be largely completed by June 2010. Further discussion on the value of Crown Reserves is included elsewhere in this volume under Crown Leaseholds Entity.

## PERFORMANCE INFORMATION

For key performance indicators on taxation, refer elsewhere in this Volume for discussion on The Treasury.

## OTHER INFORMATION

### State Rail Authority Residual Holding Corporation (SRARHC)

On 1 July 2007, SRARHC was formed due to the enactment of an *Amendment of Transport Administration Act 1988 No 109*, presented as Schedule 4 of the *State Revenue and Other Legislation Amendment (Budget) Act 2007*. The effect of the amendment was to change the name of the State Rail Authority of New South Wales (State Rail) to the SRARHC and place it under the control of the Crown Entity.

## FINANCIAL INFORMATION

### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Long service leave	422,038	392,811
Superannuation (gain)/loss	4,012,970	(1,694,822)
Other expenses	2,856,304	3,845,941
Recurrent appropriations	35,818,657	34,125,462
Capital appropriations	3,267,682	3,082,424
<b>TOTAL EXPENSES</b>	<b>46,377,651</b>	<b>39,751,816</b>
<b>TOTAL REVENUE</b>	<b>42,479,463</b>	<b>41,520,617</b>
<b>(DEFICIT)/SURPLUS</b>	<b>(3,898,188)</b>	<b>1,768,801</b>

Superannuation expenses increased by \$5.7 billion from a \$1.7 billion gain in 2006-07 to a loss of \$4.0 billion in 2008. This was mainly due to the negative 7.3 per cent investment return on superannuation fund assets. The negative return was caused by weakened equity markets and the resulting global credit crisis.

Other expenses decreased by \$990 million primarily due to a reduction of \$570 million in grants made to the Transport Infrastructure Development Corporation, \$390 million compared to \$960 million in 2007. There was also a decrease in electricity tariff payments to retailers of \$480 million.

Recurrent appropriations increased by \$1.7 billion, primarily to fund increases in expenditure of \$565 million on health, \$375 million on education, \$182 million on community services, \$146 million on ageing and disability, and \$143 million on rural assistance.

The majority of this year's increase in revenue was from the Commonwealth Government's Goods and Services Tax \$1.1 billion, payroll tax \$602 million, Commonwealth grant increases of \$317 million for health care, and \$174 million for the Rural Adjustment Scheme. These increases were offset by a decrease in total investment income of \$1.2 billion, primarily in NSW Self Insurance Corporation's (SICorp) \$355 million loss (\$555 million gain in 2007), which was attributable to the weakened equity markets.

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	3,735,168	4,028,476
Non-current assets	12,264,606	13,570,600
<b>TOTAL ASSETS</b>	<b>15,999,774</b>	<b>17,599,076</b>
Current liabilities	8,821,237	10,502,958
Non-current liabilities	31,244,445	27,013,785
<b>TOTAL LIABILITIES</b>	<b>40,065,682</b>	<b>37,516,743</b>
<b>NET LIABILITIES</b>	<b>24,065,908</b>	<b>19,917,667</b>

The decrease in total assets was primarily due to a reduction of \$735 million in the value of SICorp's investment portfolio. Other reasons include a decrease of \$597 million in the value of land and building assets transferred to the State Property Authority (formed on 1 July 2007) and a \$313 million decrease in cash and deposits at call of the Electricity Tariff Equalisation Ministerial Corporation.

The increase in total liabilities was primarily due to a \$3.1 billion increase in the Crown Entity's unfunded superannuation liability from \$14.4 billion to \$17.5 billion.

### Events since 30 June 2008

Since balance date, the Crown Entity's net unfunded superannuation liability has increased. Financial assets supporting the State's defined benefits superannuation schemes have decreased in value by approximately \$1.6 billion due to the deterioration in value of domestic and international share markets. The unrealised market value decline in SICorp's investments was approximately \$109 million.

## CROWN ENTITY ACTIVITIES

The Crown Entity conducts both core government and commercial activities. It reports on those service-wide assets and liabilities that are the overall responsibility of government, rather than individual government departments or statutory authorities.

Core government activities include:

- Consolidated Fund - activities include collecting State taxes, Commonwealth grants, financial distributions from non-budget dependent agencies, and paying recurrent and capital appropriations to budget dependent agencies
- Crown Finance Entity - administers the Service-wide programs funded from the Consolidated Fund. The main activities are:
  - servicing the Crown Entity's debt portfolio
  - providing asset/liability management
  - providing structured finance activities
  - administering superannuation and long service leave liabilities for budget dependent agencies
  - providing loans, grants and subsidies to public sector bodies.

Commercial activities comprise:

- State Rail Authority Residual Holding Corporation - holds all the cross border rolling stock leases from the former State Rail Authority of New South Wales
- Crown Lands Home Sites Program - develops and sells Crown land for home sites in urban areas
- Land Development Working Account - develops and sells Crown land for residential and commercial purposes in country New South Wales
- NSW Self Insurance Corporation - administers the assets and outstanding claims liabilities of insurance funds formerly managed by the Government Insurance Office
- Electricity Tariff Equalisation Ministerial Corporation - administers the Electricity Tariff Equalisation Fund. The Corporation's purpose is to maintain the ability of retail electricity suppliers to supply electricity at regulated retail tariffs
- Liability Management Ministerial Corporation - administers the General Government Liability Management Fund. The Corporation's purpose is to hold contributions from the Crown Entity, invest this money and pay employer contributions into the State's defined superannuation funds
- Crown Leaseholds Entity - collects Crown land purchase instalments and generates income from leases, licenses and permissive occupancies. It reports on the value of vacant Crown land and manages Crown Reserves.

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# Crown Leaseholds Entity

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## AUDIT OPINION

The audit of the Entity's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Aboriginal Land Claims Granted

We recommend legal title over land granted to successful Aboriginal land claimants be transferred as soon as practicable.

The Entity has a \$1.0 billion liability for land claims granted to local Aboriginal Land Councils under the *Aboriginal Land Rights Act 1983*. During 2007-08, only \$1.6 million of the liability had been transferred to the Councils.

In 2006-07, enhancements in geospatial technology enabled the Entity to determine a reliable estimate of Aboriginal land claims granted but not transferred. As these claims were granted over a number of years, the value was recognised as a prior period error in the financial report.

The land is included as both an asset and a liability of the Entity on the basis that whilst the Crown retains control of the land until legal title has passed, a present obligation exists to transfer the land.

### Crown Land Revaluation

A revaluation of the Entity's land holdings was performed by the Valuation Services Division within Land and Property Information NSW (LPI). We reviewed the revaluation and were satisfied the revaluation methodology provided a materially accurate valuation of land holdings.

The value of the Entity's land holdings increased by \$236 million to \$6.3 billion as a result of the revaluation exercise.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
<b>TOTAL REVENUE</b>	<b>128,783</b>	92,923
Loss on disposal of land	58,166	31,349
Aboriginal Land Council - claims granted	13,397	25,508
Decrement on revaluation of land	35,444	14,866
Other expenses	17,584	16,518
<b>TOTAL EXPENSES</b>	<b>124,591</b>	88,241
<b>SURPLUS</b>	<b>4,192</b>	4,682

The increase in revenue arose mainly from a transfer of land declared to be Crown Land to the Entity for no consideration, valued at \$41.7 million (\$4.0 million).

The claims granted to Aboriginal Land Councils of \$13.4 million (\$25.5 million) resulted from the granting and revaluation of Crown Land to various Aboriginal Land Councils.

The decrement on revaluation of \$35.4 million (\$14.9 million) resulted from the revaluation of land transferred to other government agencies.

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	31,277	35,706
Non-current assets	6,322,274	6,178,043
<b>TOTAL ASSETS</b>	<b>6,353,551</b>	6,213,749
Current liabilities	27,941	26,779
Non-current liabilities	1,021,144	1,009,359
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,049,085</b>	1,036,138
<b>NET ASSETS</b>	<b>5,304,466</b>	5,177,611

Crown Land was revalued in 2007-08 resulting in a net increase in value of \$236 million (\$519 million in 2006-07).

The value of land held at 30 June 2008 was \$6.3 billion, comprising untenured Crown Land valued at \$5.7 billion and Crown Land under tenure valued at \$565 million. Untenured Crown Land includes land on the continental shelf within the Three Nautical Mile Zone valued at \$359 million and granted Aboriginal land title claims not transferred valued at \$1.0 billion.

Annually, the Entity transfers cash generated from its operations to the Consolidated Fund. In 2007-08, \$64.6 million (\$54.8 million) was transferred.

## **ENTITY ACTIVITIES**

The Entity reports the value of untenured Crown Land and Crown Land under tenure. It collects instalments arising from the sale of Crown Lands and generates revenues from leases, licences and permissive occupancies of Crown Land. The Entity's activities are administered by the Department of Lands, reported separately at the request of The Treasury, and its financial report is consolidated in the financial report of the Crown Entity.

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# Electricity Tariff Equalisation Ministerial Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Fluctuating Electricity Prices

During 2007-08, the electricity wholesale price fluctuated significantly due to the volatility of the spot price. The average spot price in New South Wales for 2007-08 was \$41.66 per megawatt hour (MWh), a decrease of 29 per cent from the 2006-07 average of \$58.72 per MWh. This improved the net assets of the Corporation at 30 June 2008.

In 2006-07, the New South Wales Government-owned generators contributed \$121 million to the Electricity Tariff Equalisation Fund (the Fund) as a result of the significant increase in the spot price during June 2007. The Corporation is required to return the funds to generators when the Fund has available surplus assets.

During 2007-08, there were weeks where retailers contributed to the Fund as a result of the decrease in the wholesale price. This created surplus funds that were subsequently transferred to generators to repay their contribution. As at 30 June 2008, the Corporation had repaid \$61.0 million to generators.

### Termination of the Fund (Repeat Issue)

We recommend The Treasury consider amending the *Electricity Supply Act 1995* (the Act) or payment rules to specify how surplus funds are to be disbursed when the Fund is terminated at 30 June 2010.

As previously reported, there is no provision in the Act or the payment rules for the disbursement of surplus funds (if any) upon the Fund's termination, although we understand the Electricity Generation and Retail Taskforce is revising its strategy to cover the distribution of any surplus in the fund when it terminates.

In response to the volatility of the spot price, the New South Wales Government, in consultation with the Minister for Energy, decided to defer the phase out of the Fund from September 2008 to March 2009. The Fund will now support 100 per cent of electricity supply to small retail customers in New South Wales up to 28 March 2009, then will reduce to 60 per cent from April 2009, 40 per cent from September 2009, 20 per cent from March 2010 and will wind up in June 2010.

## FINANCIAL INFORMATION

## Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Tariffs to retailers	101,511	582,198
Tariffs to generators	151,354	--
Other	40	285
<b>TOTAL EXPENSES</b>	<b>252,905</b>	<b>582,483</b>
Tariffs from retailers	91,611	168,942
Tariffs from generators	161,283	120,984
Other	915	20,424
<b>TOTAL REVENUES</b>	<b>253,809</b>	<b>310,350</b>
<b>SURPLUS/(DEFICIT)</b>	<b>904</b>	<b>(272,133)</b>

## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Total assets	12,205	434,027
Total liabilities	12,123	434,849
<b>NET ASSETS/(LIABILITIES)</b>	<b>82</b>	<b>(822)</b>

Total assets comprise cash, \$100,000 and receivables from retailers/generators, \$12.1 million. Total liabilities mainly represent the amounts payable to retailers/generators. The reduction in both total assets and liabilities is a result of the lower electricity wholesale prices in June compared to the prior year.

## CORPORATION ACTIVITIES

The Corporation's purpose is to maintain the ability of standard retail electricity suppliers to supply electricity at regulated retail tariffs. The Independent Pricing and Regulatory Tribunal regulate the tariffs that retailers charge standard customers.

