

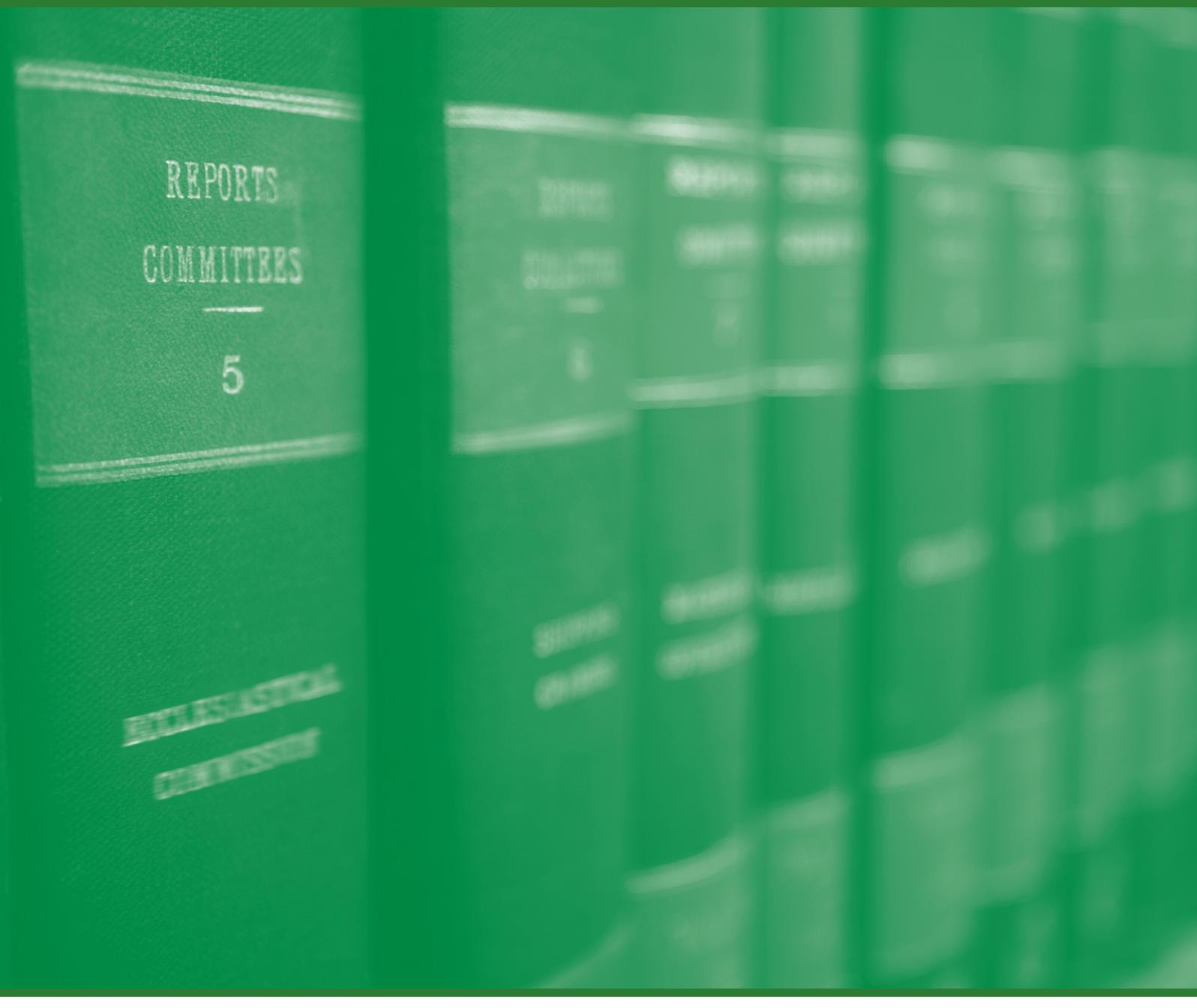


LEGISLATIVE ASSEMBLY OF NEW SOUTH WALES

PUBLIC ACCOUNTS COMMITTEE

REPORT 13/55 – NOVEMBER 2013

FOLLOW UP OF THE AUDITOR-GENERAL'S 2012 FINANCIAL AUDIT REPORTS





LEGISLATIVE ASSEMBLY

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New South Wales Parliamentary Library cataloguing-in-publication data:

New South Wales. Parliament. Legislative Assembly. Public Accounts Committee.

Follow up of the Auditor-General's 2012 financial audit reports / Legislative Assembly, Public Accounts Committee. [Sydney, N.S.W.] : the Committee, 2013. [v, 43] p. ; 30 cm. (Report no. 13/55 Public Accounts Committee)

"November 2013".

Chair: Jonathan O'Dea, MP.

ISBN: 9781921686856

1. New South Wales. Audit Office.
2. Performance standards—New South Wales—Auditing.
3. Finance, Public—New South Wales—Auditing.
4. Auditors' reports—New South Wales.
 - I. O'Dea, Jonathan.
 - II. Title.
- III. Series: New South Wales. Parliament. Legislative Assembly. Public Accounts Committee. Report ; no. 13/55

657.45 (DDC22)

The motto of the coat of arms for the state of New South Wales is "Orta recens quam pura nites". It is written in Latin and means "newly risen, how brightly you shine".

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Membership

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Terms of Reference

Under section 57 of the Public Finance and Audit Act 1983, the functions of the Committee include the examination of any report of the Auditor-General laid before the Legislative Assembly and any circumstances connected with those reports.

On 9 May 2013, the Committee resolved the following terms of reference for the inquiry:

That the Committee conduct an inquiry to follow up repeat recommendations of the Auditor General's 2012 financial audit reports; and that the Chair write to relevant agencies seeking comments on the repeat recommendations identified by the Auditor-General in his letter dated 19 April 2013.

Chair's Foreword

It is my privilege to present this report on the *Follow Up of the Auditor-General's 2012 Financial Audit Reports*. This is the thirteenth report of the Public Accounts Committee (PAC) of the Fifty-fifth Parliament and it is the second one that systematically examines repeat financial audit recommendations of the New South Wales Auditor-General.

While it is pleasing to note a marked agency improvement since last year, this PAC report makes three significant recommendations relating to issues that have not been adequately addressed after many years.

First and most urgently, the NSW Government Digital Information Security Policy requires amendments to ensure that agencies periodically test their disaster recovery plans for financial systems and supporting IT infrastructure.

If a disaster was to occur, government must continue operating effectively. While agencies overall are making significant progress, there is still scope for improvement in disaster recovery plan testing.

Second, the PAC recommends that the Minister for Regional Infrastructure and Services negotiates a solution to an ongoing controversy involving Wentworth Park Sporting Complex Trust and Greyhound Racing NSW, over a \$6.5 million loan dating back to 1987!

The third important recommendation is to transfer health related funds from special purpose accounts to the Public Contributions Trust Fund by the end of 2013. We need available funds held in special purpose accounts to be transferred immediately so this money can be better used to deliver necessary health services to the people of NSW.

Finally, I record my appreciation for the assistance provided by the Auditor-General and Audit Office staff. I also thank all my Committee members and the secretariat staff for their assistance in the inquiry process and the preparation of this report.

Jonathan O'Dea MP

Chair

List of Findings and Recommendations

RECOMMENDATION 1 _____ **14**

The Committee recommends that the NSW Government Digital Information Security Policy be amended to include a requirement that all agencies periodically test their disaster recovery plans and that this be included in the annual attestation requirements of the policy.

RECOMMENDATION 2 _____ **16**

The Committee recommends that the Minister for Regional Infrastructure and Services negotiates a solution to the unresolved loan repayment with Greyhound Racing NSW and the Wentworth Park Sporting Complex Trust by 30 June 2014.

RECOMMENDATION 3 _____ **24**

The Committee recommends that NSW Health and the Local Health Districts seek to resolve the legal and consultation issues surrounding the transfer of funds from special purpose accounts to the Public Contributions Trust Fund before the 31 December 2013 deadline, to ensure the process for the transfer of funds can be established in line with the deadline given by the Auditor-General.

Chapter One – Introduction

- 1.1 This is the Public Accounts Committee's second report of its systematic examination of the Auditor-General's financial audit reports.
- 1.2 On 28 February 2013, the Committee met with the Auditor-General, Mr Peter Achterstraat, to discuss various matters including certain repeat recommendations that the Auditor-General had identified in his financial audit reports. Mr Achterstraat agreed to provide the Committee with further information on the recommendations he considered to be the most important. This would particularly cover those made in 2012 that were repeat recommendations of previous years.
- 1.3 Mr Achterstraat wrote to the Committee on 19 April 2013 detailing important repeat recommendations, identifying 16 which he thought would be of interest to the Committee.
- 1.4 At its meeting on 9 May 2013, the Committee resolved to follow up the repeat recommendations contained in the Auditor-General's 2012 financial audit reports. The Committee further resolved to write to the relevant agencies seeking a submission outlining their response to the Auditor-General's repeat recommendations identified in his letter of 19 April 2013.
- 1.5 On 17 May 2013, the Committee wrote to the following agencies to request a submission:
- Department of Premier and Cabinet
 - The Ministry for Health
 - The Department of Finance and Services
 - The Department of Attorney General and Justice
 - Wentworth Park Sporting Complex Trust.
- 1.6 The Committee received submissions from all of the relevant agencies and published them on its website.
- 1.7 Once received, the submissions were forwarded to the Auditor-General for his consideration and comment. The Auditor-General wrote to the Committee on 5 July 2013, providing comments on the submissions from agencies. This reply was also published on the Committee's website.
- 1.8 At its meetings on 15 August and 12 September, the Committee resolved to conduct a public hearing and seek evidence from the following agencies:
- Department of Premier and Cabinet
 - Department of Finance and Services

- Land and Property Information
- Government Property NSW.

