Public Accounts Committee

LEGISLATIVE ASSEMBLY

The appropriation for the services of the Auditor-General for the 2025-2026 financial year

Report 5/58 – September 2025

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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

Chair	Mr Jason Yat-sen Li MP, Member for Strathfield
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Chair’s foreword

This is the Public Accounts Committee’s first report as part of its new budget oversight function, which was introduced in the recent amendments to the *Government Sector Finance Act 2018* (the Act). In this report we have examined the Auditor-General's 2025-26 appropriation and the new budget oversight process.

The amendments to the Act established a new process that requires the Treasurer to notify both the Auditor-General for NSW (the Auditor-General) and the Public Accounts Committee of the amount proposed to be appropriated for the Auditor-General's services in the annual Appropriation Act. The amendments also require the Treasurer to provide reasons for any variation between the amount of funding sought by the Auditor-General and the amount proposed to be appropriated.

These reforms seek to safeguard the independence of integrity agencies, including the Audit Office of NSW (the Audit Office) and to improve transparency of its annual funding. We also note that previous concerns raised on the impact that efficiency dividends have on the independence of the Audit Office appear to have been addressed by an accompanying Treasurer’s Direction, which excludes the Audit Office from efficiency dividends. These recent reforms are a positive development towards supporting the independence of the Audit Office, and the Committee will continue to monitor the effectiveness of this process.

The Auditor-General did not receive a direct appropriation in the annual Appropriation Act, as part of the 2025-26 budget. We note that while financial audit and assurance services are funded on a cost recovery basis through the collection of audit-fee revenue, performance audit services and Reports to Parliament are funded through NSW Government contributions. These NSW Government contributions are agreed through the annual budget process.

The Treasurer's notification did not specify the amount proposed to be appropriated for the Auditor-General's services, including indirect appropriations such as NSW Government contributions. We recommend that future notifications include these indirect appropriations, in order to improve transparency over the Auditor-General's annual funding.

While the Committee acknowledges that this is a new budget oversight process, we have recommended that improvements be made to future notifications received under the Act. We noted that the Treasurer's notification gave limited information on the nature of each proposal and presented figures on an uneliminated basis, meaning any transactions between government agencies were excluded from the figures shown. This made it difficult for the Committee to reconcile the proposals listed in the notification to information in the Budget Papers. We recommend that future notifications include a description of each proposal and the total funding requested and approved for proposals, on both an eliminated and uneliminated basis. This would improve transparency over the Auditor-General's annual funding.

We note that a proposal to re-baseline the annual performance audit funding was not approved. The Auditor-General explained that this proposal sought to re-baseline the annual performance audit funding from $10.1 million per year to $12 million per year. The Auditor-General further explained that the unapproved proposal sought to address the rising cost of delivering the performance audit mandate and to increase the number of annual performance audits undertaken from 15-17 to up to 20 per year.

The Committee acknowledges the tight fiscal environment noted in the Treasurer's reason for not approving this proposal. We recommend that the NSW Government work with the Audit Office to assess whether the current baseline for performance audit funding is sufficient for supporting the Auditor-General's performance audit mandate.

I thank the Treasurer and NSW Treasury, as well as the Auditor-General for providing the Committee with timely information. I would also like to thank Committee members for their contributions to the inquiry, as well as Committee staff for their support.

Mr Jason Yat-sen Li MP
Chair

Findings and recommendations

Finding 1 ____ 2

Recent legislative changes are a positive development towards supporting the independence of the Audit Office and the Committee will continue to monitor the effectiveness of this process.

Finding 2 ____ 3

The Auditor-General did not receive a direct appropriation in the *Appropriation Act 2025*. The Audit Office's performance audit services and reports to Parliament are funded through NSW Government contributions. The Audit Office's financial audit and assurance services are funded on a cost recovery basis through the collection of audit fee revenue.

Finding 3 ____ 3

The Treasurer's notification did not specify the amount proposed to be appropriated for the services of the Auditor-General in the next annual Appropriation Act, including indirect appropriations such as NSW Government contributions.

Recommendation 1 ____ 3

That the Treasurer include the amount proposed to be appropriated for the services of the Auditor-General, including indirect appropriations such as NSW Government contributions which are agreed through the annual State Budget process.