New South Wales Government-owned retailers of electricity pay into the Fund when electricity pool prices are lower than the energy cost component of the regulated price paid by customers. When pool prices are higher than the energy cost component, the Fund pays retailers so they can purchase wholesale electricity and still earn a regulated margin. New South Wales Government-owned generators cover any shortfall in the Fund.

The Corporation is a statutory body representing the Crown. It is managed by the Treasurer and was created to administer the Electricity Tariff Equalisation Fund. The *Electricity Supply Act 1995* constituted the Corporation and the Fund in January 2001.



# Energy Industries Superannuation Scheme

## AUDIT OPINION

The audit of the Scheme and its controlled entity's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

The following commentary relates to the consolidated entity Energy Industries Superannuation Scheme Pool B and Energy Industries Superannuation Pool A (the Schemes).

## PERFORMANCE INFORMATION

The Scheme's investment strategies are designed to achieve competitive investment returns over timeframes appropriate for superannuation investments.

Member benefits in Pool A, the accumulation scheme, are affected directly by the investment return of the Scheme. The member benefits in Pool B, the defined benefits scheme, are less affected by scheme performance because benefits are mainly determined by the member's length of service and final salary.

The accumulation scheme's annual returns for the superannuation product over the last four years are:

### Pool A

Year ended 30 June	2005	2006	2007	2008	2008 Median Manager % (b)
	% (a)	% (a)	% (a)	% (a)	
High growth	13.3	19.0	14.5	(12.16)	(9.45)
Diversified	12.1	15.0	12.6	(8.74)	(7.48)
Balanced	10.7	11.1	10.0	(5.21)	(3.9)
Capital guarded	9.5	7.2	7.3	(1.37)	(0.29)
Cash plus	4.3	4.4	6.3	5.34	4.99

(a) Source: Trustee.

(b) Source: Super Ratings Pty Ltd.

The defined benefit scheme's annual 'Trustee Selection' returns over the last four years are:

### Pool B

Year ended 30 June	2005	2006	2007	2008
Fund % (a)	12.3	18.2	15.4	(8.61)
Median manager % (b)	12.8	14.2	15.6	(9.45)
Fund quartile rank	3.0	1.0	3.0	2.0

(a) Source: Trustee.

(b) Source: 2008, 2007, 2006, and 2005 - Super Ratings Pty Ltd for Diversified Funds.

Subsequent to year-end there has been continued volatility in investment markets as a result of the global credit crisis. As noted above, Pool B is a defined Benefit Fund, the vested benefits of the Fund as at 30 June 2008 were \$1.4 billion. This compares to net assets available to pay benefits of \$21.4 billion, which results in a vested benefit ratio of 134 per cent. The Trustee continues to monitor the financial position of the Schemes.

## OTHER INFORMATION

We identified opportunities to improve internal controls and administration of the Schemes and reported them to management.

## FINANCIAL INFORMATION

### Abridged Operating Statement - Pool A

Year ended 30 June	2008 \$'000	2007 \$'000
Contribution revenue:		
Employers	96,978	77,587
Members	142,356	119,442
	239,334	197,029
Investment (loss)/revenue	(57,442)	75,022
Investment expenses	(2,900)	(2,295)
	(60,342)	72,727
<b>TOTAL REVENUE</b>	<b>178,992</b>	<b>269,756</b>
Scheme administration expenses	7,194	4,767
Surcharge expense	57	393
Income tax expense	8,221	16,614
<b>TOTAL EXPENSES</b>	<b>15,472</b>	<b>21,774</b>
<b>INCREASE IN NET ASSETS</b>	<b>163,520</b>	<b>247,982</b>
Benefits paid	65,239	49,551

## Abridged Balance Sheet - Pool A

At 30 June	2008 \$'000	2007 \$'000
Investments:		
Short-term securities	378	359
Trusts	802,504	709,031
	802,882	709,390
Other assets	29,265	26,301
<b>TOTAL ASSETS</b>	<b>832,147</b>	<b>735,691</b>
Liabilities	(10,620)	(14,149)
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>821,527</b>	<b>721,542</b>

## Statement of Changes in Net Assets - Pool B

Year ended 30 June	Consolidated		Pool B	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Contribution revenue:				
Employers	93,160	89,823	93,160	89,823
Members	6,957	18,877	6,957	18,877
	100,117	108,700	100,117	108,700
Investment (loss)/revenue	(232,137)	386,228	(191,776)	310,573
Investment expenses	(9,572)	(10,266)	(8,142)	(8,619)
Net investment revenue	(241,709)	375,962	(199,918)	301,954
<b>NET REVENUE</b>	<b>(141,592)</b>	<b>484,662</b>	<b>(99,801)</b>	<b>410,654</b>
Benefits paid	131,263	92,178	131,263	92,178
Scheme administration expenses	8,217	7,857	8,217	7,857
Surcharge expense	15	563	15	563
Income tax (expense)/benefit	(13,160)	35,094	(13,160)	35,094
<b>TOTAL EXPENSES</b>	<b>126,335</b>	<b>135,692</b>	<b>126,335</b>	<b>135,692</b>
Minority interest	41,791	(74,008)	--	--
<b>(DECREASE)/INCREASE IN NET ASSETS</b>	<b>(226,136)</b>	<b>274,962</b>	<b>(226,136)</b>	<b>274,962</b>

## Statement of Net Assets - Pool B

Year ended 30 June	Consolidated		Pool B	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investments:				
Unit trusts	2,226,731	2,308,646	1,913,905	1,999,118
Property	--	185,740	--	185,740
Securities	390,869	294,627	--	--
	2,617,600	2,789,013	1,913,905	2,184,858
Other assets	135,298	142,673	29,523	15,186
<b>TOTAL ASSETS</b>	<b>2,752,898</b>	<b>2,931,686</b>	<b>1,943,428</b>	<b>2,200,044</b>
Liabilities	36,567	82,353	28,290	58,770
Minority interest	801,193	708,059	--	--
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>1,915,138</b>	<b>2,141,274</b>	<b>1,915,138</b>	<b>2,141,274</b>

The consolidated entity comprises Pool B and its subsidiary, the Energy Investment Fund. The Pool B Scheme is fully funded.

## SCHEME ACTIVITIES

The *Superannuation Administration Act 1996* provided for the establishment of two entities for the administration of New South Wales Energy Industries employees superannuation:

- Energy Industries Superannuation Scheme (EISS) - Pool A and Pool B
- Energy Industries Superannuation Scheme Pty Limited - the Trustee of the Energy Industries Superannuation Schemes.

There are two distinct superannuation plans - EISS Pool A and EISS Pool B. Separate financial reports are prepared for each pool.

EISS Pool A is an accumulation plan comprising:

- Division A (accumulation scheme) - former members of the First State Superannuation Scheme
- Division E (executive scheme) - former members of the Public Sector Executives Superannuation Scheme
- Division F - allocated pensions and rollover plans
- Division N (Electrical Contractors Division) - established for employers in the electrical contracting industry.

EISS Pool B is a defined benefit scheme and comprises:

- Division B (retirement scheme) - former members of the State Authorities Superannuation Scheme
- Division C (basic benefit scheme) - former members of the State Authorities Non-contributory Superannuation Scheme
- Division D (defined benefit scheme) - former members of the State Superannuation Scheme.

Futureplus Financial Services Pty Limited (Futureplus) provides executive, managerial and administrative service to EISS and its Trustee. The custodial service for the Energy Investment Fund and EISS is provided by JP Morgan Chase Bank. Funds management is provided by a number of discrete managers and pooled trusts.

For further information, refer to [www.eisuper.com.au](http://www.eisuper.com.au).

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#### 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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Energy Investment Fund
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# NSW Self Insurance Corporation

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## AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in a qualified Independent Auditor's Report. A similarly qualified Independent Auditor's Report was also issued for the Treasury Managed Fund.

We issued qualified opinions because the Corporation applied Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' to its general insurance contracts instead of Accounting Standard AASB 1023 'General Insurance Contracts'. AASB 1023 is applicable to the Corporation's insurance operations because it is an insurer. The Corporation chose to apply the same accounting policies as those used for the Total State Sector Accounts to avoid confusion for users of the Corporation's and Total State Sector Accounts' financial reports that may occur if different accounting policies were applied. Had the Corporation applied AASB 1023, its liabilities would have increased by a material amount and net assets decreased by the same amount. The Corporation would also have had to make additional disclosures about its general insurance contracts.

If the Corporation had adopted AASB 1023 there would have been no impact on the Total State Sector Accounts as the differences in accounting standards would have been eliminated on consolidation.

## KEY ISSUES

### Claim Liabilities Understated - Repeat Issue

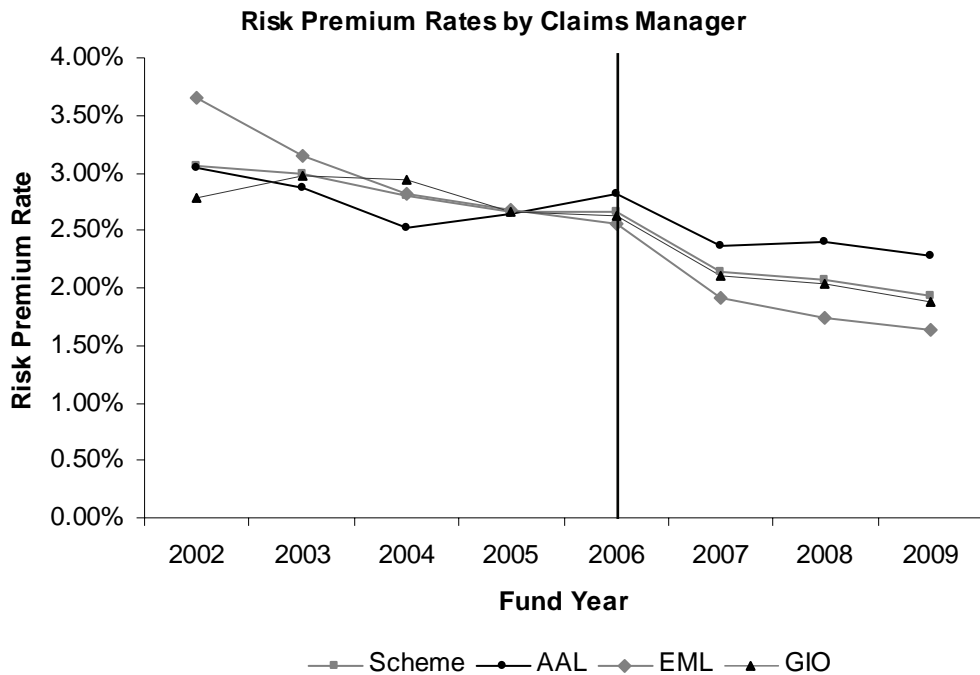
We recommend that the Corporation use a discount rate that meets the requirements of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' to discount its gross liabilities.

Claim liabilities were understated by \$131 million (\$128 million in 2006-07) because the Corporation used an inappropriate rate (investment rate) to discount gross liabilities to their present value. We do not believe a discount rate based on the expected rate of return on investments meets the requirements of Australian Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

The Corporation believes the discount rate adopted meets the requirements of AASB 137, as the standard does not state that a risk-free rate must be used.