1.9 A public hearing was held on 12 September 2013, and a representative from the Audit Office of NSW and each of these agencies gave evidence. Details of the witnesses who attended are included at Appendix Two and the transcript from the hearing is published on the Committee's website.

1.10 Following the public hearing, certain questions on notice were sent to the agencies and responses were received and published on the Committee's website.

Chapter Two – Government Property Register

Introduction

- 2.1 The Government Property Register (GPR) is intended to be a comprehensive record of all government property assets in NSW. It is the most comprehensive record of land use and property area. It also records which NSW government agency is responsible for which parcel of land or property, including State owned corporations. The GPR currently contains over 300,000 parcels of land and 280,000 properties.¹
- 2.2 In April 2011, management of the GPR became the responsibility of the Land and Property Information Division within the Department of Finance and Services. Following a recommendation from the Property Asset Utilisation Taskforce, management of the GPR was transferred to Government Property NSW in December 2012.

The financial audit

- 2.3 As part of its regular financial audit program, the Auditor-General audited the Department of Finance and Services in 2012. This resulted in an unqualified Independent Auditor's Report. The Auditor-General's report 'Financial Audits Volume 5 2012 Focusing on Superannuation, Compensation and Housing' was published in November 2012.

Auditor-General's recommendation

- 2.4 The Auditor-General made the following recommendation relating to the Government Property Register, which was directed to the Department of Finance and Services and noted that this was a repeat issue.
- The Department resolve the Government Property Register limitations so that it becomes a complete and reliable record of all NSW Government property assets.²

Background to the Auditor-General's recommendation

- 2.5 The Auditor-General noted that the limitations of the GPR have been raised with the Department of Finance and Services and predecessor agencies since 2002. In particular, the Auditor-General was concerned that:
- changes in control or ownership are not always recorded
 - much of the land held by RailCorp has no title
 - some Crown land is still unidentified

¹ Mr Desmond Mooney, General Manager, Land and Property Information, Transcript of Evidence, 12 September 2013, p11.

² Auditor-General, *Financial Audits Volume 5 2012 Focusing on Superannuation, Compensation and Housing*, p35.

- some agencies are excluded from the legal requirements to provide information for the register (e.g. State owned corporations)
- many agencies have unique property identifiers which may relate to a part of, one or many lots.³

Recommendations to improve the level and accuracy of the information recorded in the GPR were made in 2002, 2009, 2010, and 2011.⁴

2.6 In his 2012 report, the Auditor-General recognised that:

- a strategic framework has been developed to enable completion of GPR issues
- there is a steering committee in place to oversee the development and enhancement of the GPR
- the Office of Finance Property Asset Utilisation Taskforce is currently conducting a strategic review into the GPR, and any actions raised by the review will be considered and implemented as necessary.⁵

Nevertheless, the Auditor-General found it necessary to reiterate his earlier recommendation that the limitations of the GPR be resolved so that it becomes a more useful record of government property assets.

The Committee's examination

2.7 As part of its follow up of the Auditor-General's 2012 Financial Audits, the Committee wrote to the Department of Finance and Services, requesting a submission outlining the Department's response to the Auditor-General's recommendations.

2.8 Mr Michael Coutts-Trotter, Director-General, Department of Finance and Services, wrote to the Committee on 12 June 2013, outlining the Department's response to the Auditor-General's recommendations. This submission was forwarded to the Audit Office of NSW and the Auditor-General provided comments on 25 July 2013.

2.9 The Committee conducted a public hearing on 12 September 2013. The following witnesses gave evidence at the hearing:

- Mr Tony Whitfield, Deputy Auditor-General, Audit Office
- Mr Brett Newman, Chief Executive Officer, Government Property NSW
- Mr Desmond Mooney, General Manager, Land and Property Information

Actions taken to improve the Government Property Register

2.10 Following recommendations made by the Auditor-General and this Committee, the Department of Finance and Services has continued to work on the GPR. In the submission to the Committee, the Department highlighted some of the actions

³ Auditor-General, *Financial Audits Volume 9 2010 Focusing on Transport, Planning and Industry*, p35.

⁴ Auditor-General, *Financial Audits Volume 5 2012 Focusing on Superannuation, Compensation and Housing*, p35.

⁵ Auditor-General, *Financial Audits Volume 5 2012 Focusing on Superannuation, Compensation and Housing*, p35.

which had been initiated or completed to improve the reliability and completeness of the GPR.

- 2.11 Some of these actions included extending "GPR Business Rules to recognise transfer of a property by other means besides title registration".⁶ This led to "13,000 land parcels which were either 'Railway takings' or parcels transferred by gazettal ... now [being] stored in the GPR."⁷
- 2.12 Similarly, in evidence to the Committee, Mr Desmond Mooney, General Manager, Land and Property Information noted that:
- ... the Audit Office said the crown reserves should be in there. The treasury gave money to crown land to identify that land, and we have put most of it - I think it is now in the GPR. You could find all of it in there by now.⁸
- 2.13 Despite these actions to improve the GPR, the Auditor-General still had concerns regarding its effectiveness and accuracy. Of particular concern was the lack of responses received by the managers of the GPR following requests to agencies to provide property data.
- 2.14 The Deputy Auditor-General, Mr Tony Whitfield told the Committee that:
- One of the concerns that we were having in the response is that whilst there are 127 agencies that own land, only 29 out of that 127 have bothered to respond and verify what's there. That is a concern, because unless everyone can get that information in, it's not really going to end up with a usable register at the end of the day, having spent a whole lot of effort and dollars too to build it.⁹
- 2.15 In response, Mr Mooney pointed out that the agencies which did not respond on a yearly basis had already provided the information and it was already entered in the GPR.
- Most of those organisations, who didn't respond - we've got all their data already. We've got 273,000 parcels or over 300,000 individual parcels, and 280,000 properties. That is most of the land through all those agencies. The fact that they don't respond on a yearly basis in terms of what they've got is not a reflection of what is in the GPR. ... the data, to the greatest extent that we can work out, is in there.¹⁰
- 2.16 To address the limitations of the GPR, the Department of Finance and Services commissioned a report to identify further improvements. The report of the Property Asset Utilisation Taskforce (PAUT) found that while it was a potentially useful tool, the GPR had certain weaknesses. These included an unreliable accuracy, a lack of consistent use across agencies, and a lack of incentives to

⁶ Submission 2, Department of Finance and Services, Attachment B

⁷ Submission 2, Department of Finance and Services, Attachment B

⁸ Mr Desmond Mooney, General Manager, Land and Property Information, Transcript of Evidence, 12 September 2013, p13.

⁹ Mr Tony Whitfield, Deputy Auditor-General, Transcript of Evidence, 12 September 2013, p12.

¹⁰ Mr Desmond Mooney, General Manager, Land and Property Information, Transcript of Evidence, 12 September 2013, p11.

encourage, and controls to enforce, population and maintenance of data by agencies.¹¹

Government Property NSW

- 2.17 Part of the solution recommended by PAUT was to create a new body – Government Property NSW – and for management of the GPR to be transferred to this body. The Government accepted this recommendation and Government Property NSW took over management of the GPR in December 2012.
- 2.18 The transition process involved in the transfer of GPR management from Land and Property Information to Government Property NSW is complex. The Committee heard that a detailed transition plan is in place to ensure that the process runs smoothly and the specialised knowledge within Land and Property Information relating to the operation of the GPR, such as spatial information and data matching, is properly utilised.
- 2.19 According to Mr Brett Newman, Chief Executive Officer, Government Property NSW:
- There is a detailed transition plan in place. That detailed transition plan includes the preparation and putting in place of a service agreement. That transition plan includes the transfer of staff, and it includes the agreement as to ongoing service level and conditions that are in place, which are critical to the ongoing management agreement.¹²
- 2.20 The transfer of certain responsibilities has already taken effect. As an example of this, Government Property NSW was responsible for initiating the 2013 reconciliation process of the GPR with government agencies.¹³
- 2.21 Action was also taken in an effort to improve the response rate from agencies informing Government Property NSW about their assets. Changes were made to the legislation governing the GPR and an incentive was provided to encourage agencies to provide information on their assets to the GPR.
- 2.22 Mr Newman told the Committee that there had been:
- ... a number of amendments to the Government Property NSW Act. The two amendments that relate to the Government Property Register are: firstly, agencies are required to provide Government Property NSW with information relating to their land holdings. Secondly, Government Property NSW is required to keep a register of that information. It's that package of obligation and incentive, which now exists.¹⁴

¹¹ Property Asset Utilisation Taskforce Report, September 2012, p33.