Finding 4 ____ 5

The Treasurer's notification does not detail the nature of each proposal or the financial impacts of proposals on an uneliminated basis, which makes it difficult for proposals to be reconciled to the Budget Papers.

Recommendation 2 ____ 5

That the Treasurer's future notifications to the Committee include the following information on budget proposals:

- A description of each proposal.
- The total funding requested for proposals, on both an eliminated and uneliminated basis.
- The total funding approved for proposals, on both an eliminated and uneliminated basis.

Finding 5 ____ 7

A proposal to re-baseline performance audit funding from $10.1 million to $12.0 million was not approved. This proposal sought to:

- address the gap between the cost of delivering the Auditor-General's performance audit mandate and the amount of funding approved thorough the State Budget process, and to
- increase the number of annual performance audits to twenty.

Chapter One – Examination of 2025-26 appropriation

Government Sector Finance Amendment (Integrity Agencies) Bill 2024

New committee oversight function and reporting requirements

1.1 The passing of the Government Sector Finance Amendment (Integrity Agencies) Bill 2024 (the Bill) established a new oversight function and reporting requirement for the Public Accounts Committee (the Committee) in relation to the Audit Office of NSW (the Audit Office).[1]

1.2 The Bill amended the *Government Sector Finance Act 2018* and established a requirement for the Treasurer to notify the Auditor-General for NSW (the Auditor-General) of the amount proposed to be appropriated for the services of the Audit Office in the annual Appropriation Act. If the amount proposed is different from the amount sought by the Auditor-General then a reason for any variation must be included. The Treasurer must also notify the Committee of this information within seven days of the bill for the annual Appropriation Act being introduced in the Legislative Assembly.[2]

1.3 The Committee is then required to examine the appropriation and report to the Legislative Assembly and Treasurer within 3 months of receipt of the notice. The Treasurer is then required to respond to the Committee's report within 3 months.[3]

1.4 In his second reading speech on the Bill, the Hon. John Graham MLC, noted that the Bill '… provide[d] arrangements to safeguard the independence of integrity agencies and enhance transparency with respect to their funding.'[4] The arrangements were also described as addressing 'post-budget transparency'.[5]

The Treasurer's Direction 24-12: Charter of Impendence for NSW integrity agencies

1.5 On 6 August 2024, shortly before the Bill was introduced, the Treasurer published Treasurer's Direction 'TD24-12 Charter of Independence for NSW integrity agencies'. The Treasurer's Direction aims to 'safeguard the independence of the agencies' and ensure the delivery of their statutory objectives by:

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[1] Parliament of New South Wales, Government Sector Finance Amendment (Integrity Agencies) Bill 2024, viewed 25 August 2025. The Bill commenced on 9 October 2024.

[2] *Government Sector Finance Act 2018*, ss 4.14B(1)-(4). Each year, the Treasurer tables the bill for the annual Appropriation Act, as part of presenting the NSW Budget to Parliament. The passing of the bill gives parliamentary authorisation for the expenditure of money from the Consolidated Fund for the financial year to enable the provision of Government services.

[3] *Government Sector Finance Act 2018*, ss 4.14B(5)-(6).

[4] New South Wales, Legislative Council, *Parliamentary Debates*, 8 August 2024, p 29 (The Hon. John Graham, Special Minister of State, Minister for Transport, Minister for the Arts, and Minister for Music and the Night-time Economy).

[5] New South Wales, Legislative Council, *Parliamentary Debates*, 8 August 2024, p 30 (The Hon. John Graham, Special Minister of State, Minister for Transport, Minister for the Arts, and Minister for Music and the Night-time Economy).

- excluding integrity agencies from the Premier's Department and The Cabinet Office financial management processes and from efficiency dividends[6]
- creating a specialist integrity agency unit within NSW Treasury to manage and liaise with integrity agencies on funding outcomes
- outlining how integrity agencies and parliamentary oversight committees interact with the budget process
- making provisions for integrity agencies to apply for contingency funding.[7]

1.6 The Hon. John Graham MLC explained that the Treasurer's Direction '... codifies the special budget arrangements that have applied to the integrity agencies in each budget since the 2022-23 New South Wales budget.' [8]

The Committee's interest in the financial autonomy of the Audit Office

Finding 1

Recent legislative changes are a positive development towards supporting the independence of the Audit Office and the Committee will continue to monitor the effectiveness of this process.