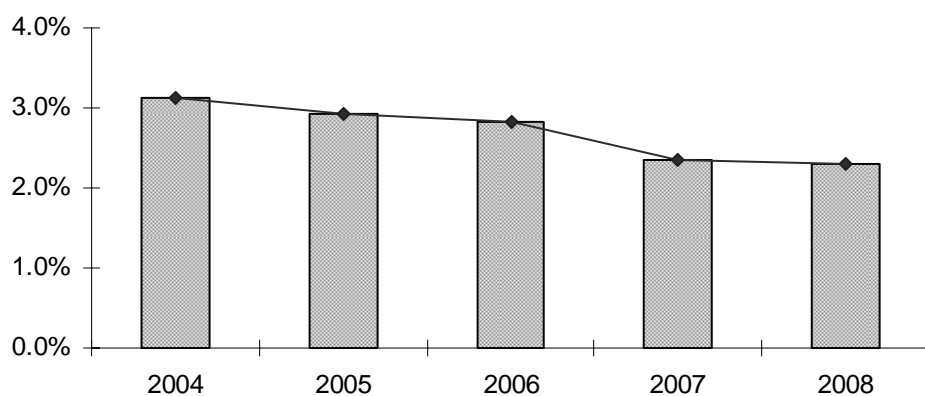
**PERFORMANCE INFORMATION**

The Corporation included the following premium performance indicators in its 2007-08 Annual Report.



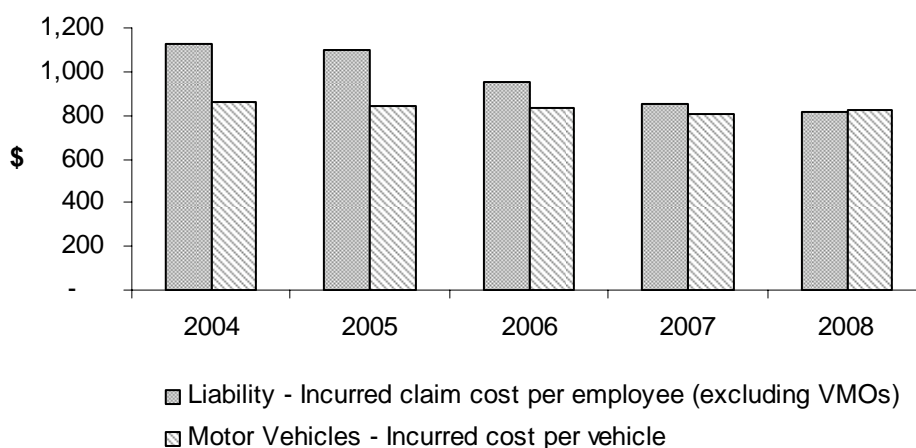
The graph demonstrates the performance of the three portfolios prior to and following the commencement of the new arrangements in 2005. Each portfolio has individual characteristics that influence outcomes. There has been improvement in each portfolio since the introduction of the multi claims manager model in 2005.

**Workers Compensation Premiums as a percentage of Wages**



Workers' compensation premiums have fallen from 3.1 per cent of wages in 2003-04 to 2.3 per cent of wages in 2007-08 due to a reduction in the number and size of claims. The Corporation has forecast premiums will decrease to 1.9 per cent of wages in 2008-09.

### Liability and Motor Vehicle Premiums



The Corporation advised that the cost of liability policies has decreased over the past two years due to Tort law reforms introduced in 2002.

#### OTHER INFORMATION

##### Delays in Financial Incentives

The Corporation uses hindsight premium adjustments to motivate agencies to adopt best practices in risk management. Changes in legislation have complicated calculation methods resulting in delayed adjustments. However, in recent years, hindsight payments have been made on an annual basis. The Corporation has advised it is still reviewing the basis of calculation.

#### FINANCIAL INFORMATION

The financial results of the insurance funds that comprise the Corporation - the Treasury Managed Fund, the Transport Accidents Compensation Fund and the Governmental Workers Compensation Account - are aggregated for reporting.

##### Abridged Income Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Premium revenue	795,114	820,103
Investment (loss)/gain	(355,259)	555,046
Other	29,482	51,744
<b>TOTAL REVENUE</b>	<b>469,337</b>	<b>1,426,893</b>
Claim expense	619,394	521,196
Outward reinsurance	28,884	29,944
Payments to the New South Wales Government	300,000	910,000
Other	39,373	35,956
<b>TOTAL EXPENSES</b>	<b>987,651</b>	<b>1,497,096</b>
<b>DEFICIT</b>	<b>518,314</b>	<b>70,203</b>



Premium revenue (including premium hindsight adjustments) decreased by 3.1 per cent from \$820 million to \$795 million. This was primarily due to the following:

- a reduction in the number of reported workers compensation claims
- a reduction in the estimated number of ultimate specific injury claims in line with experience to date
- a reduction in workers' compensation legal payments
- improvements in liability claims experience, largely as a result of reforms which have reduced claim numbers and average claim sizes.

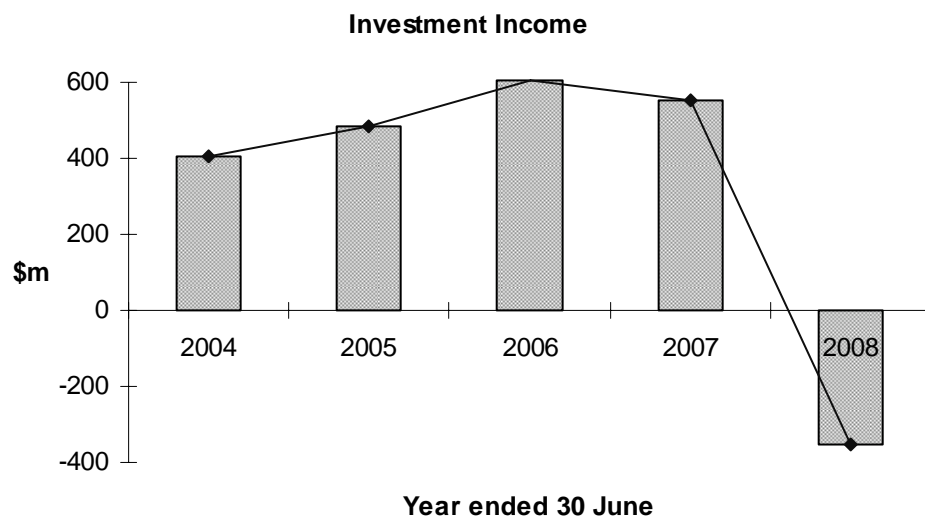
Investment income decreased by \$910 million in 2007-08 due to negative returns in the following asset classes, due to the deterioration in the value of Domestic and International share markets.

Asset Class	2008 Return %
Australian Shares	(17.1)
Indexed Australian Shares	(13.6)
International Shares	(21.9)
Indexed International Shares	(21.0)
Listed Property	(21.4)

Source: Self Insurance Corporation.

The negative returns were offset by positive returns in Cash (6.8 per cent), Australian Bonds (5.0 per cent) and International Bonds (9.6 per cent).

The table below details investment income from 2004 to 2008:



## Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Cash and investments	4,289,239	4,975,547
Other	276,689	311,087
<b>TOTAL ASSETS</b>	<b>4,565,928</b>	<b>5,286,634</b>
Claims liabilities	4,107,167	4,306,349
Other	128,527	131,737
<b>TOTAL LIABILITIES</b>	<b>4,235,694</b>	<b>4,438,086</b>
<b>NET ASSETS</b>	<b>330,234</b>	<b>848,548</b>

The Corporation's financial assets are managed by the New South Wales Treasury Corporation under a Memorandum of Understanding.

The Corporation paid \$300 million to the Crown Entity in accordance with its 'Net Assets Holding Level Policy'. This policy was implemented to ensure the Corporation does not accumulate excessive net assets. The Corporation does not intend to pay any money to the Crown Entity in 2008-09.

Claims liabilities decreased by \$199 million in 2007-08 primarily due to revised actuarial assumptions as a result of better than expected claims experience.

## CORPORATION ACTIVITIES

The NSW Self Insurance Corporation is managed by The Treasury. The Corporation administers the assets and outstanding claims liabilities of insurance funds formerly managed by the Government Insurance Office.

The Corporation's insurance funds include the Treasury Managed Fund.

## Treasury Managed Fund

The Treasury Managed Fund encompasses 95 per cent of the Corporation's insurance business. At the whole-of-government level, it is a self-insurance scheme, comprising all General Government Sector budget dependent agencies, public hospitals and some General Government Sector non-budget dependent agencies. The Treasury Managed Fund provides unlimited cover in respect of the following classes insurable risks:

- workers' compensation as per New South Wales statute
- liability (including but not limited to public liability, products liability, professional indemnity, directors/officers liability and medical malpractice)
- property, comprehensive motor vehicle and miscellaneous (notably personal accident and protection for overseas travellers). The premium-based structure incorporates hindsight adjustments to workers compensation and motor vehicle premiums.

As at 30 June 2008, the Treasury Managed Fund provided services to 113 agencies. Membership is mandatory for budget dependent agencies and is available at the Treasurer's discretion for non-budget dependent agencies.

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# Parliamentary Contributory Superannuation Fund

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## AUDIT OPINION

The audit of the Fund's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Unfunded Liabilities

Unfunded liabilities, being the difference between net assets held by the Fund and accrued superannuation benefits, increased from \$40.3 million at 30 June 2007 to \$88.6 million at 30 June 2008.

The Fund's actuary performs a review of the Fund every three years to recommend employer contributions to fully fund the scheme over the medium term. In the 2005 triennial review, the actuary recommended Crown contributions of between \$10.0 million and \$15.0 million for 2005-06, indexed at four per cent per annum thereafter. The Fund's actuary is currently compiling the 2008 triennial review, which will be finalised in December 2008.

The Treasurer has established a medium term funding level target of 80 per cent for the Fund to minimise the possibility of the Fund becoming over funded. As the previous funding level exceeded the target, the Treasurer suspended Crown contributions for the period 1 July 2006 to 30 June 2008. In April 2008, the Treasurer approved the continuation of the suspension of Crown contributions for the period 1 July 2008 to 30 June 2011.

Contributions by fund members are fixed at 12.5 per cent of salary as a member, Minister or office holder. The Crown is responsible for the unfunded liability.

Superannuation unfunded liabilities	2006	2007	2008
Net reported accrued benefits (\$'000)	303,513	339,700	<i>343,581</i>
Net assets available to pay benefits (\$'000)	271,315	299,353	<i>254,982</i>
Unfunded liabilities	32,198	40,347	<i>88,599</i>
Unfunded liabilities (%)	10.6	11.9	<i>25.8</i>

Unfunded liabilities increased to 25.8 per cent of accrued superannuation benefits at 30 June 2008 due to the significant fall in investment returns. This resulted in the funding level falling below the established 80 per cent target.

## PERFORMANCE INFORMATION

### Fund Returns

The Fund's investment strategy is intended to minimise the long-term cost of the Fund to the taxpayer. The Fund's investment return for 2008 was negative 8.9 per cent, which was below the Fund's performance benchmark by 0.4 per cent. The Fund has, however, performed in line with its benchmark over the last five years.

The Fund's five year return was 10.9 per cent, while the average manager five year return was marginally higher at 11.1 per cent per annum.

The Fund's annual returns over the last five years were:

Year ended 30 June	2004	2005	2006	2007	2008
Fund % pa	18.2	13.5	16.4	17.9	(8.9)
Average manager % pa	16.4	14.7	17.4	16.2	(9.3)
Quartile rank %	1.0	4.0	3.0	1.0	2.0

Source: Fund Administrator.

Most member benefits are calculated using the member's salary and years of membership, with a small number of benefits affected by Fund performance.

## OTHER INFORMATION

### Member Information

Member Categories	2007	2008
Number of contributing member accounts at year-end	102	102
Number of pensioner accounts at year-end	261	260
Number of deferred benefit member accounts at year-end	4	4

Source: Parliamentary Contributory Superannuation Fund.

Notes:

- There are four former members who have an entitlement suspended under the provisions of section 25(2) of the *Parliamentary Contributory Superannuation Act 1971*, because they are currently a member of another Australian Parliament.
- There is one former member who has an entitlement suspended under the provisions of section 19AA(2) of the *Parliamentary Contributory Superannuation Act 1971*, because proceedings relating to a serious offence are pending.

