

## **FOLLOW UP OF THE AUDITOR-GENERAL'S 2013 FINANCIAL AUDIT REPORTS**

**Organisation:** Transport for NSW  
**Name:** Mr Dave Stewart  
**Position:** Secretary  
**Date Received:** 24/06/2014



**Transport  
for NSW**

Mr Jonathan O'Dea MP  
Chair  
Public Accounts Committee  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr O'Dea

### **Repeat Recommendations of the Auditor-General's 2013 Financial Audits**

I refer to your letter dated 22 May 2014 in relation to a recommendation made by the Auditor-General in 2013 for transport cluster entities to do more to reduce excessive annual leave balances.

In that regard you might note that in his 2013 Report to Parliament, the Auditor-General acknowledges that the Transport entities have all implemented policies to reduce annual leave balances, but suggested that the entities will need to further improve those policies to achieve the new annual leave balance targets.

Transport for NSW (TfNSW), as the lead entity in the cluster, and all the Transport entities are aware of the new annual leave balance targets and have implemented a number of strategies to ensure the targets can be met. These strategies are proving to be effective with the number of staff with leave balances in excess of 40 days, and the value of those balances, significantly decreasing in the period between 1 July 2013 and 30 April 2014.

The number of staff with leave balances in excess of 40 days (or 50 days for RailCorp shift workers) in the Transport cluster decreased in the period to 30 April 2014 by 449 or 20.4%, with the associated value of those leave balances decreasing by almost \$2.19 million or 25.0%. Further details in this regard are provided in the attached pro forma template as requested in your letter.

You also sought feedback on the effectiveness of the audit process, the costs of the audit and any suggestions for improvements in that regard.

I am advised that the financial audit process undertaken by the Audit Office is of benefit to TfNSW and the other Transport cluster entities, particularly with the new arrangements implemented for the 'early close' financial reporting procedures.

In relation to cost, I must point to the Government requirement that all agencies need to improve their levels of efficiency and provide services at a lower cost.

I am advised that these financial constraints do not seem to be reflected in the cost of the audits for the Transport entities, with increasing Audit Office fees generally experienced each year by many of the entities in the cluster.

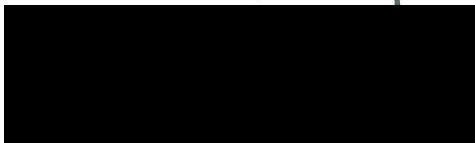
In 2013-14 the cost of the Audit Office fees as advised in the Client Service Plans of each of the Transport cluster entities is expected total almost \$3.785 million, an increase of around 10.1% compared to 2012-13.

The Audit Office has indicated that the fees for 2013-14 are impacted by changes in the cluster, and in particular the introduction of new entities in Sydney Trains and NSW Trains. It should however also be noted that there are other changes in Transport entities such as Sydney Ferries, where functions and activities have decreased compared to 2012-13, with the audit fees for those entities consequently reduced for 2013-14.

Notwithstanding the increase in the overall amount of the audit fees for the transport entities, it is considered that the Audit Office undertake their work in a professional manner and contribute to the ongoing improvement in financial reporting generally throughout the Transport cluster.

I trust that this is sufficient information in relation to this matter. However, if you or any of the Parliamentary Accounts Committee officers require any further information in this regard, please do not hesitate to in the first instance contact [REDACTED] ([REDACTED]) or [REDACTED] ([REDACTED]) of TfNSW.

Yours sincerely



**Dave Stewart**  
**Secretary**

18 JUN 2014

**2013 Financial Audits - Implementation of repeat recommendations**

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
All transport entities should do more to reduce excessive annual leave balances to ensure they will comply with new targets set by the Premier	Accept	<p>a) Policies were introduced in the Transport entities requiring monthly and quarterly reviews by Managers to monitor staff annual leave balances, and thereby ensuring staff with higher balances make arrangements to take their leave.</p> <p>b) Arrangements were also implemented to allow staff to have some part of their annual leave balances paid out.</p> <p>c) Christmas and Easter 'closedowns', where possible and where they do not impact on customer services, have also been implemented.</p>	30 June 2014	<p>On track.</p> <p>The total number of staff with 'excess' annual leave balances in the Transport cluster agencies as at 30 April 2014 of 1,755 is significantly lower than the 2,204 staff as at 30 June 2013.</p> <p>The total value of the 'excess' annual leave balances across the Transport cluster agencies has also fallen from \$8.76 million as at 30 June 2013 to \$6.57 million as at 30 April 2014.</p>	Human Resources & Business Services in TfNSW and the Human Resources Director in other Transport entities