1.7 In the 57th Parliament, the Committee conducted its statutory review of the Audit Office. During the review, the Committee expressed support for the Parliament, through the Committee, having more involvement in determining the adequacy of the Audit Office's budget.[9]

1.8 The Committee's comments followed concerns raised by independent reviewer O'Connor Marsden and Associates regarding the level of control that the Executive has over funding available to the Audit Office for performance and compliance audits, and reports to Parliament.[10] The statutory review also noted concerns around the impact of efficiency dividends on the independence of integrity agencies like the Audit Office.[11]

1.9 In light of the Committee's previous concerns, we see the Bill and Treasurer's Direction as positive developments in supporting the financial independence and autonomy of the Audit Office. The Committee welcomes integrity agencies being excluded from efficiency dividends and the processes introduced by the Bill to

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6 Efficiency dividends refer to a reduction in an entities' budget each year in anticipation of new and cost-effective ways of carrying out ongoing government business being found. Australian Government, Department of Finance, Efficiency Dividend, viewed 15 September 2025.

7 NSW Treasury, *Treasurer's Direction TD24-12 Charter of Independence for NSW integrity agencies*, 6 August 2024, pp 3-4.

8 New South Wales, Legislative Council, *Parliamentary Debates*, 8 August 2024, p 30 (The Hon. John Graham, Special Minister of State, Minister for Transport, Minister for the Arts, and Minister for Music and the Night-time Economy).

9 Public Accounts Committee, *Quadrennial Review of the Audit Office of NSW 2022*, report 10/57, NSW Parliament, September 2022, p 4.

10 *Quadrennial Review of the Audit Office of NSW 2022*, p 3; OCM, *Statutory Quadrennial Review of the Audit Office of New South Wales Final Report*, June 2022, pp 24-25.

11 *Statutory Quadrennial Review of the Audit Office of New South Wales Final Report*, p 25.

improve Parliament's oversight of the Audit Office's funding. The Committee will continue to monitor the effectiveness of this new process.

Overview of the Treasurer's notification

Finding 2

The Auditor-General did not receive a direct appropriation in the *Appropriation Act 2025*. The Audit Office's performance audit services and reports to Parliament are funded through NSW Government contributions. The Audit Office's financial audit and assurance services are funded on a cost recovery basis through the collection of audit fee revenue.

Finding 3

The Treasurer's notification did not specify the amount proposed to be appropriated for the services of the Auditor-General in the next annual Appropriation Act, including indirect appropriations such as NSW Government contributions.

Recommendation 1

That the Treasurer include the amount proposed to be appropriated for the services of the Auditor-General, including indirect appropriations such as NSW Government contributions which are agreed through the annual State Budget process.

1.10 The Committee received the Treasurer's notification (the notice) on 30 June 2025, in line with the seven day statutory deadline. The notice did not specify an amount proposed to be appropriated for the services of the Auditor-General. However, the notice did outline the outcome of six budget proposals submitted by the Audit Office as part of the 2025-26 State Budget process, and noted that one proposal was not approved.[12]

1.11 On 7 July 2025, the Committee wrote to the Auditor-General and requested further information on its 2025-26 budget. A response from the Auditor-General was received on 25 July 2025.[13]

1.12 This section outlines the Audit Office's funding model and the five approved proposals. The unapproved proposal is discussed further below.

The Audit Office is primarily funded by NSW Government contributions and audit fee revenues

1.13 Unlike other integrity agencies, the Audit Office did not receive a direct appropriation for its services in the *Appropriation Act 2025*.[14] Based on the latest annual report, the Committee notes that the Audit Office's services are funded by two main revenue streams. These include:

[12] Correspondence from the Treasurer, 30 June 2025, p 1.

[13] Correspondence from the Auditor-General for NSW, 25 July 2025, p 1.

[14] *Appropriation Act 2025*, Part 4. For example, Part 4 of the Appropriation Act 2025 which lists the 2025-26 appropriations to integrity agencies does not specify an appropriation for services of the Audit Office.