## FINANCIAL INFORMATION

### Statement of Changes in Net Assets

Year ended 30 June	2008 \$'000	2007 \$'000
Contribution revenues:		
Members	1,918	2,093
Net investment revenue	(28,001)	46,234
<b>TOTAL REVENUE</b>	<b>(26,083)</b>	<b>48,327</b>
Benefits paid	19,188	18,969
Scheme administration expenses	548	477
Surcharge expense	284	812
Income tax (benefit)/expense	(1,732)	31
<b>TOTAL EXPENSES</b>	<b>18,288</b>	<b>20,289</b>
<b>(DECREASE)/INCREASE IN NET ASSETS</b>	<b>(44,371)</b>	<b>28,038</b>

## Statement of Net Assets

Year ended 30 June	2008 \$'000	2007 \$'000
Investments:		
Short-term securities	649	2,785
Fixed interest	58,616	59,769
Equities	137,809	164,248
Trusts	40,926	42,761
<b>Total investments</b>	<b>238,000</b>	<b>269,563</b>
Other assets	21,459	34,639
<b>TOTAL ASSETS</b>	<b>259,459</b>	<b>304,202</b>
Less liabilities	4,477	4,849
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>254,982</b>	<b>299,353</b>

## FUND ACTIVITIES

The Fund is a superannuation scheme for members of the Legislative Council and the Legislative Assembly. It has eight trustees: two from the Legislative Council; five from the Legislative Assembly; and the Secretary of the Treasury. The Trustees are responsible for managing the Fund.

The Fund was closed to new members following the 2007 New South Wales general election. The Fund however continues to provide the superannuation arrangements for those sitting members who remained in Parliament after that election.

## Governing Act

The Fund operates under the *Parliamentary Contributory Superannuation Act 1971*. Key scheme features are:

- members contribute at the rate of 12.5 per cent of gross salary
- a pension is payable after seven years service at a rate of 48.8 per cent of the current basic Parliamentary salary for a private member. The rate increases by 0.2 per cent of salary for each extra month of service until, at 20 years of service, it reaches the maximum, (i.e. 80 per cent of the current basic salary rate). The rate is then also increased by the ratio of total salaries received (including payment for serving as a Minister) to total basic salary received. Members joining the scheme after 6 December 1999 must attain a minimum age of 55 years before a retirement pension may be paid
- a spouse's pension at 75 per cent of a deceased member's entitlement with a minimum of 45 per cent of current basic Parliamentary salary, if the member joined the scheme after 12 November 1979. Otherwise, a spouse's pension is the greater of 62.5 per cent of a deceased member's full pension entitlement and 40 per cent of the current basic Parliamentary salary
- a pension entitlement for children less than 18 years of age or full-time students less than 25 years of age at the rate of ten per cent of the current basic Parliamentary salary where there is no surviving spouse or five per cent where there is a surviving spouse
- pensions are adjusted in line with movements in members' basic salaries

- pensions continue to be payable to former members who accept office or hold a place of profit under the Crown
- members who leave Parliament after less than seven years of service receive a refund of contributions plus a supplementary benefit. The supplementary benefit is two and one-third times the contributions paid by a member whose service is involuntarily terminated and one and one-sixth times for voluntary termination
- part or all of a member's or spouse's pension may be commuted to a lump sum payment at the rate of ten times the amount of annual pension entitlement so commuted. The spouse pension may only be commuted where the former member dies in service
- new members of New South Wales Parliament from March 2007 are not eligible to join the Fund. They may have contribution paid to a fund of their choice.

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# SAS Trustee Corporation - Pooled Fund

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## AUDIT OPINION

The audits of the Fund, its controlled entities and its trustee's financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

### Unfunded Liabilities

Unfunded liabilities (the difference between net assets held by the Fund and accrued superannuation benefits) increased from \$9.8 billion at 30 June 2007 to \$14.9 billion at 30 June 2008. Unfunded liabilities as a percentage of the total accrued benefits increased in the 2008 financial year due to unfavourable investment returns as a result of the global credit crisis.

The Crown Entity and other contributing employers are responsible for meeting the unfunded liability. Contributions by members are generally fixed in terms of their salary and age.

Year ended 30 June	2005	2006	2007	2008
<b>Superannuation unfunded liabilities</b>				
Accrued benefits (\$m)	44,066	45,770	48,426	<b>49,093</b>
Net assets available to pay benefits (\$m)	25,901	28,578	38,587	<b>34,214</b>
Percentage unfunded	41.2	37.6	20.3	<b>30.3</b>
Net assets including funds in LMMC <sup>1</sup> (\$m)	29,956	34,849	38,587	<b>34,214</b>
Percentage unfunded	32.0	23.9	20.3	<b>30.3</b>

<sup>1</sup> Liability Management Ministerial Corporation (LMMC).

## Actuarial Review

The Fund's legislation requires an actuarial review of the Fund every three years. The last review was completed during 2006-07 in respect of 30 June 2006.

The 2006 actuarial review estimated that unfunded liabilities at 30 June 2008 would be \$11.4 billion. The actual unfunded liabilities at 30 June 2008 were \$14.9 billion.

The Audit Office engaged the Commonwealth Government Actuary to independently assess the 30 June 2006 triennial review carried out by the Scheme Actuary. The Actuary concluded that the economic assumptions used by the Scheme actuary were reasonable. Work on the 30 June 2009 triennial review is currently underway to update these estimates.

It is important to recognise that there may be significant differences between an actuarially projected amount and the actual outcome. Actuarial estimates involve many assumptions and judgements, such as future investment earnings, and an acceptable range will exist within which the specific assumption may fall. The real assessment of what assumption was correct can only be carried out in hindsight. Actual investment earnings, increases in pensions and member salaries, and the flow of employer contributions all impact the actual unfunded liability.

### Scheme Funding

In 2007-08, benefit payments exceeded contributions resulting in a cash outflow of \$1.4 billion (\$5.1 billion cash inflow in 2006-07 due to the transfer of \$7.2 billion from the LMMC).

A long-term target of the *Fiscal Responsibility Act 2005* is to eliminate Total State Sector unfunded superannuation liabilities by 30 June 2030. The 2008-09 Budget Papers stated that planned employer cash contributions are currently set at a level where general government sector net unfunded superannuation liabilities should peak in 2013 and will be fully funded by 2030. By 2030 therefore, the assets of the fund, plus future expected investment returns, should ensure that no further Crown employer contributions will be required to fund scheme benefit payments.

### Response to Current Investment Markets

The Fund Board, in conjunction with its Asset Consultant, formally reviews the strategic asset allocation annually. Embedded in the strategy is the outlook for asset class returns over the next three to five years. The strategy is monitored on a regular basis during the year and if appropriate, adjustments are made to the Strategy.

In anticipation of a more challenging investment environment, the Board and its Asset Consultant had, for the last two years, gradually incorporated a number of defensive elements into the portfolio which have proven to be beneficial in the current investment environment. At an asset allocation level these elements included:

- increases to direct infrastructure with stable cash-flows that are fairly recession proof in nature
- the exposure to direct property has been broadened to include global unlisted property
- the allocation to cash was increased
- the global bond portfolio has been invested in sovereign bonds only.

In the short-term, there has been no change to the strategic asset allocation, but the Board and its Asset Consultant are constantly looking for investment opportunities which are expected to provide long-term investment returns in excess of the Fund's actuarial earnings rate.

The measures outlined above have not prevented the Fund's growth option from delivering negative returns over the past 12 months, but the relative performance has been better than the median manager in the Intech Super Growth Survey, which consists of 68 growth products offered by other superannuation funds.

### Securities Lending

The Fund has participated in a securities lending program managed by its master custodian JPMorgan Chase Bank NA since 2000. The design and extent of the program is conservative and risk-controlled and includes:

- an overall limit on the proportion of the total fund that can be lent
- borrowers are subject to strict due diligence by the custodian
- borrowers are required to supply collateral of between 102 per cent and 105 per cent with the custodian indemnifying the Fund against any collateral shortfall.

Cash collateral is invested in a cash fund with tight constraints as to credit rating and duration.



## Hurt on Duty Benefit Payments

In Volume Five of the 2007 Report to Parliament we reported that a high proportion of members of the Police Superannuation Scheme (PSS) retire 'hurt on duty' (a type of invalidity retirement benefit). For the year ended 30 June 2008, 514 PSS members retired hurt on duty representing 94 per cent of total scheme exits. This is significantly higher than the 278 members or 78 per cent of members who retired hurt on duty in 2007.

The Trustee has undertaken an independent review of its administrative procedures and implemented a number of recommendations including:

- submissions to Police Superannuation Advisory Committee (PSAC), who assess each application, now require more supporting information than in prior years
- a requirement for independent medical specialist reports to support all applications
- implementation of key performance indicators for each step of the process to help the Trustee and PSAC monitor the progress of each application.

These changes are designed to provide a more consistent and robust process when assessing and processing hurt on duty benefits. The changes will also provide the NSW Police Force with information to help manage injured officers. The Auditor-General is currently finalising a performance audit report on how the NSW Police Force manages injured officers. The performance audit will assess the framework for managing and rehabilitating injured officers and whether the NSW Police Force is successful in reducing the impact of injuries.

## PERFORMANCE INFORMATION

### Investment Returns

Most benefits are a function of the member's salary and years of membership, not the Fund's performance. The Crown Entity and other contributing employers carry most of the risks and benefits of the Fund's performance. The State Authorities Superannuation Scheme (SASS), however, also has a member-funded accumulation component.

From November 2003, members of SASS were given the option of choosing an investment strategy for their member contributions. Investments in all other schemes are held in a growth strategy. At 30 June 2008 for members able to choose an investment strategy, 96.2 per cent of total assets were held in the growth strategy. In 2007-08, there was a 309.5 per cent increase in SASS members' balances held in a cash investment strategy. This trend is continuing into 2008-09.

The Fund's investment objective for the growth strategy is to achieve investment returns over a ten year period in excess of the consumer price index by a margin of 4.5 per cent per annum. The Fund achieved 6.6 per cent return per annum in the ten years to 30 June 2008 (8.5 per cent to 30 June 2007), compared to the long-term target of 7.7 per cent.

The Fund's short term performance is monitored by comparing its returns to the median growth manager. In 2007-08, the return was negative 7.3 per cent (15.1 per cent) which compared with the negative 7.7 per cent return generated by the median growth manager.

The Fund's annual investment returns over each of the last five years were:

Year ended 30 June	2004	2005	2006	2007	2008
Pooled fund (%)	13.5	13.0	16.1	15.1	(7.3)
Median manager (%) (a)	13.9	13.2	14.9	15.4	(7.7)
Pooled fund quartile rank (one is top quartile)	3	3	1	3	2

Source: SAS Trustee Corporation (STC).

(a) Median manager in the Intech survey of growth managers.

### Administration and Investment Costs

Year ended 30 June	2004	2005	2006	2007	2008
Investment fees (\$'000)	65,900	59,400	60,100	81,000	109,100
Administration costs (\$'000)(a)	36,500	34,800	33,700	32,600	32,700
Administration cost as a % of FUM (b)	0.15	0.14	0.12	0.10	0.09
Direct investment fees as a % of FUM (b)	0.29	0.24	0.22	0.24	0.30

(a) Includes Trustee and administration costs.

(b) FUM is average Funds Under Management during the year.

Whilst administration costs are similar to last year, but lower than previous years, it is a challenge for the Trustees to control administration costs when measured on a per member basis. This is because the schemes are closed and membership numbers are declining.

Employers meet the majority of the administration costs of the various schemes. A significant number of members in the various schemes making up the Fund do not pay administration fees, as this is not required by the relevant Scheme Act.

### OTHER INFORMATION

We identified other opportunities for minor improvements to accounting and internal control procedures and have reported them to management.

