

Auditor-General's message

Our vision and commitment is to provide insights that inform and challenge government to improve outcomes for citizens

This report covers the first full year of my term as Auditor-General of New South Wales. I am immensely proud of the work we do and of the dedicated staff of my Office who strive in everything they do to make a positive contribution to this State.

We continue to be recognised for our integrity and professionalism and for the important role we play as one of the independent agencies that provide the checks and balances integral to our system of government.

Our vision and commitment is to provide insights that inform and challenge government to improve outcomes for citizens.

Our new local government mandate

The strong role we can play in this regard was recognised during the year by the passage of legislation that extended my mandate to local government. This represents the biggest change to our role in over two decades.

While the scale of the impact cannot be seen in the measures detailed in this report, it is without doubt the greatest achievement and largest challenge my Office has faced this year.

From 1 October 2016, the number of agencies we audit increased by around 140, or 30 per cent. The arrangements to conduct the statutory financial audits of these councils had to be in place in time to audit their 30 June 2017 financial statements. In addition, we committed to complete three sector wide performance audits of local government in the first year.

In standing up these arrangements we were cognisant of the significant reform agenda the sector was managing and our approach aimed to limit disruption while ensuring we could add value as quickly as possible.

To achieve this balance, we made a considerable investment in stakeholder engagement, conducting workshops, attending conferences and regional meetings, with a clear objective to explain our new mandate and approach, but also to listen and learn about the new sector. I have appreciated the guidance from, and dialogue with, many council representatives and Local Government NSW in this regard.

We also invested in new partnerships. We commissioned many of the councils' previous auditors to work as our agents in the conduct of audits in accordance with our standards. In this way, we benefit from their considerable knowledge of the sector, but still deliver on the promise of greater consistency of practice and sector wide insights. We also worked closely with, and enjoyed the support of, the Office of Local Government and I would like to thank Tim Hurst for his assistance.

Building the knowledge and capability of our staff also represents a considerable investment. My staff have worked long hours, collaborated constructively with new partners, travelled to distant parts of the State, actively participated in training and shown enormous enthusiasm in tackling the challenges of our new audit mandate.

Against this backdrop, I am pleased to also report progress in other areas of priority and focus.

Stakeholder engagement

Broad stakeholder engagement is important if we are to remain relevant and responsive to the changing environment in which government operates. During this year, I have again met with the Secretaries of all State Government clusters to hear their views on our audit program and to check in on the health of our relationship. Following the machinery of government changes, I reached out to and met with several Ministers to discuss audit matters concerning their new portfolios. And my Office has continued to actively support the Public Accounts Committee at its regular meetings and in formal hearings. I am open to meet with any member of parliament to receive feedback on our areas of focus, performance and responsiveness.

Audit and Risk Committees (ARCs) play an important role in the good governance of the agencies we audit – local, State and universities. Accordingly, over the last year we hosted meetings of the ARC Chairs of each of these sectors. These meetings shared insights from our audits, and from the regular interaction the ARCs have in the organisations they work with.

Record number of performance audits tabled

As reported last year, the productivity of our Performance Audit Branch continued to increase and 17 audits were tabled in the 2016–17 financial year. Consistent with our vision, the branch conducted a successful workshop for staff from across all clusters to share the findings from our audit on Program Evaluation. Each of our audits try to draw out the insights others can learn from to improve future



practice and increasingly, we will look for opportunities to communicate these learnings.

The statistics on the timeliness of performance audits, presented in this report, are a little worrying and we need to work more closely with auditees to address this. This will also go some way to improving our understanding of their business to improve our ratings of the quality of our reports.

An engaged and diverse workforce

Our staff survey results this year remain strong reflecting the commitment our people have to our core purpose. Our staff value and celebrate the diversity of our Office and I am very pleased to report that the representation of Aboriginal and Torres Strait Islander people was improved with four talented young interns joining our organisation through our partnership with CareerTrackers. More women are also now represented in senior leadership roles.

Support for budget and legislative reform

The final matter I would like to comment on in this foreword to our annual report, is our collaboration with and support of Treasury's Financial Management Transformation (FMT) program. The implementation of a new system represented a major change to the budget process and accordingly, I agreed to not conduct an audit of the 2017–18 State budget. I would encourage Treasury to re-engage my Office to audit the next and

subsequent budgets as has been the norm for many years.

Senior Audit Office staff have also provided comment on proposed legislative changes to support FMT. Our commentary is generally supportive of the objects of the proposed legislation with a focus on performance, transparency and accountability. At the same time, given the increasing role of non-government agencies in the delivery of government programs, and the greater focus on meeting outcome measures, we continue to advocate for 'follow the dollar' powers, now broadly available to other Australian audit offices, and at the appropriate juncture, the power to provide independent assurance of agency performance statements.

Thank you to the staff of the Audit Office

In conclusion, I want to recognise and welcome the new members of the Office Executive, Ian Goodwin, Lyndal Hayward, Claudia Migotto and Alison Gatt, and to thank and farewell Tony Whitfield and John Viljoen who both retired this year after more than 20 years in the Office, and Kathrina Lo who has been promoted to the role of Deputy Secretary at Justice.

I want to especially thank all the members of our broader leadership team for your support and guidance throughout a particularly challenging year. And to all staff – you are truly the most impressive and nicest bunch of people I have ever had the pleasure of working with.



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

Margaret Crawford Auditor-General