- **NSW Government contributions** which are agreed through the annual State Budget process and used to fund services like performance audits, compliance reviews and the Auditor-General's reports to Parliament.
- **Audit fee revenues** which are cost recovery revenues for services performed by the Audit Office, such as auditing the financial statements of state and local government entities and universities, and other assurance services like acquittals.[15]

1.14 The Committee notes that although NSW Government contributions are agreed through the annual State Budget process, they do not appear to be a direct appropriation and are not specified in the *Appropriation Act 2025* or *Budget Paper No.04 Agency Financial Statements*. This may be why this funding is not specified in the Treasurer's notice.

Overview of the five approved proposals

1.15 The five approved budget proposals and their potential budget impacts are listed in the table below.[16]

Approved budget proposal	Description	Impact on Budget-Result		
		2025-26	5-year total	Planning years
Treasury Managed Fund insurance adjustment	A self-funded budget adjustment to reflect an increase to the Audit Office's 2025-26 insurance premium.	$0.1m	$0.6m	$1.0m
Award increase and executive staff freeze	A self-funded budget adjustment to reflect agreed three-year award increases and executive staff pay freeze.	$0.0m	$0.0m	$0.0m
Adjustments to reflect operational changes and changes to budget assumptions	A self-funded annual Parameter and Technical Adjustment to reflect changes in the financial audit work program (including how it is resourced), proposed expenditure on key initiatives and changes to budget assumptions.	-$2.8m	-$8.4m	-$2.8m
2034-35 capital limit	A request for authorisation to use own-source funding to spend up to $2.2 million on capital items in 2034-35.	$0.0m	$0.0m	$0.0m

[15] Audit Office of New South Wales, Annual Report 2023-24, 2024, pp 82-83, 94.

[16] Correspondence, Treasurer, p 2; Correspondence, Auditor-General for NSW, p 3. The impact on the budget result shown in this table is the net impact of expense and revenue impacts. Variances between the sum of individual proposals and the totals appear to relate to rounding. 2025-26 is the appropriation year, the 5-year total includes 2024-25 to 2028-29 and the planning years include 2029-20 to 2034-35.

Audit of emergency relief grants	A budget proposal for additional funding related to a request from the Special Minister for State under section 27B(3)(c) of the *Government Sector Audit Act 1983* that the Auditor-General conduct a recurring performance audit of emergency relief grants.	-$0.5m	-$0.3m	$0.0m
Totals		**-$3.2m**	**-$8.1m**	**-$1.9m**

1.16 As noted in the table above, the five approved budget proposals are estimated to worsen the Budget Result:

- by $3.2 million in 2025-26 (the appropriation year)
- by $8.1 million over the 5-year total (from 2024-25 to 2028-29) and
- by $1.9 million over the planning years (from 2029-20 to 2034-35).[17]

1.17 The '2034-35 capital limit' budget proposal is noted to have an impact of $2.2 million in capital expenditure in the planning years.[18]

Finding 4

The Treasurer's notification does not detail the nature of each proposal or the financial impacts of proposals on an uneliminated basis, which makes it difficult for proposals to be reconciled to the Budget Papers.

Recommendation 2

That the Treasurer's future notifications to the Committee include the following information on budget proposals:

- **A description of each proposal.**
- **The total funding requested for proposals, on both an eliminated and uneliminated basis.**
- **The total funding approved for proposals, on both an eliminated and uneliminated basis.**

1.18 The Committee observed that the Treasure's notice was difficult to examine on its own due to gaps in contextual information. The new oversight process would be strengthened if this information was included in future notices.

1.19 The notice included limited contextual information, for example:

- The notice did not include a description of each proposal.

[17] Correspondence, Treasurer, p 2.
[18] Correspondence, Auditor-General for NSW, p 2.

- While the notice stated the impact of budget adjustment proposals, it did not give context on the underlying balances that the adjustments may relate to.
- While the Auditor-General's response noted that four proposals did not seek additional funding, this information was not specified in the notice.[19]
- The notice stated that all proposals were submitted by the Audit Office, however the Auditor-General's response clarified that three of the proposals were requested by NSW Treasury.[20]
- The figures provided in the notice were on a General Government Sector Eliminated basis.