## FINANCIAL INFORMATION

## Abridged Statement of Changes in Net Assets

Year ended 30 June	2008 \$m	2007 \$m
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF FINANCIAL YEAR</b>	<b>38,587.0</b>	<b>28,578.1</b>
Investment revenue	1,941.6	1,553.4
Changes in net market values	(5,003.7)	3,387.4
Total investment revenue	(3,062.1)	4,940.8
Investment expenses	(109.1)	(81.0)
<b>NET INVESTMENT REVENUE</b>	<b>(3,171.2)</b>	<b>4,859.8</b>
Employer contributions	1,130.9	7,437.5
Member contributions	564.1	515.9
<b>TOTAL CONTRIBUTION REVENUE</b>	<b>1,695.0</b>	<b>7,953.4</b>
Other revenue	2.7	6.0
Transfers	4.3	0.4
<b>TOTAL REVENUE</b>	<b>(1,469.2)</b>	<b>12,819.6</b>
Benefits paid	(3,075.1)	(2,758.9)
Scheme administration and other expenses	(33.6)	(33.5)
Superannuation contributions surcharge	9.9	9.3
<b>TOTAL SCHEME EXPENDITURE</b>	<b>(3,098.8)</b>	<b>(2,783.1)</b>
(Decrease)/increase in net assets before income tax	(4,568.0)	10,036.5
Income tax benefit/(expense)	194.8	(27.6)
<b>(DECREASE)/INCREASE IN NET ASSETS AFTER INCOME TAX</b>	<b>(4,373.2)</b>	<b>10,008.9</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT END OF FINANCIAL YEAR</b>	<b>34,213.8</b>	<b>38,587.0</b>

The net assets available to pay benefits declined in 2007-08 due to higher benefits payments and unfavourable investment returns referred to above in the section 'Investment Returns'.

## Abridged Statement of Net Assets

At 30 June	2008 \$m	2007 \$m
Short term securities	2,475.0	4,699.5
Australian fixed interest	3,177.5	3,038.3
International fixed interest	2,533.6	2,409.6
Australian equities	10,835.6	13,042.5
International equities	7,857.2	9,334.7
Property	3,468.6	3,397.1
Alternatives	4,016.5	3,016.7
<b>TOTAL INVESTMENTS</b>	<b>34,364.0</b>	<b>38,938.4</b>
Receivables and cash	269.9	264.4
Plant and equipment	0.2	0.2
Current tax asset	--	61.3
<b>TOTAL OTHER ASSETS</b>	<b>270.1</b>	<b>325.9</b>
<b>TOTAL ASSETS</b>	<b>34,634.1</b>	<b>39,264.3</b>
Reserve units	4.2	4.6
Payables	277.7	342.9
Current tax liability	66.7	--
Deferred tax liability	71.7	329.8
<b>TOTAL LIABILITIES</b>	<b>420.3</b>	<b>677.3</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>34,213.8</b>	<b>38,587.0</b>

## FUND ACTIVITIES

The Fund reporting entity consists of the following schemes:

- State Authorities Superannuation Scheme
- State Authorities Non-contributory Superannuation Scheme
- State Superannuation Scheme
- Police Superannuation Scheme.

The schemes are closed to new members. All schemes are combined and invested through one fund, the Pooled Fund. This Fund is the entity for financial reporting and taxation purposes of the four schemes. All schemes are defined benefit plans, although SASS also has a member funded accumulation component. The Australian Prudential Regulation Authority does not regulate the Fund because it is an exempt public sector superannuation scheme.

The number of members in the various schemes is falling because:

- the schemes are closed to new members
- a greater number of members are reaching scheme retirement age.

The SAS Trustee Corporation is the trustee of the Fund, under the *Superannuation Administration Act 1996*. STC holds in trust all assets of the Fund.

The Superannuation Administration Corporation (SAC), trading as Pillar Administration, provides scheme administration services to the Fund. JP Morgan Investor Services performs custodial activities. A number of investment fund managers provide funds management services for the Fund. The Trustee executive monitors each manager to ensure compliance with investment mandates and satisfactory investment performance.

Comment on STC financial operations is included below. Comments on SAC are included elsewhere in this report.

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

## CONTROLLED ENTITIES

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

Entity Name
Buroba Pty Ltd
Duquesne Utilities Pty Ltd
SAS Trustee Corporation Division
Valley Commerce Pty Limited

Comment on State Super Financial Services Australia Limited is included elsewhere in this Report.

## TRUSTEE

### SAS Trustee Corporation (the Corporation)

The Corporation acts as trustee and holds in trust all assets of the Fund.

The Corporation was established as a statutory body on 1 July 1996 under the *Superannuation Administration Act 1996*. It is subject to the direction of the Treasurer.

Year ended 30 June	Consolidated		Corporation	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	33,779	33,595	33,109	32,939
Trustee expenses	614	624	614	624
Executive expenses	3,518	2,501	2,848	1,845
Fees for services	2,112	2,328	2,112	2,328
Other expenses	323	488	323	488
Scheme administration expenses	27,212	27,654	27,212	27,654
Net assets (at 30 June)	--	--	--	--

The Corporation recovers all of its expenses from the Fund, in accordance with the *Superannuation Administration Act 1996*.

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# State Super Financial Services Australia Limited

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## AUDIT OPINION

The audits of the Company and its two retail investment products' financial reports for the year ended 30 June 2008 resulted in unqualified Independent Auditor's Reports. The two retail investment products are:

- State Super Retirement Fund (SSRF) - including State Super Personal Retirement Plan (SSPRP) and State Super Allocated Pension Fund (SSAPF) and State Super Term Allocated Pension Fund (SSTAPF)
- State Super Investment Fund (SSIF).

## PERFORMANCE INFORMATION

### Investment Performance of the Retail Investment Products

Four investment choices are available to address different risk profiles. These are:

- growth fund
- balanced fund
- capital stable fund
- cash fund.

The performance of each of the Company's retail investment products is set out in the following tables.

State Super Personal Retirement Plan Investment Choice	Product Performance % per annum		
	1 Year	3 Year	5 Year
Growth fund	(11.6)	5.6	8.4
Balanced fund	(7.7)	5.1	7.2
Capital stable fund	(0.5)	3.9	4.8
Cash fund	5.5	4.7	4.2

Source: State Super Financial Services Australia Limited.

State Super Allocated Pension Fund Investment Choice	Product Performance % per annum		
	1 Year	3 Year	5 Year
Growth fund	(12.8)	6.2	9.4
Balanced fund	(8.5)	5.7	8.2
Capital stable fund	(0.4)	4.5	5.6
Cash fund	6.3	5.5	5.1

Source: State Super Financial Services Australia Limited.

State Super Term Allocated Pension Fund Investment Choice	Product Performance % per annum		
	1 Year	3 Year	5 Year
Growth fund	(12.8)	6.2	*
Balanced fund	(8.5)	5.7	*
Capital stable fund	(0.4)	4.5	*
Cash fund	6.3	5.5	*

Source: State Super Financial Services Australia Limited.

\* Fund commenced on 20 December 2004.

State Super Investment Fund Investment Choice	Product Performance % per annum		
	1 Year	3 Year	5 Year
Growth fund	(13.1)	5.8	8.9
Balanced fund	(8.8)	5.4	7.8
Capital stable fund	(0.6)	4.3	5.4
Cash fund	6.5	5.6	5.1

Source: State Super Financial Services Australia Limited.

### Fees Charged

The fees for the Company's retail investment products, which include both financial planning and ongoing advice and funds management services, are as follows:

Financial Product	Ongoing Fee Measures (% p.a.) (a)			
	Cash	Capital Stable	Balanced	Growth
Retirement fund	0.99	1.30	1.40	1.50
Investment fund	0.99	1.30	1.40	1.50

(a) The fees and charges cover the financial planning service, administration and management, ongoing monitoring and advice, the funds management service (including the fees paid to the external investment managers as well as the operating expenses of the trusts, including those of the underlying Feeder Funds and Sector Trusts), and the fee payable to the independent Custodian. The Company does not charge an entry, exit or switching fees to investors.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Income	89,633	84,660
Expenses	46,850	44,446
Profit before income tax	42,783	40,214
Income tax expense	12,966	12,224
Profit	29,817	27,990

Income comprises interest and fees from management of the retail investment products, including trustee fees of \$81.5 million (\$77.0 million in 2006-07). Expenses include staff expenses of \$32.7 million (\$31.1 million), administration expenses of \$12.2 million (\$11.5 million), depreciation and amortisation of \$1.9 million (\$1.8 million).

#### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	54,516	54,074
Non-current assets	8,284	9,393
<b>TOTAL ASSETS</b>	<b>62,800</b>	<b>63,467</b>
Current liabilities	21,542	29,869
Non-current liabilities	834	779
<b>TOTAL LIABILITIES</b>	<b>22,376</b>	<b>30,648</b>
<b>NET ASSETS</b>	<b>40,424</b>	<b>32,819</b>

The Company's funds under management reduced by 1.6 per cent to \$7.3 billion at 30 June 2008. The Company contracts the investment management of these funds to external investment managers.

#### COMPANY ACTIVITIES

The Company was established by the SAS Trustee Corporation and is 77.4 per cent owned (at 30 June 2008) by the SAS Trustee Corporation. It provides past and present New South Wales and Commonwealth public sector employees and their family members with financial planning and funds management services. We comment on the Corporation and the Pooled Fund elsewhere in this report.

The Company acts as the Responsible Entity for the SSIF, and as 'Registrable Superannuation Entities' (RSE) Licensee for the SSRF.

For further information on the Company, see [www.ssfs.com.au](http://www.ssfs.com.au).



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# The Treasury

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## AUDIT OPINION

The audit of The Treasury's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

## KEY ISSUES

### Fines Enforcement System

In 2005-06, the 'HAMISH' project was replaced by the Fines Enforcement System (FES) project. FES had an original target completion date of June 2006 and this has been revised a number of times. A Project Director was appointed in July 2008 and it is anticipated that Phase 1 of the project will be implemented in August 2009.

A loss of \$1.9 million was recognised by the Office of State Revenue (OSR) during 2006-07 to ensure that the capitalised value of FES did not exceed its fair value. In 2007-08, management arranged a 'health check' on the project, which confirmed its continued viability and that there was no reason to further impair the \$3.5 million project value at 30 June 2008. OSR will provide additional resources to complete the project.

FES was, and continues to be, governed by the OSR Information and Communication Technology steering committee. The construction of the computer system was fully outsourced to the Judicial Commission of New South Wales until June 2008. In July 2008, OSR began to transition the software development and management from the Judicial Commission in house with the aim of completing the system construction by June 2009.

### Fine Write-offs

We recommend the State Debt Recovery Office (SDRO) implement strategies to ensure relevant legislation and individual agencies are more effective in recovering fines by continuously improving the quality of information and access to information.

During 2007-08, SDRO identified and wrote-off 243,885 fines valued at \$56.5 million. The write-off included 185,419 fines under \$500, issued prior to December 1999, valued at \$37.4 million, and the individual has had no enforced fines since that time. These fines were either deemed not recoverable, were for deceased individuals or were directed to be written off by the New South Wales Fines Hardship Review Board. They include parking related infringements and train and traffic offences for which SDRO does not have adequate information from referring entities to recover the debts.

OSR became responsible for SDRO and its fine enforcement functions in April 2002. SDRO faces challenges with the recovery of fines including insufficient identifying information, incorrect or outdated information and difficulties in locating fine defaulters. SDRO continues to work with referring agencies to increase the quality and availability of information about the individual or entity that incurred the fine. SDRO employs data matching with a range of available information sources. SDRO is also encouraging issuing authorities to use hand held technology to assist in improving data quality and is considering further changes to the law to more effectively recover fines.