¹² Mr Brett Newman, Chief Executive Officer, Government Property NSW, Transcript of evidence, 12 September 2013, p16.

¹³ Mr Desmond Mooney, General Manager, Land and Property Information, Transcript of evidence, 12 September 2013, p16 & Mr Brett Newman, Chief Executive Officer, Government Property NSW, Answers to questions taken on notice, 11 October 2013, p2.

¹⁴ Mr Brett Newman, Chief Executive Officer, Government Property NSW, Transcript of evidence, 12 September 2013, p14.

- 2.23 The changes made to Government Property NSW were outlined in a memorandum from the Premier which also introduced a further incentive to agencies for identifying and realising their assets.
- 2.24 According to Mr Newman:
- Agencies now, where they identify land, which is surplus, and that land is sold, are entitled to retain the capital of those assets for reinvestment in additional services. Secondly, the other incentive linked with the stick that the Government's put in place, is the fact that if agencies do not put the value of their lands in the register by 30 June 2014, they risk receiving no proceeds.¹⁵
- 2.25 Considering the work which has been done to improve the GPR and the ongoing nature of such work, the Committee heard that the Auditor-General's recommendation should be changed in future reports. The assertion was that the GPR is now a more useful and complete record and this should be recognised to prevent repeat recommendations from the Audit Office which have to be responded to.
- 2.26 In evidence presented to the Committee, Mr Mooney suggested that:
- ... the GPR will never hold all Government land and be 'finished'. For example, there is no benefit in identifying creeks and river beds and crown roads into the GPR ... These are converted on a transaction basis if needed, as the land is dealt with.¹⁶
- 2.27 This matter was discussed at the public hearing. Responding to a question about whether the GPR had "been brought to a standard that's acceptable", Mr Whitfield replied that:
- We will acknowledge where there has been progress, and if we'd have the view that a particular area hasn't been looked at close enough, we'll make that statement. But I can't say what we're going to be saying until we've actually done the work and looked at it. But certainly, if progress has occurred and from what I've heard there appears to be, we would acknowledge that.¹⁷

Committee Comment

- 2.28 The Committee commends the work done to improve the GPR and address the Auditor-General's and this Committee's recommendations. The creation of Government Property NSW and the transfer of management for the GPR to this body is an important step in ensuring the ongoing accuracy and completeness of the GPR. There also appears to be a comprehensive transition plan in place to make the process seamless.
- 2.29 In addition to the incentives offered to the agencies to provide information to Government Property NSW, the Committee also notes the efforts to make the GPR more useful and accessible to agencies. It is hoped that this increased

¹⁵ Mr Brett Newman, Chief Executive Officer, Government Property NSW, Transcript of Evidence, 12 September 2013, p16.

¹⁶ Mr Desmond Mooney, General Manager, Land and Property Information, Document presented at public hearing, 12 September 2013, p1.

¹⁷ Mr Tony Whitfield, Deputy Auditor-General, Transcript of Evidence, 12 September 2013, following question from Mr John Williams, pp21-22.

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usefulness will be a further incentive to encourage agencies to work with Government Property NSW. The Committee also hopes to see agencies reconciling their own data with that contained in the GPR.

- 2.30 The accuracy of the GPR still relies on the cooperation of the agencies and the Committee will continue to monitor the issue to see whether the incentives offered have been effective. The improvements made are an important step towards ensuring the GPR becomes and remains a complete and reliable record of government property assets. The Committee looks forward to the Auditor-General's observations in the upcoming financial audit report, particularly concerning the progress made by Government Property NSW.

Chapter Three – Disaster Recovery Plans

Introduction

- 3.1 Disaster recovery planning provides the means for recovering processes and capabilities of financial systems and supporting IT infrastructure in the event of a disaster.¹⁸ In the context of a financial system, a disaster can be defined as any incident that causes it to be unavailable for regular use.
- 3.2 The Auditor-General's report on the 2011 Financial Audits noted that with more than \$2 billion being spent each year on information, communications and technology tools, applications and services by New South Wales public sector agencies, it is essential to have strong information and communication technology management and control processes, such as disaster recovery plans, in place.¹⁹

The information system audit

- 3.3 Information system audits are conducted by the Auditor-General as part of the regular financial audit program. The audits review the controls over agencies' computerised information systems through the examination of four areas, namely: information security; data centre and network operations; system change control; and disaster recovery planning. In the area of disaster recovery planning, the Audit Office examines the following:
- Review of controls surrounding establishing and testing of plans relating to disaster recovery (including back-up), protecting the capability of critical systems availability and recovery.²⁰
- 3.4 The Auditor-General found a significant increase in the number of issues reported for disaster recover planning and backup in the 2011-2012 reporting period.²¹ The number of agencies audited with no disaster recovery plans increased from 14 to 17. Of those agencies that did have disaster recovery plans, the Auditor-General found that the plans were often outdated:
- ...disaster recovery plans for financial systems not existing or outdated, do not align with agencies' business recovery requirements, do not properly identify and assess critical systems and processes..²²
- 3.5 The Auditor-General found an increase in the number of agencies whose plans were not regularly tested, or only partially tested. The Auditor-General noted that "without a documented plan and sufficient testing, the effectiveness of

¹⁸ Auditor-General, *Financial Audits Volume 1 2013 Focusing on themes from 2012*, p31.

¹⁹ Auditor-General, *Financial Audits Volume 1 2012 Focusing on themes from 2011*, p23.

²⁰ Auditor-General, *Financial Audits Volume 1 2012 Focusing on themes from 2011*, p24.

²¹ Auditor-General, *Financial Audits Volume 1 2013, Focusing on themes from 2012*, p29.

²² Auditor-General, *Financial Audits Volume 1 2012 Focusing on themes from 2011*, p8.

disaster recovery solutions may only be determined when an actual disaster occurs".²³

Auditor-General's Recommendation

- 3.6 The Auditor-General recommended that all agencies should:
- define their recovery requirements and ensure these are reflected in disaster recovery plans for financial systems
 - ensure disaster recovery plans are tested periodically.

The Committee's examination

- 3.7 As part of its follow-up of the Auditor-General's 2012 Financial Audits, the Committee wrote to the Department of Premier and Cabinet, requesting a submission outlining the Department's response to the Auditor-General's recommendations.
- 3.8 Mr Chris Eccles, Director General, Department of Premier and Cabinet, wrote to the Committee on 13 June 2013, outlining the Department's response to the Auditor-General's recommendations. This submission was forwarded to the Audit Office of NSW and the Auditor-General provided comments on 25 July 2013. The Committee is satisfied that the Department of Premier and Cabinet is fulfilling its obligations in relation to disaster recovery planning.
- 3.9 The Committee conducted a public hearing on 12 September 2013. The following witnesses gave evidence at the hearing:
- Mr Tony Whitfield, Deputy Auditor-General, Audit Office
 - Mr William Murphy, Executive Director, Strategic Policy, Department of Finance and Services
 - Mr Malcolm Freame, Acting Deputy Director General, Corporate Services, Department of Finance and Services.
- 3.10 In evidence, Mr Tony Whitfield, Deputy Auditor-General, outlined the Auditor-General's concerns in relation to disaster recovery plans:
- ... the number of agencies that had a tested plan had reduced, and the number of agencies that had no plan at all had increased. Given the extensive use of computers throughout the sector, we were concerned with the lack of Disaster Recovery Plans that were actually in place and had actually been tested.²⁴
- 3.11 In response, Mr William Murphy, Executive Director, Strategic Policy, Department of Finance and Services, commented that the Auditor-General's concerns regarding disaster recovery plans related to agency compliance with a superseded Digital Information Security Policy.

²³ Auditor-General, *Financial Audits Volume 1 2013 Focusing on themes from 2012*, p31.

²⁴ Mr Tony Whitfield, Deputy Auditor-General, NSW Audit Office, Transcript of Evidence, 12 September 2013, p2.

It is a new framework...which replaces a previous Digital Information Security Policy that had been in place since 2007 – and the Auditor-General had expressed some concerns about the degree of compliance with.²⁵

The previous Digital Information Security Policy

3.12 Mr Malcolm Freame, Acting Deputy Director General, Corporate Services, Department of Finance and Services, informed the Committee that there were two issues with the old Digital Information Security Policy in relation to disaster recovery planning. First, the previous policy was 'extremely rigorous' and too onerous for many agencies to comply with. Second, there was no consequence for agencies which did not comply with the policy.