1.20 When figures are presented on a General Government Sector Eliminated basis it means that revenue and expense transactions between government agencies have been eliminated. This approach seeks to provide an accurate picture of the size of the government as a single entity by eliminating the double counting of transactions between government agencies.[21]

1.21 The Committee notes that the Audit Office's services are provided to other state government agencies and the provision of uneliminated figures would provide greater transparency with respect to the funding of the Audit Office's services. It would also provide the Committee with greater context as part of this budget oversight process, including how proposals relate to information in the *Budget Paper No. 4 Agency Financial Statements*.

1.22 The Committee thanks the Auditor-General for the additional context provided in their response, which has assisted the Committee with its examination. The Committee recommends that Treasurer improves future notices by providing more context for the budget proposals, for example by including:

- A description of each proposal.
- The total funding requested for proposals, on both an eliminated and uneliminated basis.
- The total funding approved for proposals, on both an eliminated and uneliminated basis.

[19] Correspondence, Auditor-General for NSW, p 3.

[20] Correspondence, Treasurer, p1; Correspondence, Auditor-General for NSW, p 3.

[21] NSW Government, 2025-26 How to Read the Budget Papers, 2025, p 3 -3.

A proposal to re-baseline performance audit funding was not approved

Finding 5

A proposal to re-baseline performance audit funding from $10.1 million to $12.0 million was not approved. This proposal sought to:

- **address the gap between the cost of delivering the Auditor-General's performance audit mandate and the amount of funding approved thorough the State Budget process, and to**
- **increase the number of annual performance audits to twenty.**

Recommendation 3

The NSW Government should work with the Audit Office to assess whether the current baseline for performance audit funding is sufficient for supporting the Auditor-General's performance audit mandate.

1.23 As part of the 2025-26 State Budget process, the Audit Office requested an additional $1.9 million in funding. This proposal sought to re-baseline annual performance audit funding from $10.1 million to $12 million. The budget proposal to re-baseline performance audit funding was not approved by the Treasurer.[22]

1.24 The potential budget impacts of this proposal are outlined below.[23]

Unapproved budget proposal	Description	Impact on Budget-Result		
		2025-26	5-year total	Planning years
Performance audit re-baselining and funding enhancement	A budget proposal for an additional funding to maintain the current program of 15-17 performance audits and to extend it to up to 20 performance audits a year.	-$1.8m	$7.7m	$13.4m

1.25 The Treasurer advised that the proposed increase of $1.9 million was not approved due to 'the tight fiscal environment which constrained the Government's ability to support the proposal initiative relative to other pressing funding priorities'.[24]

1.26 The proposal to re-baseline performance audit funding had two aims:

- To address the gap between the cost of delivering the performance audit mandate and current funding, and

[22] Correspondence, Auditor-General for NSW, pp 1-2; Correspondence, Treasurer, p 1.

[23] Correspondence, Auditor-General for NSW, pp 1-2; Correspondence, Treasurer, p 1. The impact on the budget result shown in this table is the net impact of expense and revenue impacts. 2025-26 is the appropriation year, the 5-year total includes from 2024-25 to 2028-29 and the planning years includes from 2029-30 to 2034-35.

[24] Correspondence, Treasurer, p 1.

- To increase the number of annual performance audits from 15-17 to 20.

Increasing costs to deliver performance audits

1.27 The Auditor-General advised the Committee that the cost of delivering their performance audit mandate is increasing and is '… exceeding the current funding envelope' for several reasons as outlined below.[25]

Legislative changes have increased the scope and complexity of the performance audits mandate

1.28 The Audit Office noted three recent legislative changes that have increased the scope and complexity of their performance audit mandate.