## PERFORMANCE INFORMATION

## Key Performance Indicators for OSR

OSR uses a number of Key Performance Indicators (KPI) to measure its effectiveness and efficiency at collecting taxes, fees and fines for the Government, including:

Key Performance Indicators	Actual					Target
	2004	2005	2006	2007	2008	2008
Revenue collected as a percentage of budget (%)	106.0	98.0	98.0	107.0	107.0	>98.0
Cost to collect \$100 of tax revenue (\$)	0.61	0.67	0.68	0.63	0.59	<0.66
Cost to collect \$100 of fine revenue (\$)*	14.66	11.03	10.89	11.29	10.80	<11.84
Total overdue tax debt as a percentage of total revenue (%)	0.92	1.03	1.03	1.05	0.97	<1.0

Source: OSR.

\* In 2004, the KPI related to the cost to collect \$100 of fine enforcement revenue. From 2005, the KPI was amended to cover both enforcement and infringement revenue.

Revenue collected as a percentage of budget was trending down until 2006-07. Last year, and this year, revenue exceeded budget by seven per cent. The strongest results continued to be from payroll tax and duties collections, which contributed approximately 74 per cent (74 per cent in 2006-07) of total revenue.

## ADMINISTERED ACTIVITIES

The Treasury recognised taxes, fees and fines from the following sources:

Year ended 30 June	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Payroll tax	5,062	5,533	5,912	6,440	7,044
Duties	5,505	4,809	4,830	5,952	5,540
Land tax	1,376	1,677	1,748	2,066	1,968
Gaming and racing	952	1,060	1,144	1,270	1,172
Fines	195	267	256	244	291
Other	575	632	675	857	998
<b>Total</b>	<b>13,665</b>	<b>13,978</b>	<b>14,565</b>	<b>16,829</b>	<b>17,013</b>

State revenue from payroll tax has trended upwards over the last five years. The increase in payroll tax can be attributed to the strong demand for labour, low levels of unemployment and strong growth in a number of key industries.

Duties decreased by 6.9 per cent in 2007-08. This was primarily due to the 2006-07 duties result including a one-off taxation assessment of \$424 million, the abolition of hire of goods duty (effective 1 July 2007), mortgage duty on owner occupied housing (effective 1 September 2007) and lease duty (effective 1 January 2008) following the Intergovernmental Agreement.

The fall in land tax revenue was predominantly from the cut in the land tax rate from 1.7 per cent in 2006-07 to 1.6 per cent in 2007-08 and the clearance of a backlog of assessments in 2006-07.

In Volume Three of the 2008 Report to Parliament, we reported the \$424 million one-off assessment in 2006-07 is subject to appeal in the Supreme Court. The case is currently in the legal discovery phase and is unlikely to be in court before June 2009. The Chief Commissioner of State Revenue does not believe there are grounds for impairing the receivable at this time.

## FINANCIAL INFORMATION

### Abridged Operating Statement

Year ended 30 June	2008 \$'000	2007 \$'000
Employee related	120,536	110,709
Grants and subsidies	347,772	345,639
Other expenses	61,568	61,051
<b>TOTAL EXPENSES</b>	<b>529,876</b>	<b>517,399</b>
<b>TOTAL REVENUES</b>	<b>41,496</b>	<b>36,840</b>
<b>NET COST OF SERVICES</b>	<b>488,380</b>	<b>480,559</b>
Government contributions	484,926	476,862
<b>DEFICIT</b>	<b>3,454</b>	<b>3,697</b>

Employee related expense increased by 8.9 per cent in 2007-08. This was primarily due to a four per cent salary increase, transfer of some procurement responsibilities from the Department of Commerce, and participation in the Government's Fast Track Graduate program.

The increase in current assets and current liabilities is largely due to \$4.4 million being incorrectly deposited by certain government agencies into Office of Financial Management's bank account. The moneys were subsequently paid to the Crown Entity.

Revenue increased largely due to additional earnings for services provided to the Crown entity and higher investment income.

### Abridged Balance Sheet

At 30 June	2008 \$'000	2007 \$'000
Current assets	45,932	34,971
Non-current assets	37,821	44,885
<b>TOTAL ASSETS</b>	<b>83,753</b>	<b>79,856</b>
Current liabilities	24,445	17,092
Non-current liabilities	259	261
<b>TOTAL LIABILITIES</b>	<b>24,704</b>	<b>17,353</b>
<b>NET ASSETS</b>	<b>59,049</b>	<b>62,503</b>

## THE TREASURY ACTIVITIES

The Treasury has two operating arms: the Office of Financial Management (OFM) and the Office of State Revenue (OSR). OFM serves the Treasurer and the Government by providing economic, budgetary and financial advice on the effective management of and accounting for the State's finances.

OSR's major functions are:

- administration and collection of State taxes including duties, payroll tax, land tax and tax equivalents from State Government businesses
- administration and payment of grants under the First Home Owner Grant Scheme and unclaimed money
- processing and enforcement of fines.

For further information on OFM, refer to [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

For further information on OSR, refer to [www.osr.nsw.gov.au](http://www.osr.nsw.gov.au).

# Appendices

**Appendix 1**  
**Agencies not reported elsewhere in this Volume**

**Appendix 2**  
**Financial Reports Not Received by Statutory Date**  
**(as at 13 November 2008)**

**Appendix 3**  
**Financial Reports Received but Audit Incomplete**  
**by Statutory Date (as at 13 November 2008)**

**Appendix 4**  
**Qualified Independent Auditor's Reports Issued**



## Appendix 1 - Agencies not reported elsewhere in this Volume

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

Entity Name	Website	Year Ended
Agricultural Scientific Collections Trust	<a href="http://www.dpi.nsw.gov.au">www.dpi.nsw.gov.au</a>	30 June 2008
Banana Industry Committee	<a href="http://www.bananasnsw.org.au">www.bananasnsw.org.au</a>	30 June 2008
Belgenny Farm Agricultural Heritage Centre Trust	<a href="http://www.belgennyfarm.com.au">www.belgennyfarm.com.au</a>	30 June 2007
Board of Surveying and Spatial Information	<a href="http://www.bossi.nsw.gov.au">www.bossi.nsw.gov.au</a>	30 June 2008
C.B. Alexander Foundation	<a href="http://www.tocal.com">www.tocal.com</a>	30 June 2008
Chiropractors Registration Board	<a href="http://www.chiroreq.health.nsw.gov.au">www.chiroreq.health.nsw.gov.au</a>	30 June 2008
Community Relations Commission for a Multicultural New South Wales	<a href="http://www.crc.nsw.gov.au">www.crc.nsw.gov.au</a>	30 June 2008
- Office of the Community Relations Commission	*	30 June 2008
Cowra Japanese Garden Maintenance Foundation Limited	*	31 March 2008
Cowra Japanese Garden Trust	*	31 March 2008
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	*	30 June 2008
Crown Lands Homesites Program	<a href="http://www.treasury.nsw.gov.au">www.treasury.nsw.gov.au</a>	30 June 2008
Dental Technicians Registration Board	<a href="http://www.dtechreg.health.nsw.gov.au">www.dtechreg.health.nsw.gov.au</a>	30 June 2008
Events New South Wales Pty Limited	<a href="http://www.eventsnewsouthwales.com.au">www.eventsnewsouthwales.com.au</a>	30 June 2008+
Fair Trading Administration Corporation	<a href="http://www.fairtrading.nsw.gov.au">www.fairtrading.nsw.gov.au</a>	30 June 2008
Financial Counselling Trust Fund	*	30 June 2008
Game Council of New South Wales	<a href="http://www.gamecouncil.nsw.gov.au">www.gamecouncil.nsw.gov.au</a>	30 June 2008
- Game Council Division	*	30 June 2008
Independent Pricing and Regulatory Tribunal	<a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a>	30 June 2008
- Independent Pricing and Regulatory Tribunal Division	*	30 June 2008
Infrastructure Implementation Corporation	*	30 June 2008
Internal Audit Bureau of New South Wales	<a href="http://www.iab.nsw.gov.au">www.iab.nsw.gov.au</a>	30 June 2008
- Internal Audit Bureau Division	*	30 June 2008
Judicial Commission of New South Wales	<a href="http://www.judcom.nsw.gov.au">www.judcom.nsw.gov.au</a>	30 June 2008
Land Development Working Account	*	30 June 2008
Legal Profession Admission Board	<a href="http://www.lawlink.nsw.gov.au">www.lawlink.nsw.gov.au</a>	30 June 2008
Liability Management Ministerial Corporation	<a href="http://www.treasury.nsw.gov.au">www.treasury.nsw.gov.au</a>	30 June 2008
Liquor Administration Board	<a href="http://www.olgr.nsw.gov.au/liquor_lab.asp">www.olgr.nsw.gov.au/liquor_lab.asp</a>	30 June 2008
Lord Howe Island Board	<a href="http://www.lordhoweisland.nsw.au">www.lordhoweisland.nsw.au</a>	30 June 2008
Luna Park Reserve Trust	*	30 June 2008
Marine Parks Authority	<a href="http://www.mpa.nsw.gov.au">www.mpa.nsw.gov.au</a>	30 June 2008
Ministerial Corporation for Industry	<a href="http://www.business.nsw.gov.au">www.business.nsw.gov.au</a>	30 June 2008

Entity Name	Website	Year Ended
New South Wales Casino Control Authority	<a href="http://www.casinocontrol.nsw.gov.au">www.casinocontrol.nsw.gov.au</a>	30 June 2008
- Casino Control Authority Division	*	30 June 2008
New South Wales Institute of Psychiatry	<a href="http://www.nswiop.nsw.edu.au">www.nswiop.nsw.edu.au</a>	30 June 2008
New South Wales Institute of Sport	<a href="http://www.nswis.com.au">www.nswis.com.au</a>	30 June 2008
- Institute of Sport Division	*	30 June 2008
New South Wales Medical Board	<a href="http://www.nswmb.org.au">www.nswmb.org.au</a>	30 June 2008
NSW Commission for Children and Young People	<a href="http://www.kids.nsw.gov.au">www.kids.nsw.gov.au</a>	30 June 2008
NSW Fire Brigades Superannuation Pty Limited	*	30 June 2007
NSW Fire Brigades Superannuation Pty Limited	*	30 June 2008
Nurses and Midwives Board	<a href="http://www.nmb.nsw.gov.au">www.nmb.nsw.gov.au</a>	30 June 2008
Office for Children	<a href="http://www.kidsguardian.nsw.gov.au">www.kidsguardian.nsw.gov.au</a> & <a href="http://www.kids.nsw.gov.au">www.kids.nsw.gov.au</a>	30 June 2008
Office of the Motor Accidents Authority of New South Wales	*	30 June 2008
Optical Dispensers Licensing Board	<a href="http://www.opticalreg.health.nsw.gov.au">www.opticalreg.health.nsw.gov.au</a>	30 June 2008
Optometrists Registration Board	<a href="http://www.optomreg.health.nsw.gov.au">www.optomreg.health.nsw.gov.au</a>	30 June 2008
Osteopaths Registration Board	<a href="http://www.osteoreg.health.nsw.gov.au">www.osteoreg.health.nsw.gov.au</a>	30 June 2008
Parramatta Park Trust	<a href="http://www.ppt.nsw.gov.au">www.ppt.nsw.gov.au</a>	30 June 2008
Payments to other Government Bodies under the control of the Minister	*	30 June 2008
Physiotherapists Registration Board	<a href="http://www.physioreg.health.nsw.gov.au">www.physioreg.health.nsw.gov.au</a>	30 June 2008
Podiatrists Registration Board	<a href="http://www.podreg.health.nsw.gov.au">www.podreg.health.nsw.gov.au</a>	30 June 2008
Police Integrity Commission	<a href="http://www.pic.nsw.gov.au">www.pic.nsw.gov.au</a>	30 June 2008
- Office of the Police Integrity Commission	*	30 June 2008
- Police Integrity Commission Division	*	30 June 2008
Psychologists Registration Board	<a href="http://www.psychreg.health.nsw.gov.au">www.psychreg.health.nsw.gov.au</a>	30 June 2008
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 2008
Rice Marketing Board for the State of New South Wales	<a href="http://www.rmbnsw.org.au">www.rmbnsw.org.au</a>	30 June 2008
Sesquicentenary of Responsible Government Trust Fund	*	30 June 2008
Small Business Development Corporation of New South Wales	<a href="http://www.smallbiz.nsw.gov.au">www.smallbiz.nsw.gov.au</a>	30 June 2008
Sporting Injuries Committee	<a href="http://www.sportinginjuries.nsw.gov.au">www.sportinginjuries.nsw.gov.au</a>	20 June 2008
State Rail Authority Residual Holding Corporation	<a href="http://www.treasury.nsw.gov.au">www.treasury.nsw.gov.au</a>	30 June 2008
Sydney 2009 World Masters Games Organising Committee	<a href="http://www.2009worldmasters.com">www.2009worldmasters.com</a>	30 June 2008
- Office of the Sydney 2009 World Masters Games Organising Committee	*	30 June 2008
- Sydney 2009 World Masters Games Organising Committee Division	*	30 June 2008



