



Mr Jason Li MP
Chair, Public Accounts Committee
NSW Parliament House
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SYDNEY NSW 2000

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Our ref: R014-2144785311-3881

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Dear Mr Li

Thank you for inviting me to make a submission to the Public Accounts Committee's inquiry into the appropriation for the services of the Auditor-General for the 2025-2026 financial year.

In accordance with section 4.14B of the *Government Sector Finance Act 2018* (GSF Act), the Treasurer wrote to me on 30 June 2025 to advise me of the outcome of the budget proposals submitted by the Audit Office of New South Wales (Audit Office) as part of the 2025-26 State Budget. The Treasurer advised that five of six budget proposals were approved. A summary of the six budget proposals can be found at Attachment A.

The Expenditure Review Committee of Cabinet (ERC) did not approve the Audit Office's request to increase the annual funding for the performance audit mandate from \$10.1 million per annum to \$12 million per annum—an increase of \$1.9 million. The proposed increase of \$1.9 million was made up of two components: an amount to address the gap between the cost of delivering the performance audit mandate and the current funding envelope, and an amount to increase the number of annual performance audits to twenty.

The Treasurer advised the Audit Office's bid to enhance its performance audit funding was not approved because of the tight fiscal environment which constrained the Government's ability to support the proposal relative to other pressing funding priorities.

As I am in the final stages of finalising my Audit Work Plan for 2025-26, I have decided to proceed with delivering 15-17 performance audits in 2025-26.

I intend to re-submit a similar budget proposal as part of the 2026-27 State Budget process to ensure my Office can continue to deliver between 15-17 performance audits a year.

Several factors have contributed to the cost of delivering the performance audit mandate exceeding the current funding envelope. Some factors have been outside the control of the Audit Office and include recent legislative changes that expanded our mandate (especially the 'Follow the Dollar' powers). Key reasons for seeking additional funding to match the cost of delivering the current program include:

- the growth in salaries to attract and retain suitably qualified and experienced audit staff has outpaced the annual funding escalation in the last few years
- my Office's decision to add a dedicated First Nations role to the performance audit team to forge ways of conducting audits that ensure fit for purpose recommendations to resolve complex and fundamental issues involving First Nations people. The Audit Work Plan has, and will continue to have, a focus on whether government programs are effectively and efficiently delivering improved outcomes for First Nations communities
- the actual average cost of delivering 21 performance audits in the local government sector since NSW Parliament appointed the Auditor-General as the auditor of the local government sector in 2016 has

exceeded the original funding envelope. Reasons for this include the fact that a local government performance audit will usually have more auditees than an audit of a state government program. Typically, at least three local councils are scoped into each audit, together with the sector regulator, the Office of Local Government

- the impact of delivering follow the dollar audits resulting from legislative changes in late 2022. Follow the dollar audits require more effort because the service delivery model with the private sector can be complex, and the audit scope includes multiple auditees. My Office experienced this when delivering the inaugural follow the dollar audits in 2024 into the Oversight of the child protection system and Safeguarding the rights of Aboriginal children in the child protection system
- having a legislative obligation to conduct an annual performance audit of government advertising under the *Government Advertising Act 2011* which was not funded when it was first introduced
- investing in the preparation and publication of the Audit Work Program to improve awareness and transparency of the rolling three-year performance audit program with the NSW Parliament, auditees and other key external stakeholders. The inaugural work program was published in 2018-19, and it remains a widely referred to document that results from significant analysis and planning.

The unsuccessful budget proposal also included a component to increase the number of annual performance audits to up to 20 per year. This was based on our assessment of having a program that was commensurate with the size of the NSW public sector, and the challenges, opportunities and risks facing the sector. The increase was also sought to give my Office:

- additional resource capacity to periodically carry out an audit of modern slavery, being a new commitment that was legislated in the *Government Sector Audit Act 1983* in January 2022 without any adjustment to existing funding
- additional resource capacity to conduct a performance audit of the NSW Childcare and Economic Opportunity Fund, a legislative obligation introduced in October 2022 without any adjustment to existing funding
- the capacity to be responsive to audit requests received throughout the year from members of parliament without having to defer or remove an existing planned audit.

My Office rarely seeks additional government funding. It prides itself on delivering its core work with the resources available and being fiscally responsible. Only in extenuating circumstances does the Audit Office seek additional funding. This commitment is evident by the Audit Office deferring the opportunity to re-baseline its funding when this was afforded to all integrity agencies during the 2022-23 and 2023-24 State Budgets.

I welcome this opportunity to make a submission to the Public Accounts Committee's inquiry and look forward to providing further information required during the course of your inquiry.

Yours sincerely



Bola Oyetunji
Auditor-General for New South Wales

Summary of Audit Office 2025-26 budget proposals

Budget Bid	Additional funding sought	Description	Commentary
1.	No	TMF insurance adjustment	Budget adjustment requested by NSW Treasury to reflect an increase to the Audit Office's 2025-26 insurance premium. The increase in premium is self-funded. This budget adjustment is to ensure consistency across the consolidated State Budget and does not entail any additional funding for the Audit Office.
2.	No	Award increase and executive staff freeze	Budget adjustment requested by NSW Treasury to reflect the three-year award increases agreed with the union, as well as reflect the executive staff pay freeze. The net change in employee related expenses is self-funded.
3.	No	Adjustments to reflect operational changes and changes to budget assumptions	This is an annual Parameter and Technical Adjustment (PTA) the Audit Office submits to reflect changes to its financial audit work program (including how it is resourced), proposed expenditure on key initiatives and changes to budget assumptions. This net impact of this budget adjustment is self-funded.
4.	No	2034-35 capital limit	Audit Office request for an authorisation to use own source funding to spend up to \$2.2 million on capital items in 2034-35.
5.	Yes	Audit of emergency relief grants	Budget proposal requested by NSW Treasury to mirror the budget proposal submitted by The Cabinet Office. The additional funding relates to a request from the Special Minister of State under section 27B(3)(c) of the <i>Government Sector Audit Act 1983</i> that the Auditor-General conduct a recurring performance audit of emergency relief grants.
6.	Yes	Performance audit re-baselining and funding enhancement	Audit Office budget proposal for an additional \$1.9 million to maintain the current program of 15-17 performance audits and to extend this to up to 20 performance audits a year.