1.29 In November 2022, the *Government Sector Audit Act 1983* was amended to enable the Auditor-General to conduct 'follow the dollar' type performance audits.[26] The Auditor-General advised that, in practice, follow the dollar performance audits require more resources. This is because they tend to involve complex arrangements between government agencies and the private sector and a greater number of auditees.[27]

1.30 In October 2012, the *Government Advertising Act 2011* commenced, which requires the Auditor-General to conduct a performance audit of government agencies' activities in relation to government advertising campaigns. However, this obligation was not funded when it was introduced.[28]

1.31 In November 2016, the *Local Government Act 1993* was amended to make the Auditor-General the auditor of local government entities.[29] Since then, the Audit Office has delivered 21 performance audits of the local government sector. The Auditor-General advised the Committee that the average actual cost of these audits exceeded the funding provided, as these performance audits have more auditees. Auditees typically include at least three local councils, a sector regulator and the Office of Local Government.[30]

Staff related costs have increased

1.32 The Audit Office noted increases in staffing costs associated with the creation of a dedicated First Nations role within its performance audit team. This role assists with navigating complex issues involving First Nations people, and ensures that recommendations effectively and efficiently deliver improved outcomes for First Nations communities.[31]

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[25] Correspondence, Auditor-General for NSW, p 1.

[26] *Government Sector Audit Act 1983, s 38EA.* The Government Sector Audit and Other Legislation Amendment Bill 2022 commenced on 28 November 2022 and amended the *Government Sector Audit Act 1983*.

[27] Correspondence, Auditor-General for NSW, p 2.

[28] *Government Advertising Act 2011*, s 14; Correspondence, Auditor-General for NSW, p2.

[29] *Local Government Act 1993*, s 421BD. The Local Government Amendment (Governance and Planning) Bill 2016 commenced on 23 November 2025 and amended the *Local Government Act 1993*.

[30] Correspondence, Auditor-General for NSW, pp 1-2.

[31] Correspondence, Auditor-General for NSW, p 1.

1.33 The Audit Office also noted that salaries to attract and retain suitably qualified audit staff have grown in recent years and outpaced annual funding increases.[32]

Investment to improve awareness and transparency of the performance audit work program

1.34 Since 2018, the Audit Office has published its Audit Work Program to improve awareness of the rolling three-year performance audit program. The Auditor-General explained this publication is the result of 'significant analysis and planning'.[33]

Increasing the number of performance audits per year

1.35 The proposal to re-baseline performance audit funding also sought to increase the annual number of performance audits up to 20 per year. This increase was based on the Audit Office's assessment of having a program in proportion with the size of the NSW public sector, and the challenges, opportunities and risks that it faces.[34]

1.36 The increase also sought funding to carry out two recent unfunded legislated performance audit commitments and obligations which include:

- Risk-based audits of government agencies to ensure that goods and services procured by and for the agencies are not the product of modern slavery.[35]
- Performance audits of the NSW Childcare and Economic Opportunity Fund and financial assistance provided from the fund, which must be completed at least once every three years. [36]

1.37 Finally, the proposal sought to give the Audit Office capacity to respond to audit requests received from members of the NSW Parliament without having to remove or defer existing planned audits. Members can request or suggest audits, but requests are assessed in the context of the Auditor-General's current and future audit program.[37]

Performance Audit funding should support the Auditor-General's work plan

1.38 The Auditor-General told the Committee that the Audit Office intends to deliver 15-17 performance audits in 2025-26 as part of the draft Audit Work Plan for 2025-26, despite the unsuccessful proposal. Further, the Auditor-General intends to re-submit a similar budget proposal as part of the 2026-27 State Budget to maintain this number of performance audits.[38]

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[32] Correspondence, Auditor-General for NSW, p 1.

[33] Correspondence, Auditor-General for NSW, p 2.

[34] Correspondence, Auditor-General for NSW, p 2.

[35] *Government Sector Audit Act 1983*, div 2B. The Modern Slavery Bill 2018 commenced on 1 January 2022 and amended the *Government Sector Audit Act 1983* to grant the Auditor-General the power to conduct a modern slavery audit when appropriate to do so. An audit on modern slavery is included in the Auditor-General's *Audit Work Program 2025-2028*.

[36] *Childcare and Economic Opportunity Fund Act 2022*, s 21. The Act commenced on 26 October 2022. An audit on early childhood education and care is included in the Auditor-General's *Audit Work Program 2025-2028*.

[37] Audit Office of NSW, Requests for audit, viewed 25 August 2025; Correspondence, Auditor-General for NSW, p 2.

[38] Correspondence, Auditor-General for NSW, p 1.

1.39 The Auditor-General noted that the Audit Office rarely seeks additional funding, and only in 'extenuating circumstances'.[39]

1.40 While the Committee acknowledges the constrained fiscal environment the Government is operating in, it is concerned that legislative expansions to the scope and complexity of the performance audit mandate are not currently funded.