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Entity Name	Website	Year Ended
Uniprojects Pty Limited	*	30 June 2008
Universities Admissions Centre (NSW & ACT) Pty Limited	<a href="http://www.uac.edu.au">www.uac.edu.au</a>	30 June 2008
Veterinary Practitioners Board	<a href="http://www.vpb.nsw.gov.au">www.vpb.nsw.gov.au</a>	30 June 2008

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+ Period ended

\* These entities do not have websites

## Appendix 2 - Financial Reports Not Received by Statutory Date (as at 13 November 2008)

Entity Name	Period/Year Ended	Date Due	Date Financial Report Received
ANZAC Health and Medical Research Foundation Trust Fund	30 June 2008	11 August 2008	15 August 2008
Australian Museum Trust	30 June 2008	11 August 2008	12 August 2008
Buroba Pty Ltd	30 June 2008	11 August 2008	22 August 2008
Coffs Harbour Technology Park Limited	30 June 2008	11 August 2008	15 August 2008
Country Energy	30 June 2008	30 July 2008	4 August 2008
Department of Health	30 June 2008	30 July 2008	4 September 2008
Forestry Commission of New South Wales (trading as Forests NSW)	30 June 2008	30 July 2008	7 August 2008
Forestry Commission Division	30 June 2008	30 July 2008	7 August 2008
Health Administration Corporation	30 June 2008	11 August 2008	14 August 2008
Hunter Water Australia Pty Limited	30 June 2008	11 August 2008	13 August 2008
Ingham Health Research Institute	30 June 2008	11 August 2008	15 August 2008
Jenolan Caves Reserve Trust	30 June 2008	11 August 2008	3 November 2008
Jenolan Caves Reserve Trust Division	30 June 2008	11 August 2008	3 November 2008
Justice Health Special Purpose Service Entity	30 June 2008	11 August 2008	15 August 2008
Landcom	30 June 2008	11 August 2008	12 August 2008
Mine Subsidence Board	30 June 2008	11 August 2008	20 August 2008
New South Wales Land and Housing Corporation	30 June 2008	11 August 2008	Not yet received
Office of the Protective Commissioner and Public Guardian	30 June 2008	11 August 2008	15 August 2008
Pacific Power (Subsidiary No 1) Pty Ltd	30 June 2008	11 August 2008	31 October 2008
Pacific Solar Pty Limited	30 June 2008	11 August 2008	21 October 2008
Rail Infrastructure Corporation	30 June 2008	1 August 2008	11 August 2008
Rice Marketing Board for the State of New South Wales	30 June 2008	11 August 2008	15 August 2008
Sydney South West Area Health Service Division	30 June 2008	11 August 2008	13 August 2008
Valley Commerce Pty Limited	30 June 2008	11 August 2008	22 August 2008
Veterinary Practitioners Board	30 June 2008	11 August 2008	13 August 2008
Western Sydney Parklands Trust	30 June 2008	11 August 2008	13 August 2008

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## Appendix 3 - Financial Reports Received but Audit Incomplete by Statutory Date (as at 13 November 2008)

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The *Public Finance and Audit Act 1983* requires that we issue an audit opinion within ten weeks of receiving an agency's financial report. The Act also states that we cannot issue our opinion until the agency has signed its financial report.

### **ACN 093 230 374 Pty Limited**

This audit of the financial report for the year ended 30 June 2008 is incomplete. The company has ceased trading and is in the process of being wound up.

### **Agricultural Scientific Collections Trust**

We received the signed financial report on the 30 October 2008. We issued the Independent Auditor's Report on 4 November 2008.

### **Banana Industry Committee**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 31 October 2008.

### **Belgenny Farm Agricultural Heritage Centre Trust**

The audit of the financial report for the year ended 30 June 2008 has been delayed due to resource issues. We expect to issue an audit opinion soon.

### **Boxing Authority of New South Wales**

The audit of the financial report for the year ended 30 June 2008 is not complete as we have not received the Statement by Members of the Authority.

### **Building Insurers' Guarantee Corporation**

The audit of the financial report for the year ended 30 June 2008 was delayed. The time taken to resolve issues of the ownership and accounting treatment of insurance recoveries was greater than expected. The audit was completed on 12 November 2008.

### **Casino Control Authority Division**

The audit was completed on 23 October 2008.

### **Centennial Park and Moore Park Trust**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 28 October 2008.

### **Centennial Parklands Foundation**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 31 October 2008.

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

The audit of the financial report for the year ended 30 June 2008 was delayed. The time taken to resolve issues surrounding land transferred to the newly created Western Sydney Parklands Trust was greater than expected. The audit was completed on 21 October 2008.

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

The audit of the financial report for the year ended 30 June 2008 was delayed due to accounting matters relating to recoverable advances. The audit was completed on 21 October 2008.

**Crown Entity**

The audit process was delayed due to time required in resolving accounting issues relating to 'subsequent events'. The audit was completed on 27 October 2008.

**Crown Lands Homesites Program**

We received the final signed financial report and completed the audit on 23 October 2008.

**Crown Leasehold Entity**

The audit of the financial report for the year ended 30 June 2008 was delayed due to accounting matters relating to revenue from leases and permissive occupancies, the recognition of surplus government properties and measurement of long term receivables. The audit was completed on 27 October 2008.

**Dental Technicians Registration Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Department of Aboriginal Affairs**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 29 October 2008.

**Department of Environment and Climate Change**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 28 October 2008.

**Department of Lands**

The audit of the financial report for the year ended 30 June 2008 was delayed due to late completion of other Lands related financial statements. We anticipate the audit will be completed shortly.

**Department of Primary Industries**

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion as soon as Forest NSW's financial report is signed and revised consolidated financial statements are received from the Department.

**Department of the Arts, Sport and Recreation**

We received the final signed financial report and completed the audit on 27 October 2008.

#### **Electricity Tariff Equalisation Ministerial Corporation**

We received the final signed financial report and completed the audit on 23 October 2008.

#### **Environment Protection Authority**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 31 October 2008.

#### **Environmental Trust**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 31 October 2008.

#### **Festival Development Corporation**

The audit of the financial report for the year ended 30 June 2008 was delayed pending the outcome of a compulsory acquisition of Land currently held by the Corporation.

#### **Forestry Commission Division**

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion soon.

#### **Forestry Commission of New South Wales (trading as Forests NSW)**

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion soon.

#### **Greater Southern Area Health Service and Greater Southern Area Health Service Special Purpose Service Entity**

The audits of the financial reports for the year ended 30 June 2008 are incomplete. The Service is in the process of finalising the revised version of the financial report. Issues which delayed the audit included the correction of the inter-area patient flow figures, and clarification of disclosures within the financial instruments note and after balance date events note.

#### **Greater Western Area Health Service and Greater Western Area Health Service Special Purpose Service Entity**

The audits of the financial reports for the year ended 30 June 2008 are incomplete. The Service is finalising the financial report for changes in the inter-area patient flows and correction of payables.

#### **Health Administration Corporation and Health Administration Corporation Special Purpose Service Entity**

The audit of the financial reports for the year ended 30 June 2008 is incomplete. Issues which have delayed the audit include clarification on the need for an actuarial assessment of the self administered partial death and disability cover and clarification of disclosures within the financial instruments note and after balance date note.

#### **HealthQuest and HealthQuest Special Purpose Service Entity**

The audit of the financial reports for the year ended 30 June 2008 is complete. We will issue our audit opinion on receipt of signed financial report.

#### **Home Purchase Assistance Fund**

The audit of the financial report for the year ended 30 June 2008 is incomplete. The delay in the audit was caused by issues identified in the investment powers of the Fund.

#### **Hunter New England Area Health Service and Hunter New England Area Health Service Special Purpose Service Entity**

The audit of the financial reports for the year ended 30 June 2008 is complete. We will issue an audit opinion on receipt of the Department of Health's letter of financial support.

#### **Internal Audit Bureau Division**

We received the signed financial report on 22 October 2008 and signed the Independent Auditor's Report the same day.

#### **Internal Audit Bureau of New South Wales**

We received the signed financial report on 22 October 2008 and signed the Independent Auditor's Report the same day.

#### **Justice Health and Justice Health Service Special Purpose Service Entity**

The audits of the financial reports for the year ended 30 June 2008 are incomplete. Justice Health is finalising the financial report for changes in presentation. The delay was due to late provision of work papers to support the financial reports. We anticipate the audit will be completed shortly.

#### **Land and Property Information New South Wales**

The audit of the financial report for the year ended 30 June 2008 was delayed due to late completion of other Lands related financial statements. We anticipate the audit will be completed shortly.

#### **Land Development Working Account**

The audit of the financial report for the year ended 30 June 2008 was delayed due to accounting matters relating to Land held as Inventory. The audit was completed on 30 October 2008.

#### **Liability Management Ministerial Corporation**

We received the final signed financial report and completed the audit on 23 October 2008.

#### **Lord Howe Island Board**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 31 October 2008.

#### **Marine Parks Authority**

Delays in the signing of the financial report resulted in the audit opinion not being issued until 11 November 2008.

#### **Mine Subsidence Board**

We will issue the Independent Auditor's Report when the audit of the Mine Subsidence Board is complete.

**New South Wales Aboriginal Land Council**

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion soon.

**New South Wales Casino Control Authority**

The audit was completed on 23 October 2008.

**New South Wales Fire Brigades**

The audit of the financial report for the year ended 30 June 2008 was delayed due to accounting matters relating to the Death and Disability Benefits provision. The Independent Auditor's Report was issued on 7 November 2008.

**New South Wales Institute of Psychiatry**

The Independent Auditor's Report was issued on 24 October 2008.

**New South Wales Medical Board**

The Independent Auditor's Report was issued on 24 October 2008.

**New South Wales Rural Assistance Authority**

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion soon.

**North Coast Area Health Service and North Coast Area Health Service Special Purpose Service Entity**

The audits of the financial reports for the year ended 30 June 2008 are incomplete. The Service is in the process of finalising the revised version of the financial report. Issues which delayed the audit included the correction of errors in the inter-area patient flow figures, and clarification of disclosures within the financial instruments note and after balance date events note.

**Northern Sydney and Central Coast Area Health Service and Northern Sydney and Central Coast Area Health Service Special Purpose Service Entity**

The audit of the financial reports for the year ended 30 June 2008 is now complete. We will issue our audit opinion when we signed financial report.

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

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion soon.

**NSW Self Insurance Corporation**

The audit of the financial report for the year ended 30 June 2008 was delayed due to the late receipt of signed financial statements. The audit was completed on 27 October 2008.