..the previous incarnation of this policy was extremely rigorous. It took it to a very, very high level, which was in fact onerous and in most cases precluded it actually being complied with...there was no consequence for non-compliance.²⁶

3.13 However Mr Whitfield responded that regardless of the difficulties with the previous policy, disaster recovery plans were essential for every agency:

My basic view is that irrespective of whether the previous policy was set too high, it still had basic requirements to have a Disaster Recovery Plan. It's something that is essential to every organisation. The fact that the old policy required certification of the whole system, in my mind does not excuse agencies from not having basic safe guards in place. And a basic safe guard in my mind is a Disaster Recovery Plan and a Business Continuity Plan.²⁷

The new NSW Government Digital Information Security Policy

3.14 In November 2012, the new NSW Government Digital Information Security Policy came into effect. The policy establishes the digital information security requirements for all New South Wales public sector agencies and does not distinguish between financial systems and information systems in general. In terms of disaster recovery planning, the policy states:

Controls must be in place to counteract interruptions to business activities and to protect critical business processes from the effects of major failures of digital information systems or disasters.

The timely resumption of business processes in the event of a major failure must be ensured.²⁸

3.15 Implementation of the policy commenced in August 2012 and all New South Wales public sector agencies are to have achieved full compliance with the policy by 31 December 2013. The policy meets the International Standard for Information Security, ISO 27001.

²⁵ Mr William Murphy, Executive Director, Strategic Policy, Department of Finance and Services, Transcript of Evidence, 12 September 2013 p3.

²⁶ Mr Malcolm Freame, Acting Deputy Director General, Corporate Services, Department of Finance and Services, Transcript of Evidence, 12 September 2013, pp5-6.

²⁷ Mr Tony Whitfield, Deputy Auditor-General, NSW Audit Office, Transcript of Evidence, 12 September 2013, p6.

²⁸ NSW Government, *Digital Information Security Policy*, Version 1.0 November 2012, p5.

3.16 Agency heads report on their compliance with the new Digital Information Security Policy in their annual report to Parliament. Mr Murphy commented that the public reporting requirement would ensure greater compliance with the policy:

The reporting obligations in the new policy has Directors-General or agency heads attesting to their compliance with the requirements of the Digital Information Security Policy in their annual report to Parliament. So it's a very public attestation of compliance and I think that agencies will take that sort of level of attestation very seriously.²⁹

3.17 In examining the response to the Auditor-General's recommendation, the Committee makes the following observations around the way data recovery plans are managed.

3.18 Data recovery plans are managed in-house or outsourced to an external organisation. The Auditor-General's report noted that in-house data recovery plans:

- were outdated
- did not align with the agency's business recovery requirements
- did not properly identify and assess critical systems and processes.³⁰

3.19 In evidence, Mr Freame explained that under the new NSW Government Digital Information Security Strategy, all agencies are required to define their recovery time objective and reflect this in their disaster recovery plans:

We asked the agencies to assess: what is the recovery time objective, so if a particular business process fails or ceases operations for a certain period of time, what is the optimal amount of time that they need to have a recovered solution in place?³¹

3.20 Mr Murphy noted that the new policy required agencies' disaster recovery plans to meet, at a minimum, the International Standard for Information Security, ISO 27001:

The new policy takes a risk-based approach whilst still implementing the recognised International Standard for Information Security, the ISO 27001 standard. What it does is to draw from that standard a minimum set of controls that all agencies need to demonstrate that they have in place. Then for agencies that have a slightly higher risk profile, they need to then apply the relevant other parts of the standard. For agencies with a significant risk profile, they'll need to demonstrate that they have third party certification to meeting the requirements of 27001.³²

²⁹ Mr William Murphy, Executive Director, Strategic Policy, Department of Finance and Services, Transcript of Evidence, 12 September 2013 p6.

³⁰ Auditor-General, *Financial Audits Volume 1 2012 Focusing on themes from 2011*, p26.

³¹ Mr Malcolm Freame, Acting Deputy Director General, Corporate Services, Department of Finance and Services, Transcript of Evidence, 12 September 2013, p3.

³² Mr William Murphy, Executive Director, Strategic Policy, Department of Finance and Services, Transcript of Evidence, 12 September 2013 p4.

- 3.21 The Committee asked the Department of Finance and Services whether the implementation of the new Digital Information Security Policy had reduced the number of agencies without a disaster recovery plan.
- 3.22 In response, Mr Laurie Glanfield, Director General, Department of Finance and Services, wrote to the Committee on 21 October 2013 and reported that agencies are making significant progress in complying with the disaster recovery requirements of the NSW Government Digital Information Security Policy.
- 3.23 Mr Glanfield noted that agencies were required to report their progress in implementing the policy by 31 July 2013. Of the progress reports received from 139 agencies:
- only 1% of reporting agencies have not yet made progress in putting controls in place to counteract interruptions to business activities and protect critical business processes from the effects of major failure
 - only 2% of reporting agencies have not yet made progress in ensuring the timely resumption of business processes in the event of a major failure
 - all shared service providers have implemented, or are in the process of implementing, appropriate disaster recovery controls.³³
- 3.24 The Committee further asked if the implementation of the new Digital Information Security Policy had improved the rate of testing of disaster recovery plans. In response to a question taken on notice, Mr Glanfield explained that the new policy does not require agencies to report on testing of their disaster recovery plans:
- The policy does not require agencies to undertake annual testing of disaster recovery plans. Accordingly, data collection under the policy does not seek information on annual testing of disaster recovery plans.³⁴
- 3.25 In evidence, Mr Murphy noted that under the whole of government Treasury policy, TPP 0905, all agencies have Audit and Risk Committees. A role of the Audit and Risk Committees is to check that agencies conduct periodic testing of their disaster recovery plans:
- ...One of the functions of those Audit and Risk Committees is to review whether an agency has taken a sound approach to business continuity planning arrangements including the periodic testing of disaster recovery plans.³⁵
- 3.26 While all agencies have an Audit and Risk Committee, the Auditor-General found that the number of agencies audited who did not test or only partially tested their disaster recovery plans increased from 36 to 55 in the 2011-2012 reporting period. The Committee makes comment on this issue in the following section.

³³ Mr Laurie Glanfield, Director General, Department of Finance and Services, Answers to questions taken in evidence, 15 October 2013, p2.

³⁴ Mr Laurie Glanfield, Director General, Department of Finance and Services, Answers to questions taken in evidence, 15 October 2013, p2.

³⁵ Mr William Murphy, Executive Director, Strategic Policy, Department of Finance and Services, Transcript of Evidence, 12 September 2013 pp4-5.

Committee Comment

- 3.27 The response of agencies in implementing the new NSW Government Digital Security Information Policy indicates that there has been a reduction in the number of agencies without disaster recovery plans. The new requirement that data recovery plans comply with ISO 27001 standard should ensure that the Auditor-General's concerns around out-dated data recovery plans are met. The Committee will be keen to note the Auditor-General's observations in the upcoming financial audit report.
- 3.28 The new NSW Government Digital Information Security Policy does not require agencies to undertake annual testing of disaster recovery plans. While agency Audit and Risk Committees are required to review whether disaster recovery plans have been tested periodically, it does not appear that that these Committees have been adequate in performing this function.

RECOMMENDATION 1

The Committee recommends that the NSW Government Digital Information Security Policy be amended to include a requirement that all agencies periodically test their disaster recovery plans and that this be included in the annual attestation requirements of the policy.

Chapter Four – Wentworth Park Sporting Complex Trust

Introduction

- 4.1 The Wentworth Park Sporting Complex Trust (the Trust) is responsible for the management of Wentworth Park Sporting Complex in the Sydney suburb of Glebe. The board of the Trust is tasked with maximising the use of the park through: hosting a diverse range of sporting events; ensuring maximum benefit to the community; and overseeing its maintenance and efficiency and effectiveness as a public asset.³⁶
- 4.2 The Trust has its legislative base within sections 92 and 93 of the *Crown Lands Act 1989*. Previously the Trust was under the responsibility of the Minister for Primary Industries, but now falls within the portfolio responsibilities of the Minister for Regional Infrastructure and Services.

The financial audit

- 4.3 As part of its regular financial audit program, the Auditor-General audited the Trust in 2012. This resulted in an unqualified Independent Auditor's Report. The Auditor-General's report 'Financial Audits Volume 9 2012 Focusing on Education and Communities' was published in December 2012.

Auditor-General's recommendations

- 4.4 The Auditor-General recommended that the Trust endeavour to agree with Greyhound Racing NSW about the treatment of monies provided to it in 1985-87 by the former Racecourse Development Fund. This was identified in the report as a repeat issue.³⁷

Background to the Auditor-General's recommendations

- 4.5 In the period of 1985-87, the Trust obtained a loan of \$6.5 million, provided by the former Racecourse Development Fund to finish construction of the main grandstand. After the privatisation of the TAB and winding up of the fund, the loan was transferred to Greyhound Racing NSW.³⁸
- 4.6 The Trust's board has stated that it is unable to repay the loan. It believes that under the original terms of the loan there is no obligation for repayment.³⁹ The Trust has indicated that repaying the loan would affect the solvency of the Trust and "undermine the Trust's management of a reserve of regional significance".⁴⁰

³⁶ Wentworth Park Sporting Complex Trust, *Annual Report 2011-2012*, p 13.

³⁷ Auditor-General, *Financial Audits Volume 9 2012 Focusing on Education and Communities*, p 85.