1.41 The Committee supports a reassessment of the baseline funding for the performance audit mandate as part of the 2026-27 State Budget process. The Committee recommends that the NSW Government works with the Audit Office to assess whether the current baseline for performance audit funding is adequate for supporting the Auditor-General's performance audit mandate. The assessment should consider new unfunded performance obligations introduced under legislation and should be based on consultation between the Government and the Auditor-General.

[39] Correspondence, Auditor-General for NSW, p 2.

Appendix One – Terms of reference

Government Sector Finance Act 2018

s 4.14b Notification of proposed budget allocation

(1) The Treasurer must give written notice to the head of an integrity agency of the amount proposed to be appropriated for the services of the agency in the next annual Appropriation Act.

(2) If the amount is different from the amount sought for the integrity agency in a budget proposal, the notice must include reasons for the variation.

(3) The Treasurer must also give a copy of the notice to the relevant parliamentary oversight committee.

(4) The Treasurer must give the notice under subsection (1) and the copy of the notice under subsection (3) within 7 days after the Bill for the annual Appropriation Act is introduced into the Legislative Assembly.

(5) The relevant parliamentary oversight committee must, within 3 months after receiving the notice under subsection (4), examine and report on the appropriation to—

(a) either—

(i) the Legislative Assembly, if the report is prepared by the Public Accounts Committee, or

(ii) both Houses of Parliament, if the report is prepared by another parliamentary oversight committee, and

(b) the Treasurer.

(6) The Treasurer must respond in writing to the relevant parliamentary oversight committee within 3 months after receiving the report.

Appendix Two – Conduct of inquiry

This report fulfils the Committee's obligations to examine and report on the 2025-26 appropriation for the Audit Office outlined in Division 4.2A of the Government Sector Finance Act 2018.

On 23 June 2025 the Committee resolved to conduct an inquiry into the appropriation for the services of the Auditor-General for the 2025-2026 financial year. The terms of reference are at Appendix One.

The Committee received the Treasurer's written notification of the amount proposed to be appropriated on 30 June 2025. Following this, the Committee wrote to the Auditor-General on 7 July 2025 and requested further information on the Audit Office's 2025-26 budget. The Auditor-General responded to the Committee's request on 25 July 2025.

Appendix Three – Extracts from minutes

Minutes of Meeting no. 27
1:04PM, 23 June 2025
Meeting room 1254 and videoconference

Members Present:
In person: Mr Li (Chair), Mr Barr (Deputy Chair**)** and Ms Leong.
By videoconference: Mr Regan, Mr Roberts and Dr Saliba.

Officers Present:
Helen Minnican (Clerk), Jonathan Elliott, Matt Johnson, Alison Buskens, Charlie King, Annie Furquan, Rhea Maggs and Karena Li.

Agenda Item

1. ***

2. Confirmation of minutes – Meeting no. 26
Resolved, on the motion of Mr Barr, seconded by Mr Regan: That the minutes of the meeting of 5 May 2025 be confirmed.

3. ***

4. ***

5. Implementation of the new budget oversight function
The Committee considered a briefing note prepared by Committee staff outlining the Committee's new budget oversight function.
The Committee discussed a proposed timeline for the 2025-26 appropriation inquiry, noting the timeframes set out in the *Government Sector Finance Act 2018*.
Resolved on the motion of Ms Leong, seconded by Mr Regan: That the Committee:

- Conduct an inquiry into the annual appropriation for the services of the Auditor-General, in accordance with section 4.14B of the *Government Sector Finance Act 2018*.
- Upon receipt of written notice from the Treasurer of the amount proposed to be appropriated for the services of the Auditor General, the Committee write to the Auditor-General to seek further information on their budget and publish information about the inquiry on the Committee website.

6. ***

7. ***

8. ***

9. Next Meeting
The meeting adjourned at 3:46pm until 1:00pm on Monday 4 August 2025.

Minutes of Meeting no. 28
1:08PM, 4 August 2025
Meeting room 1254 and videoconference

Members Present:
In person: Mr Li (Chair), Mr Barr (Deputy Chair) and Mr Regan.
By videoconference: Dr Saliba.