**Nurses and Midwives Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Office of Sydney 2009 World Masters Games Organising Committee**

The audit was completed on 24 October 2008.

**Office of the Rural Assistance Authority**

The audit of the financial report for the year ended 30 June 2008 is near completion. We expect to issue an audit opinion soon.

**Office of the WorkCover Authority**

The Independent Auditor's Report will be issued after receipt of the signed statement required under the Act. I expect to receive the signed statement on 13 November 2008.

**Optical Dispensers Licensing Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Optometrists Registration Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Osteopaths Registration Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Pacific Power (Subsidiary No1) Pty Ltd**

The audit of the financial report for the year ended 30 June 2008 was delayed due to the late submission of the financial report. The Independent Auditor's Report will be issued once the audit is complete.

**Pacific Solar Pty Limited**

The audit of the financial report for the year ended 30 June 2008 was delayed due to the late submission of the financial report. The Independent Auditor's Report will be issued once the audit is complete.

**Parramatta Park Trust**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 21 October 2008.

**Physiotherapists Registration Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Podiatrists Registration Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Psychologists Registration Board**

The Independent Auditor's Report was issued on 24 October 2008.

**Residual Business Management Corporation**

The audit of the financial report for the year ended 30 June 2008 was delayed due to the late submission of the financial reports of the subsidiary entities. The Independent Auditor's Report will be issued once the audits of the Corporation and the subsidiary entities, is complete.



#### **Royal Alexandra Hospital for Children**

The audit of the financial reports for the year ended 30 June 2008 is incomplete. The Hospital is currently in the process of finalising the revised version of the financial report. Issues which delayed the audit included the correction of inter-area patient flows, clarification on requirement to audit under the *Charitable Fundraising Act 1991*, and clarification of disclosures within the financial instruments note and after balance date events note.

#### **Rural Lands Protection Boards Division**

The audits of the financial reports for the years ended 31 December 2006 and 31 December 2007 are nearing completion. We expect to issue the Independent Auditor's Reports soon.

#### **South Eastern Sydney and Illawarra Area Health Service and South Eastern Sydney and Illawarra Area Health Service Special Purpose Service Entity**

The audits of the financial reports for the year ended 30 June 2008 are incomplete. The Service is in the process of finalising the revised version of the financial report. Issues which delayed the audit included the clarification of a revaluation adjustment to property, plant and equipment; the correction of errors in the inter-area patient flow figures; and clarification of disclosures within the financial instruments note and after balance date events note.

#### **State Council of Rural Lands Protection Boards**

The audit of the financial report for the year ended 31 December 2007 is nearing completion. We expect to issue the Independent Auditor's Report soon.

#### **State Rail Authority Residual Holding Corporation**

We received the final signed financial report and completed the audit on 23 October 2008.

#### **Sydney 2009 World Masters Games Organising Committee**

The audit was completed on 24 October 2008.

#### **Sydney 2009 World Masters Games Organising Committee Division**

The audit was completed on 24 October 2008.

#### **Sydney Catchment Authority**

The audit of the financial report for the year ended 30 June 2008 is delayed. In October 2008, management at Sydney Catchment Authority reassessed their accounting treatment for costs associated with a groundwater project. The audit was completed on 28 October 2008.

#### **Sydney Catchment Authority Division**

We issued the Independent Auditor's Report at the same time as Sydney Catchment Authority.

#### **Sydney South West Area Health Service and Sydney South West Area Health Service Special Purpose Service Entity**

The audits of the financial reports for the year ended 30 June 2008 are incomplete. The Service is in the process of finalising the revised version of the financial report. Issues that delayed the audit included the correction of the inter-area patient flow figures, and clarification of disclosures within the after balance date events note.

### **Sydney West Area Health Service and Sydney West Area Health Service Special Purpose Service Entity**

The audit of the financial reports for the year ended 30 June 2008 is complete. We will issue our audit opinion on receipt of the Department of Health's letter of financial support.

### **Treasury Managed Fund**

The audit of the financial report for the year ended 30 June 2008 was delayed due to the late receipt of signed financial statements. The audit was completed on 27 October 2008.

### **Veterinary Practitioners Board**

The audit of the financial report for the year ended 30 June 2008 is now complete. We signed the Independent Auditor's Report on 30 October 2008.

### **Waste Recycling and Processing Corporation**

The audit for the year ended 30 June 2008 is incomplete. The audit has been delayed due to accounting matters related to deferred revenue and the provision for rehabilitation. We anticipate that the audit will be completed shortly.

### **WorkCover Authority of New South Wales**

The Independent Auditor's Report will be issued after receipt of the signed statement required under the Act. I expect to receive the signed statement on 13 November 2008.

### **Workers Compensation Commission**

The Independent Auditor's Report will be issued after receipt of the signed statement required under the Act. I expect to receive the signed statement on 13 November 2008.

### **Former Statutory Bodies**

We are unable to complete the audits of statutory bodies that have been abolished, dissolved or its name removed from Schedule 2 of the *Public Finance and Audit Act 1983*. The Crown Solicitor has advised New South Wales Treasury that former directors (or equivalent) of a former statutory body can prepare and submit the financial report but they cannot sign the financial report and, as a result, the Auditor General cannot issue an audit opinion. New South Wales Treasury is investigating ways to overcome this problem.

### **Regional Land Management Corporation Pty Ltd**

This controlled entity of Hunter Water Corporation was deregistered on 27 August 2008.

## Appendix 4 - Qualified Independent Auditor's Reports Issued

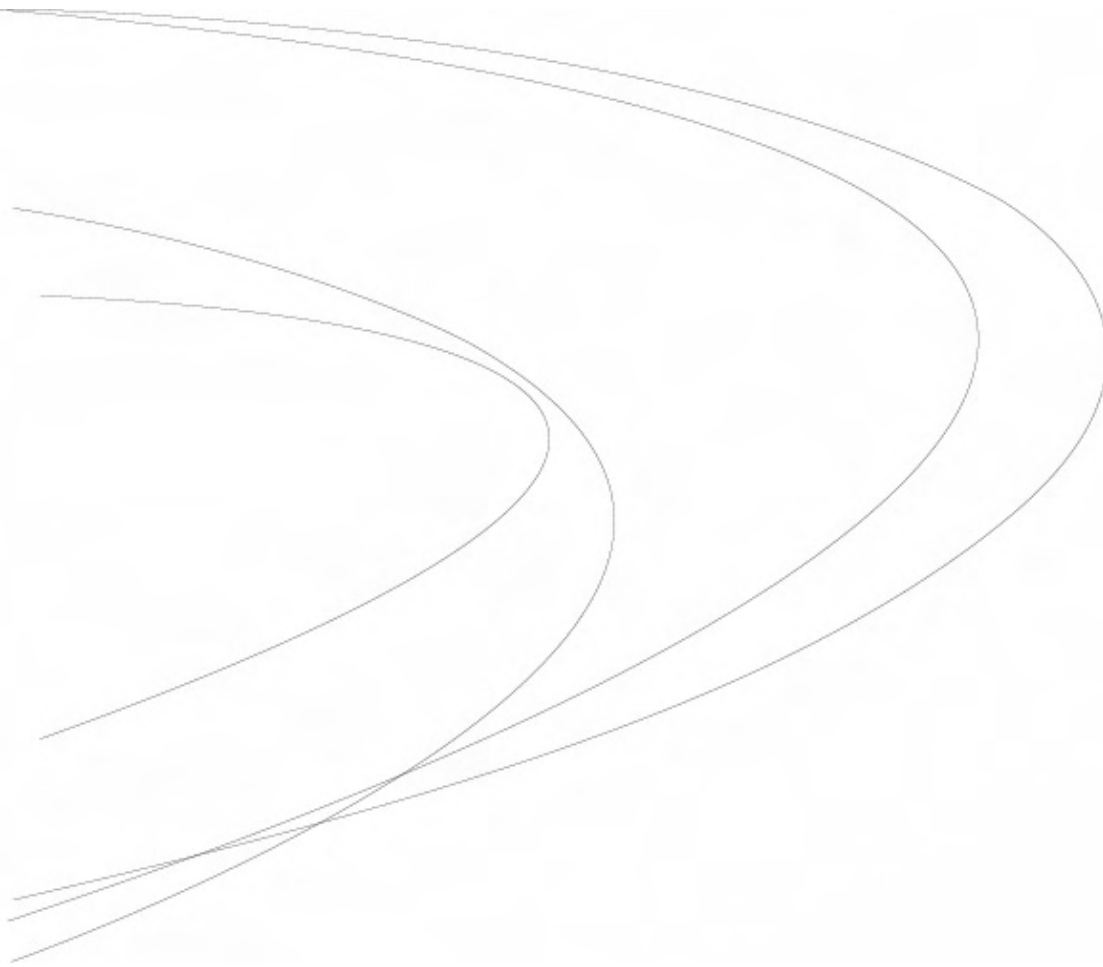
In the November Volume of the Auditor-General's Report to Parliament for each calendar year, we list all qualified opinions issued since the previous year.

Organisation	Financial Statements Period Ended	Reason for Qualification
A.C.N 093 230 374 PTY LTD (formerly TAFE Global Pty Ltd)	30.6.2007	Unable to form an opinion due to deficiencies in accounting records.
Centennial Park Foundation	30.6.2008	It is impractical for the Foundation to maintain an effective system of internal control over donations it receives until their initial entry in the financial records. Accordingly, we were unable to express an opinion as to whether all donation revenues received by the Foundation were recorded.
Crown Entity	30.6.2008	Unable to form an opinion on the value of Crown reserves until the State finalises a project to identify and value these reserves.
Illawarra Technology Corporation Ltd	31.12.2007	Financial assets available for sale could not be reliably measured in the prior year. The qualification was carried forward to 2007 in respect of the comparative financial information contained in this year's financial report.
New South Wales Rural Assistance Authority	30.6.2007	The Authority did not consistently apply the amortised cost method to its loan portfolio as required by AASB 139 'Financial Instruments: Recognition and Measurement'.
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	30.6.2007 and 30.6.2008	The Scheme collects contributions from sheep and lamb producers on all transactions where the ownership of designated livestock is transferred. The Administrator of the Scheme does not have a system in place to ensure all such transactions are accounted for. Accordingly, we were unable to form an opinion on the completeness of the Scheme's revenue.
NSW Self Insurance Corporation	30.6.2008	The Corporation should have applied Accounting Standard AASB 1023 'General Insurance Contracts' to its general insurance contracts rather than applying AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.
NSW Treasury Managed Fund	30.6.2008	The Fund should have applied Accounting Standard AASB 1023 'General Insurance Contracts' to its general insurance contracts rather than applying AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.
Riverina Citrus	30.4.2008	Unable to confirm the completeness of levies paid by citrus growers due to lack of reliable data collection and calculation.
Sydney Water Corporation	30.6.2008	The Corporation's did not recognise in its balance sheet assets and liabilities from build-own-operate schemes.

Organisation	Financial Statements Period Ended	Reason for Qualification
University of New South Wales Foundation	31.12.2007	It is impractical for the Foundation to maintain an effective system of internal control over donations it receives until their initial entry in the financial records. Accordingly, we were unable to express an opinion as to whether all donation revenues received by the Foundation were recorded.
UNSW Asia School Limited	31.12.2007	The qualification relates to comparative financial information contained in the 2007 financial report. Due to the time of our appointment as auditors of the company, we were unable to obtain reasonable assurance over the balances as at 31 December 2005. Accordingly, we qualified the 2006 financial report as the 2005 balances affect the determination of the results of operations and cash flows for the year ended 31 December 2006.
UNSW Hong Kong Foundation Limited	31.12.2007	It is impractical for the Company to maintain an effective system of internal control over donations it receives until their initial entry in the financial records. Accordingly, we were unable to express an opinion as to whether all donation revenues received by the Company were recorded.

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