³⁸ Auditor-General, *Financial Audits Volume 9 2012 Focusing on Education and Communities*, p 85.

³⁹ Auditor-General, *Financial Audits Volume 9 2012 Focusing on Education and Communities*, p 85.

⁴⁰ Submission 1, Wentworth Park Sporting Complex Trust, p 8.

This issue remains an area of ongoing dispute, and has been subject to previous inquiry by the Auditor-General.⁴¹

The Committee's examination

- 4.7 As part of its follow-up of the Auditor-General's 2012 financial audits, the Committee wrote to the Wentworth Park Sporting Complex Trust, requesting a submission outlining its response to the Auditor-General's repeat recommendation.
- 4.8 Mr Peter Mann, Chief Executive, Wentworth Park Sporting Complex Trust, wrote to the Committee on 22 May 2013, outlining the Trust's response to the Auditor-General's recommendation. The submission was forwarded to the Audit Office of NSW, and the Auditor-General provided comments on 25 July 2013.
- 4.9 In its submission to the Committee, the Trust noted that it had been attempting to resolve the issue for a number of years.⁴² Despite accepting the repeat recommendation made by the Auditor-General, the matter remains unresolved.⁴³
- 4.10 On 7 March 2013, the Trust wrote to the Hon. Andrew Stoner MP, the minister responsible for Crown lands, to request that the issue be resolved. On 2 May 2013, they received a response from the Parliamentary Secretary to the Deputy Premier, stating that the Government was in discussions with Greyhound Racing NSW to achieve resolution.⁴⁴

Committee comment

- 4.11 The Committee notes that the Trust has made repeated attempts in recent years to resolve the matter of the loan, and notes the actions of the Trust in attempting to address the Auditor-General's repeat recommendation. However, the issue has remained unresolved for a number of years and needs to be addressed.

RECOMMENDATION 2

The Committee recommends that the Minister for Regional Infrastructure and Services negotiates a solution to the unresolved loan repayment with Greyhound Racing NSW and the Wentworth Park Sporting Complex Trust by 30 June 2014.

⁴¹ Auditor-General, *Financial Audits Volume 9 2012 Focusing on Education and Communities*, p 85; and Submission 1, Wentworth Park Sporting Complex Trust, p 4.

⁴² Submission 1, Wentworth Park Sporting Complex Trust, p 6.

⁴³ Submission 1, Wentworth Park Sporting Complex Trust, p 3.

⁴⁴ Submission 1, Wentworth Park Sporting Complex Trust, p 2.

Chapter Five – Department of Attorney General and Justice

Introduction

- 5.1 The Department of Attorney General and Justice delivers legal, court and supervision services to the people of New South Wales. The Department plays an important role in the administration and development of the legal system, to protect human rights and reduce crime in New South Wales.
- 5.2 The Department oversees the Victims Compensation Scheme, which manages compensation payments to those who have been affected by violent crime in New South Wales. The Victims Compensation Scheme was replaced with the Victims Support Scheme in October 2012.⁴⁵

The financial audit

- 5.3 As part of its regular financial audit program, the Auditor-General audited the Department of Attorney General and Justice in 2012. This resulted in an unqualified Independent Auditor's Report. The Auditor-General's report 'Financial Audits Volume 7 2012 Focusing on Law, Order and Emergency Services' was published in November 2012.

Auditor-General's recommendation

- 5.4 The Auditor-General identified one repeat recommendation in relation to victims' compensation:

I again recommend the Department pursue initiatives to address the backlog of victims' compensation claims, which now represent more than four years of claims and has more than tripled since 2006. Such initiatives will need to take account of the findings of the independent assessment of the scheme.⁴⁶

Background to the Auditor-General's recommendation

- 5.5 The Victims Compensation Scheme overseen by the Department of Attorney General and Justice manages the payment of compensation to victims of violent crimes in New South Wales. In June 2013 the Department had 21,946 pending victims' compensation claims, with an estimated total payout of \$250 million.⁴⁷
- 5.6 The Auditor-General found that there was an increasing number of unprocessed compensation claims, noting that the backlog had tripled since 2006.⁴⁸ It was found that over 68.1% of all outstanding claims are more than one year old, and

⁴⁵ Submission 5, Department of Attorney General and Justice, p 2.

⁴⁶ Auditor-General, *Financial Audits Volume 7 2012 Focusing on Law, Order and Emergency Services*, p 14.

⁴⁷ Auditor-General, *Financial Audits Volume 7 2012 Focusing on Law, Order and Emergency Services*, p.15.

⁴⁸ Auditor-General, *Financial Audits Volume 7 2012 Focusing on Law, Order and Emergency Services*, p.15.

that it takes on average 31 months to process claims, compared to an average of 25 months in June 2011.⁴⁹

- 5.7 On 11 August 2011, the NSW Attorney General announced an independent assessment of the victims compensation scheme with a view to delivering faster and more effective support to victims of violent crimes and in an attempt to address the repeat concerns raised by the Auditor-General.⁵⁰

The Committee's examination

- 5.8 As part of its follow-up of the Auditor-General's 2012 financial audits, the Committee wrote to the Department of Attorney-General and Justice, requesting a submission outlining its response to the Auditor-General's repeat recommendation.
- 5.9 Mr Laurie Glanfield, Director General, Department of Attorney General and Justice, wrote to the Committee on 22 May 2013, outlining the Department's response to the Auditor-General's recommendation. The submission was forwarded to the Audit Office of NSW, and the Auditor-General provided comments on 25 July 2013.
- 5.10 In its submission to the Committee, the Department stated that in October 2012 Cabinet approved the replacement of the Victims Compensation Scheme with a new model called the Victims Support Scheme. It noted that these changes would help to address the repeat recommendations made by the Auditor-General.⁵¹
- 5.11 The Victims Support Services Bill was passed by both houses of Parliament and assented to on 3 June 2013, establishing the *Victims Rights and Support Act 2013 No. 37*. This legislates for a victims compensation scheme focusing on ongoing treatment and support of victims with minimum reliance on lump sum payments.⁵²
- 5.12 The Department also explained that Treasury will provide Victims Services with a further one-off grant of \$130 million to extinguish the backlog of claims. The money will be used to fund unresolved claims lodged under the old scheme. The Department has stated that the new scheme will be faster and more effective, to minimise the risk of backlogging in the future.⁵³
- 5.13 The Auditor-General was satisfied with the actions of the Department, and noted that the Department aims to extinguish all current pending claims by June 2015. However, the Auditor-General noted that a number of issues were still subject to audit, and stated that his 'Volume 6 of the 2013 Auditor-General's Financial Audit' reports to parliament would include further details on the impacts of the new scheme.⁵⁴

⁴⁹ Auditor-General, *Financial Audits Volume 7 2012 Focusing on Law, Order and Emergency Services*, p.15.

⁵⁰ Auditor-General, *Financial Audits Volume 7 2012 Focusing on Law, Order and Emergency Services*, p.15.

⁵¹ Submission 5, Department of Attorney General and Justice, p 2.

⁵² Submission 5, Department of Attorney General and Justice, p 2.

⁵³ Submission 5, Department of Attorney General and Justice, p 2.

⁵⁴ Submission 6, Auditor-General, p 8.

Committee comment

- 5.14 The Committee is satisfied that the legislative changes made to establish the Victims Support Scheme addresses the repeat recommendations made by the Auditor-General concerning the backlog of victims compensation claims, provided the Department is able to extinguish the backlog of claims by their set date of June 2015. The Committee may consider the matter further following the release of 'Volume 6 of the Auditor-General's 2013 Financial Audit' reports.

Chapter Six – NSW Health Finances

Introduction

- 6.1 The NSW Ministry of Health (NSW Health) is responsible for the oversight and control of a number of entities within the health system, including the Local Health Districts (LHDs) and the Sydney Children’s Hospital Network (SCHN). NSW Health has over 100,000 full time staff across its establishment and expended \$16.5 billion in 2012.⁵⁵
- 6.2 The Sydney Children’s Hospital Network was formed in 2010 and oversees Randwick and Westmead children’s hospitals. It is the largest paediatric entity in Australia.
- 6.3 There have been major governance and structural changes since 2011 that have impacted on the operations of NSW Health. This includes the National Health Reform program, and structural changes relating to the Director General’s August 2011 governance review recommendations.⁵⁶
- 6.4 Local Health Districts were established after the NSW Government entered into the National Health Reform Agreement with the Australian Government in 2011. Under the *Health Services Act 1997*, the affairs of the LHDs are managed by their chief executives, appointed by the Director General of NSW Health.⁵⁷ There are eight LHDs covering the Sydney metropolitan region, and seven in regional and rural NSW.

The financial audit

- 6.5 As part of its regular financial audit, the Auditor-General audited NSW Health in 2012. This resulted in an unqualified Independent Auditor’s Report, except for the Sydney Children’s Hospital Network, which was a qualified opinion. The Auditor-General’s report ‘Financial Audits Volume Eleven: Focusing on Health’ was published in December 2012.