Apologies:
Mr Roberts and Ms Leong.

Officers Present:
Jonathan Elliott, Matt Johnson, Alison Buskens, Charlie King, Yann Pearson, Annie Furquan, Karena Li, and Hugh Duffield.

Agenda Item

1. ***

2. Confirmation of minutes – Meeting no. 27

Resolved, on the motion of Mr Barr, seconded by Mr Regan: That the minutes of the meeting of 23 June 2025 be confirmed.

3. ***

4. ***

5. ***

6. Inquiry into the appropriation for the services of the Auditor-General for the 2025-2026 financial year

6.1 Correspondence from the Hon. Daniel Mookhey MLC, Treasurer

- The Committee considered a letter from the Hon. Daniel Mookhey MLC, Treasurer, received 30 June 2025, regarding the 2025-26 Budget and the Audit Office of NSW.
- The Committee noted a briefing note prepared by committee staff summarising the Treasurer's notice and related information.

6.2 Correspondence from the Auditor-General for NSW

- The Committee noted the outgoing letter to the Auditor-General of NSW dated 7 July 2025 seeking their comments on the 2025-26 budget appropriation.
- The Committee considered a letter received from the Auditor-General for NSW, dated 25 July 2025, in response to the Committee's letter regarding the appropriation for the services of the Auditor-General for the 2025-26 financial year inquiry.
  Resolved on the motion of Mr Barr, seconded by Mr Regan: That the Committee publish the following documents in full on the Committee's webpage:

- Letter from the Hon. Daniel Mookhey MLC, Treasurer, received 30 June 2025.
- Letter from the Auditor-General of NSW, dated 25 July 2025.

The meeting adjourned at 2:19pm and resumed at 2:26pm.

7. ***

8. ***

9. Next Meeting

The meeting adjourned at 4:05pm until 6 August 2025.

Unconfirmed minutes of Meeting no. 32

4:19PM, 22 September 2025

Meeting room 1136 and videoconference

Members Present:

Mr Li (Chair, by videoconference), Mr Barr (Deputy Chair, by videoconference), Dr Saliba (by videoconference) and Mr Regan (by videoconference).

Apologies:

Mr Roberts and Ms Leong.

Officers Present:

Matt Johnson, Alison Buskens, Charlie King, Yann Pearson, Annie Furquan, Karena Li, and Hugh Duffield.

Agenda Item

1. ***

2. Confirmation of minutes – Meetings no. 30 and 31

Resolved, on the motion of Mr Regan, seconded by Mr Barr: That the minutes of the meetings of 4 September 2025 and 8 September 2025 be confirmed.

3. Inquiry into the appropriation for the services of the Auditor-General for the 2025-26 financial year

3.1 Resolution permitting recording the meeting

Resolved, on the motion of Mr Barr, seconded by Mr Regan: That the Committee agrees to record the meeting for the purposes of committee staff preparing the minutes and report amendments, and that the recording be deleted once the report is tabled.

3.2 Consideration of the Chair's draft report

The Committee considered the Chair's draft report.

Discussion ensued.

Resolved, on the motion of Mr Regan, seconded by Dr Saliba: That the Committee considers the Chair's draft report in globo.

Resolved, on the motion of Mr Barr, seconded by Dr Saliba: That footnote 2 be amended by inserting the words 'Each year, the Treasurer tables the bill for the annual Appropriation Act, as part of presenting the NSW Budget to Parliament. The passing of the bill gives parliamentary authorisation for the expenditure of money from the Consolidated Fund for the financial year to enable the provision of Government services.' after the words '*Government Sector Finance Act 2018*, ss 4.14B(1)-(4).'.

Resolved on the motion of Mr Barr, seconded by Dr Saliba:

- That the draft report as amended be the report of the Committee, signed by the Chair and presented to the House.
- That the Chair and secretariat be permitted to correct, stylistic, typographical and grammatical errors.
- That, once tabled:
    - the report be published on the Committee's webpage, and
    - the Chair provide a copy of the report to the Treasurer.
- That, once received, the Treasurer's response be published on the Committee's webpage.

4. ***

5. Next meeting

The meeting adjourned at 5:07pm until 13 October 2025.