Auditor-General’s recommendations

- 6.6 The Auditor-General made recommendations to the Local Health Districts (LHDs) and Sydney Children’s Hospital Network regarding their special purpose accounts, and to the Ministry regarding intra-health balances. Both these issues were identified in the report as repeat recommendations. The recommendations are detailed below:

Local Health Districts and Sydney Children’s Hospital Network should:

- Finalise reviews of all special purpose accounts to confirm the nature and intended use by 28 February 2013

⁵⁵ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 9.

⁵⁶ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, pp. 9-10.

⁵⁷ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 10.

- Record the actual intended use of each account in a central repository
- Analyse and understand why some special purpose accounts had nil or few transactions during 2011-12
- Provide the Ministry of Health with a report, in a format to be specified, on the results of reviews by 31 March 2013, signed by the Chief Executive
- Arrange appropriate approvals to move funds from special purpose accounts to the Public Contributions Trust Fund, to help the delivery of health services, by 30 June 2013.⁵⁸

NSW Health

- The Ministry of Health and health entities must further improve how they record, reconcile and confirm intra-health transactions and balances with each other. They should reconcile and agree intra-health balances every quarter
- The Ministry of Health should be more active in reviewing, reconciling and following up intra-health discrepancies
- All health entities should request, and respond to, intra-health confirmations on a timely basis.⁵⁹

Background to the Auditor-General's recommendations

Special purpose accounts

- 6.7 At 30 June 2012, \$756 million was held in special purpose accounts by the LHDs and Sydney Children's Hospital Network, and more than 4,300 special purpose accounts totalling \$224 million remained idle during 2011-12.⁶⁰
- 6.8 The Auditor-General has made recommendations that NSW Health and health entities review their special purpose accounts since 2008.⁶¹ It was noted that seven out of fifteen LHDs, as well as the Sydney Children's Hospital Network, had completed the review. The Auditor-General urged the remaining LHDs to complete a review as a matter of urgency.⁶²
- 6.9 The Auditor-General noted that a thorough review of special purpose accounts would identify accounts where the intended use is unknown, as well as dormant accounts. Subject to approval and restrictions by the donor/grantor, this money could be used more freely to deliver health services.⁶³

Intra-Health transactions

- 6.10 Health entities overseen by NSW Health struggle to agree how much money they owe each other. At 30 June 2012, there was a \$28 million difference between

⁵⁸ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 19.

⁵⁹ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 21.

⁶⁰ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 19.

⁶¹ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 19.

⁶² Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 19.

⁶³ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 19.

amounts recognised as owing and amounts actually owed between health entities.⁶⁴ While NSW Health developed new guidelines relating to this issue, the Auditor-General noted that more action was required.

- 6.11 The Auditor-General stated that health entities need to complete more regular and more timely intra-health reconciliations and confirmations, and that the Ministry should be more active in reviewing, reconciling and following up health discrepancies throughout the year, and initiate quarterly instead of annual reviews.⁶⁵

The Committee's examination

- 6.12 As part of its follow-up of the Auditor-General's 2012 financial audits, the Committee wrote to NSW Health, requesting a submission outlining its response to the Auditor-General's repeat recommendations.
- 6.13 Dr Mary Foley, Director General, NSW Health, wrote to the Committee on 28 June 2013, outlining the Ministry's response to the Auditor-General's recommendations. The submission was forwarded to the Audit Office of NSW, and the Auditor-General provided comments on 25 July 2013.

Special purpose accounts

- 6.14 In its submission to the Committee, NSW Health outlined actions that had been taken to address the Auditor-General's repeat recommendations. NSW Health indicated that it had contacted all LHDs and the SCHN to complete the review of Special Purpose and Trust Fund documentation by no later than 31 March 2013.⁶⁶
- 6.15 The LHDs and SCHN provided NSW Health with information by 31 March 2013 concerning the outcomes of the review. This included outlining the establishment and maintenance of a central repository of information related to the nature and intended use of funds, and providing advice to NSW Health regarding possible actions to consolidate funds into the Public Contributions Trust Fund.⁶⁷
- 6.16 NSW Health has also outlined further actions due to be completed by 31 December 2013, concerning approvals to move funds from special purpose accounts to the Public Contributions Trust Fund. These actions include determining that transfers satisfy donor restrictions, and better informing the forward estimate processes of LHDs, the SCHN and the Ministry. This will enable the agencies to incorporate consideration of available balances and the conditions attached to money in the special purpose funds. NSW Health has indicated that due process needs to be followed before transferring funds, which may include legal advice and further consultation with the Public Trustee.⁶⁸
- 6.17 The Auditor-General is satisfied that the actions undertaken by NSW Health are addressing the concerns raised in the repeat recommendations. The Audit Office of NSW has indicated that it will complete a comprehensive review during

⁶⁴ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 21.

⁶⁵ Auditor-General, *Financial Audits Volume Eleven 2012: Focusing on Health*, p 21.

⁶⁶ Submission 4, NSW Health, p 2.

⁶⁷ Submission 4, NSW Health, p 2.

⁶⁸ Submission 4, NSW Health, p 4.

August-October, and will report the findings in Volume Ten of the 2013 Auditor-General's Report to Parliament.⁶⁹

Intra-Health transactions

- 6.18 In relation to the recommendations made concerning intra-health transactions, NSW Health has indicated that it has undertaken actions to address the concerns raised by the Auditor-General.
- 6.19 Commencing October 2012 and quarterly thereafter, all LHDs and other controlled entities are required by the Ministry to reconcile and certify their indebtedness to each other. Further, as part of the March 2013 early close process, NSW Health required each entity to provide a reconciliation and certification of intra-health indebtedness between entities.⁷⁰
- 6.20 In addition, NSW Health has stated that it engaged an independent external consultant to conduct a state wide survey of processes related to intra-health transactions. NSW Health has stated that this would allow for the evaluation of the effectiveness of the process and enable corrective actions to be implemented before 30 June 2013.⁷¹
- 6.21 NSW Health has also stated that a major system upgrade to accounting software would come into effect in October 2013. This was expected to significantly improve the intra-health reconciliation process.⁷²
- 6.22 The Auditor-General was satisfied that the actions undertaken by NSW Health addressed the repeat recommendations raised in the report, and found that after the intra-health reconciliation and confirmation process "it was evident all health entities were more diligent in recording, reconciling and confirming intra-health balances".⁷³ The Auditor-General indicated that Volume Ten of the 2013 Auditor-General's Report to Parliament would include more details and any follow-up recommendations relating to this issue.⁷⁴

Committee comment

- 6.23 The Committee is satisfied that the actions of NSW Health address the repeat recommendations made by the Auditor-General concerning special purpose accounts and intra-health transactions. The Committee will consider the matter further following the release of Volume 10 of the Auditor-General's 2013 Financial Audit reports.
- 6.24 The Committee commends NSW Health's commitment to following due process in regards to the transfer of funds from special purpose accounts to the Public Contributions Trust Fund. However, NSW Health should ensure that this process does not hinder their ability to meet the deadline given by the Auditor-General.

⁶⁹ Submission 6, Auditor-General, p 5.

⁷⁰ Submission 4, NSW Health, p 4.

⁷¹ Submission 4, NSW Health, p 4.

⁷² Submission 4, NSW Health, p 4.

⁷³ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 6.

⁷⁴ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 6.

RECOMMENDATION 3

The Committee recommends that NSW Health and the Local Health Districts seek to resolve the legal and consultation issues surrounding the transfer of funds from special purpose accounts to the Public Contributions Trust Fund before the 31 December 2013 deadline, to ensure the process for the transfer of funds can be established in line with the deadline given by the Auditor-General.

Chapter Seven – Information Security

Introduction

- 7.1 The Department of Premier and Cabinet (DPC) is responsible for driving the objectives of Government, coordinating policy and services across the whole of Government and enabling an effective public service.⁷⁵
- 7.2 The Digital information security management policy is outlined in the NSW Government ICT Strategy 2012 and Premier's Memorandum, M2012-15, Digital Information Security Policy.⁷⁶ It is the responsibility of agencies to comply with the guidelines outlined in the policy, in order to ensure best practice information security management.

The Financial Audit

- 7.3 As part of its regular Financial Audit Program, the Auditor-General audited a number of agencies in 2012 including the Department of Premier and Cabinet, and identified key repeat issues that were raised throughout the year. This resulted in the Auditor-General's Report, 'Volume One 2013 Focusing on Themes From 2012'.

Auditor-General's recommendations

- 7.4 The Auditor-General made a number of recommendations to all the agencies, focusing on improving information security. These are listed below:
- Revise their information security management framework to align with Premier's Memorandum M2012-15 Digital Information Security Policy
 - Enhance agency compliance with information security procedures and guidelines to focus on appropriate user access requirements including segregation of duties and security configurations
 - Consider information security requirements during new system implementations and business process changes.⁷⁷

Background to the Auditor-General's recommendations

- 7.5 The Auditor-General raised concerns in 2010 regarding the implementation, enforcement and monitoring of agency compliance with the Government policy on information security at the time, outlined in the Premier's Memorandum M2007-04 Security of Electronic Information.⁷⁸
- 7.6 Agencies continue to struggle to solve their IT issues surrounding information security. In 2012, the two primary issues relating to information security were user administration and password parameters. The Auditor-General also found

⁷⁵ Department of Premier and Cabinet, *Directions Statement 2012-2015*, p 1.

⁷⁶ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 30.

⁷⁷ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 30.

⁷⁸ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 30.

that agencies demonstrated a lack of awareness regarding the design and implementation of Segregation of Duties controls and processes, which put them at unnecessary risk.⁷⁹

- 7.7 Since this time, new policies and procedures on digital information security have come into place, detailed in the NSW Government ICT Strategy 2012 and the Premier's Memorandum M2012-15 Digital Information Security Policy.⁸⁰ The Digital Information Security Policy outlines the information security requirements for the NSW Public Sector, which includes the requirement to have an Information Security Management System (ISMS), based on a thorough assessment of risks to digital information and information systems.⁸¹

The Committee's examination

- 7.8 As part of its follow-up of the Auditor-General's 2012 Financial Audits, the Committee wrote to the Department of Premier and Cabinet, requesting a submission outlining its response to the Auditor-General's recommendations.
- 7.9 Mr Chris Eccles, Director General, Department of Premier and Cabinet, wrote to the Committee on 17 June 2013, outlining the Department's response to the Auditor-General's recommendations. This submission was forwarded to the Audit Office of NSW, and the Auditor-General responded on 25 July 2013.
- 7.10 In its submission, the Department outlined the actions it had taken to address the Auditor-General's recommendations relating to digital information security. DPC stated that it has developed an ISMS and is in the process of implementing it across the Department, in line with the Premier's Memorandum M2012-15.⁸²
- 7.11 The Department is implementing an information security classification system, based on Australian Government guidelines, which is expected to be fully implemented by 1 January 2014.⁸³ DPC has also indicated that an initial risk assessment and information classification has been undertaken of all DPC assets. The compliance of the Department with the NSW Government guidelines on information security will be outlined in their Annual Report in June 2014.⁸⁴
- 7.12 The Department has stated that it is working to enhance agency compliance with security procedures and guidelines, through internal policies and controls overseen by the shared services provider, ServicesFirst.⁸⁵ The Department has also noted that it is currently working through the implementation of recommendations that arose from an Internal Audit of IT Security in October 2012.⁸⁶

⁷⁹ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 30.

⁸⁰ Auditor-General, *Financial Audits Volume 1 2013 Focusing on Themes from 2012*, p 30.

⁸¹ NSW Government Digital Information Security Policy, November 2012, pp 3-4.

⁸² Submission 3, Department of Premier and Cabinet, p 3.

⁸³ Submission 3, Department of Premier and Cabinet, p 4.

⁸⁴ Submission 3, Department of Premier and Cabinet, p 4.

⁸⁵ Submission 3, Department of Premier and Cabinet, p 5.

⁸⁶ Submission 3, Department of Premier and Cabinet, p 5.

- 7.13 The Department has outlined further actions in relation to information security requirements during the implementation of the M2012-15 and associated business process changes. The Department has an existing IT project management framework which incorporates security, risk and quality requirements. It noted that this will be incorporated into the Department's ISMS as part of the implementation of M2012-15.⁸⁷
- 7.14 The Auditor-General was satisfied with the actions of the Department of Premier and Cabinet in relation to the recommendations made in his report, stating that "these actions seem to be appropriate and reasonable given the recommendations".⁸⁸

Committee comment

- 7.15 The Committee is satisfied that the actions undertaken by the Department address the recommendations made by the Auditor-General. However, given that most actions are in the initial stages of development or implementation, it is important that agency compliance with the new Government guidelines is monitored regularly to ensure best practice.

⁸⁷ Submission 3, Department of Premier and Cabinet, p 5.

⁸⁸ Submission 6, Auditor-General, p 4.

Appendix One – List of Submissions

1	Wentworth Park Sporting Complex Trust
2	Department of Finance and Services
3	Department of Premier and Cabinet
4	NSW Ministry of Health
5	Attorney General & Justice
6	Audit Office of NSW

Appendix Two – List of Witnesses

12 September 2013, Macquarie Room

Witness	Organisation
Mr John Clark Assistant Director General, Corporate Services	Department of Premier and Cabinet
Mr David Schneider Chief Information Officer	Department of Premier and Cabinet
Mr William Murphy Executive Director, Strategic Policy	Department of Finance and Services
Mr Malcolm Freame A/Deputy Director General, Corporate Services	Department of Finance and Services
Mr Tony Whitfield Deputy Auditor-General	Audit Office of NSW
Mr Desmond Mooney General Manager	Land and Property Information
Mr Brett Newman Chief Executive Officer	Government Property NSW

Appendix Three – Extracts from Minutes

MINUTES OF PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE (NO. 48)

Thursday 9 May, 2013
9.45 am
Room 1043, Parliament House

Members present

Mr O’Dea (Chair), Mr Bassett, Mr Daley, Dr Lee, Mr Piper, Mr Williams

Officers in attendance

Rachel Simpson, John Miller, Emma Wood, Jenny Gallagher

The Chair commenced the meeting at 9.45 am.

1. Confirmation of minutes

Resolved, on the motion of Mr Bassett, seconded by Mr Williams: that the minutes of the meeting held on 27 March 2013 be confirmed.

2. ***

3. ***

4. Follow up of the Auditor-General’s 2012 financial audit reports

Resolved, on the motion of Mr Williams, seconded Mr Piper: that the Committee conduct an inquiry to follow up repeat recommendations of the Auditor General’s 2012 financial audit reports; and that the Chair write to relevant agencies seeking comments on the repeat recommendations identified by the Auditor-General in his letter dated 19 April 2013.

5. ***

6. ***

7. Next meeting

The committee adjourned at 10.27 am until 9.45 am on Thursday, 23 May 2013.

MINUTES OF MEETING 55

Thursday, 15 August 2013

9.56 am

Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Mr Bassett, Dr Lee, Mr Piper, Mr Williams

Apologies

Apologies were received from Mr Daley

Officers in attendance

Rachel Simpson, John Miller, Leon Last, Sasha Shevtsova, Jenny Gallagher, Laura Sloane

1. Confirmation of minutes no. 54 held on 13 August 2013

Resolved on the motion of Mr Piper, seconded by Mr Bassett, that draft minutes no. 54 be confirmed.

2. ***

3. Follow up of the Auditor-General's 2012 Financial Audits

3.1 Submissions received

The Committee noted the following submissions received:

- Submission 1 – Wentworth Park Sporting Complex Trust
- Submission 2 – Department of Finance and Services
- Submission 3 – Department of Premier and Cabinet
- Submission 4 – NSW Ministry of Health
- Submission 5 – Attorney General & Justice
- Submission 6 - Auditor-General of NSW

Resolved on the motion of Mr Piper, seconded by Mr Bassett, that the Committee authorise publication of Submission Nos 1 – 6.

3.2 Public hearing

Resolved on the motion of Mr Piper, seconded by Mr Bassett:

- that the Committee hold a public hearing at Parliament House on Thursday, 12 September 2013;
- that representatives from the following organisations be invited to appear as witnesses:
 - Audit Office of NSW,
 - Government Property NSW,

PUBLIC ACCOUNTS COMMITTEE
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- Land and Property Information,
- Department of Premier and Cabinet,
- and that the Chair issue a press release about the hearing.

4. ***

5. ***

6. ***

7. ***

8. ***

9. ***

10. ***

11. ***

12. Next meeting

The Committee adjourned at 10:05 am until 9.45 am on Thursday, 22 August 2013 in Room 1043.

Briefing by the Auditor-General on recent performance audit reports

MINUTES OF MEETING 57

Thursday, 29 August 2013

9.48 am

Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Mr Bassett, Mr Piper, Dr Lee, Mr Williams

Officers in attendance

Rachel Simpson, John Miller, Leon Last, Jenny Gallagher, Shane Armstrong, Laura Sloane

1. Confirmation of minutes no. 56 held on 22 August 2013

Resolved on the motion of Mr Williams, seconded by Mr Bassett, that draft minutes no. 56 be confirmed.

2. Follow up of the Auditor-General's 2012 Financial Audits

Resolved on the motion of Mr Piper, seconded by Mr Bassett, that the Committee adopt the Public Hearing schedule for 12 September 2013.

3. ***

4. ***

5. ***

6. ***

7. Next meeting

The Committee adjourned at 10:50 am until 9.45 am on Thursday, 12 September 2013 in Room 1043.

MINUTES OF MEETING NO 58

Thursday 12 September 2013
9.46 am
Room 1043, Parliament House

Members present

Mr O’Dea (Chair), Mr Bassett, Dr Lee, Mr Piper, Mr Williams

Officers in attendance

Rachel Simpson, John Miller, Leon Last, Sasha Shevtsova, Jenny Gallagher, Laura Sloane

1. Confirmation of minutes no. 57 held on 29 August 2013.

Resolved on the motion of Mr Piper, seconded Dr Lee: That draft minutes no.57 held on 29 August 2013 be confirmed.

2. ***

3. Follow up of the Auditor-General’s 2012 Financial Audits

The Committee noted the Notice of Hearing for the Public hearing to be held on the 12 September 2013.

Resolved on the motion of Dr Lee, seconded Mr Bassett: That the Committee invite Mr William Murphy, Executive Director, ICT Policy, and Mr Malcolm Freame, Acting Director General, Corporate Services, from the Department of Finance and Services to the Committee hearing on 12 September 2013.

4. ***

5. ***

6. ***

7. ***

8. Next meeting

The Committee adjourned at 11:34am until 4.00pm Thursday 12 September 2013 in the Macquarie Room.

MINUTES OF MEETING 59

Thursday, 12 September 2013

4.04 pm

Macquarie Room, Parliament House

Members present

Mr O'Dea (Chair), Mr Bassett, Mr Daley, Dr Lee, Mr Piper, Mr Williams

Officers in attendance

Rachel Simpson, John Miller, Leon Last, Sasha Shevtsova, Jenny Gallagher, Laura Sloane

Deliberative meeting

1. Media orders

Resolved on the motion of Mr Piper, seconded by Dr Lee, that the Committee authorises the audio-visual recording, photography and broadcasting of the public hearing on 12 September 2013 in accordance with the NSW legislative Assembly's guidelines for coverage of proceedings for parliamentary committees administered by the Legislative Assembly.

2. Publication orders - Transcript of evidence

Resolved on the motion of Dr Lee, seconded by Mr Piper, that the Committee authorise the publication of the corrected transcript of evidence given today, and that the transcript be posted on the Committee's website.

3. Answers to questions on notice

Resolved on the motion of Mr Daley, seconded by Dr Lee, that witnesses be requested to return answers to questions taken on notice during the hearing and supplementary questions within 2 weeks of the date on which the questions are sent to the witness.

Public hearing

4. Public hearing: Follow up of the Auditor-General's 2012 financial audit reports

Witnesses, the public and media were admitted. The Chair opened the public hearing and made a brief statement regarding the broadcasting of proceedings and other matters.

The following witnesses from the Department of Finance and Services were sworn and examined:

- Mr William Murphy, Executive Director, ICT Policy
- Mr Malcolm Freame, A/Deputy Director General, Corporate Services

The following witnesses from the Department of Premier and Cabinet were sworn and examined:

- Mr John Clark, Assistant Director General, Corporate Services
- Mr David Schneider, Chief Information Officer

The following witness from the Audit Office of NSW was sworn and examined:

- Mr Tony Whitfield, Deputy Auditor-General,

Evidence concluded. The witnesses withdrew.

The following witness from Land and Property Information was sworn and examined:

- Mr Desmond Mooney, General Manager

The following witness from Government Property NSW was affirmed and examined:

- Mr Brett Newman, Chief Executive Officer

The following witness from the Audit Office of NSW was examined on his former oath:

- Mr Tony Whitfield, Deputy Auditor-General

Evidence concluded. The witnesses withdrew.

The Chair closed the hearing.

Deliberative meeting

5. Tendered documents

Resolved on the motion of Mr Williams, seconded by Mr Bassett, that the Committee accept the documents entitled *NSW Government Property Register (Notes)* and *Government Property Register (Diagram)*, which were presented by Mr Des Mooney, General Manager, Land and Property Information during the hearing.

6. Next meeting

The Committee adjourned at 5.50pm until 9.45am on Thursday, 19 September 2013 in Room 1043.

MINUTES OF MEETING NO 61

Thursday 17 October 2013
9.50am
Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Mr Bassett, Mr Daley, Mr Piper, Mr Williams

Officers in attendance

Bjarne Nordin, John Miller, Leon Last, Meike Bowyer, Laura Sloane, Sarah-Anne Fong

1. Confirmation of minutes no. 60 held on 19 September 2013.

Resolved on the motion of Mr Bassett, seconded Mr Daley: That draft minutes no. 60 held on 19 September 2013 be confirmed.

2. ***

3. ***

4. ***

5. ***

6. ***

7. Other Business

7.1 ***

7.2 *Answers to questions taken on notice from public hearing on 12 September 2013*

The Committee noted that answers to questions on notice had been received from Government Property NSW.

Resolved on the motion of Mr Piper, seconded by Mr Williams, that the Committee authorise publication of the answers to questions on notice.

7.3 ***

7.4 ***

7.5 ***

8. Next meeting

The Committee adjourned at 10.18 until 12.30pm Friday, 18 October at 20 Bond Street and 161 Castlereagh Street.

MINUTES OF MEETING NO 60

Thursday 19 September 2013
9.48am
Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Mr Bassett, Mr Daley, Dr Lee, Mr Piper

Officers in attendance

Rachel Simpson, John Miller, Leon Last, Sasha Shevtsova, Meike Bowyer, Laura Sloane

1. Apologies

An apology was received from Mr Williams.

2. Confirmation of minutes no. 58 and no. 59 held on 12 September 2013.

Resolved on the motion of Mr Piper, seconded Dr Lee: That draft minutes no.58 and no. 59 held on 12 September 2013 be confirmed.

3. ***

4. Follow up of the Auditor-General's 2012 Financial Audits

Resolved on the motion of Mr Bassett, seconded by Dr Lee: That the Committee publish the documents presented by Mr Des Mooney, General Manager, Land and Property Information at the public hearing held on 12 September 2013.

5. ***

6. ***

7. ***

8. ***

9. ***

10. Next meeting

The Committee adjourned at 10.21am until 9.45am Thursday, 17 October 2013 in Room 1043.

MINUTES OF MEETING 63

Thursday, 24 October 2013
9.49 am
Room 1043, Parliament House

Members present

Mr O’Dea (Chair), Mr Daley, Mr Piper, Mr Williams

Officers in attendance

Bjarne Nordin, John Miller, Clara Hawker, Leon Last, Meike Bowyer, Sarah-Anne Fong

1. Confirmation of minutes no. 61 and 62 held on 17 October and 21 October 2013.

Resolved on the motion of Mr Piper, seconded Mr Williams: That draft minutes nos. 61 and 62 held on 17 October and 21 October 2013 be confirmed.

2. ***

3. ***

4. ***

5. Follow up of the Auditor-General’s 2012 financial audit reports

5.1 Answers to questions taken on notice from public hearing on 12 September 2013

Resolved on the motion of Mr Piper, seconded by Mr Williams: That the Committee publish the answers to questions taken on notice from the public hearing on 12 September 2013 received from the Land and Property Information and the Department of Finance and Services, with the exception of certain confidential material.

6. ***

7. Next meeting

The Committee adjourned at 10.20 am until 9.45 am on Thursday, 31 October 2013 in Room 1043.

MINUTES OF MEETING 64

Thursday, 31 October 2013
9.50 am
Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Mr Daley, Dr Lee, Mr Piper, Mr Williams

Officers in attendance

Bjarne Nordin, Clara Hawker, Leon Last, Meike Bowyer, Sarah-Anne Fong

1. Apologies

An apology was received from Mr Bassett.

2. Confirmation of minutes no 63 held on 24 October 2013

Resolved on the motion of Mr Piper, seconded Mr Williams: That draft minutes no. 63 held on 24 October 2013 be confirmed.

3. Follow up of the Auditor-General's 2012 financial audit reports

The Committee noted the following correspondence received:

- Thursday 24 October from the Department of Family and Community Services in response to the release of the Public Accounts Committee report, *Examination of the Auditor-General's Performance Audits, October 2011 to March 2012*.

4. ***

5. ***

6. ***

7. ***

8. Next meeting

The Committee adjourned at 10.25 am until 9.45 am on Thursday, 14 November October 2013 in Room 1043.

MINUTES OF MEETING 65

Thursday, 14 November 2013
9.47 am
Room 1043, Parliament House

Members present

Mr O’Dea (Chair), Mr Bassett, Mr Daley, Dr Lee, Mr Piper, Mr Williams.

Officers in attendance

Rachel Simpson, Bjarne Nordin, Clara Hawker, Leon Last, Meike Bowyer, Sarah-Anne Fong

1. Confirmation of minutes no 64 held on 31 October 2013

Resolved on the motion of Mr Williams seconded by Mr Bassett: That draft minutes no. 64 held on 31 October 2013 be confirmed.

2. Follow up of the Auditor-General’s 2012 Financial Audit Reports

The Chair tabled his draft report, which having been previously circulated, was taken as being read.

The Committee agreed to consider the recommendations, then the report as a whole. Discussion ensued.

Resolved on the motion of Dr Lee, seconded by Mr Piper that:

- The draft report be the report of the Committee, signed by the Chair and presented to the House;
- The Chair and secretariat be permitted to correct stylistic, typographical and grammatical errors; and
- Once tabled, the report will be posted on the Committee’s website.

3. ***

4. ***

5. ***

6. ***

7. ***

8. Next meeting

The Committee adjourned at 10.49 am until Thursday, 21 November 2013 at 9.45 in Room 1043.