

**Supplementary
Submission
No 3a**

**EXAMINATION OF SELECTED AUDITOR-GENERAL'S FINANCIAL AUDIT
REPORTS 2021**

Organisation: NSW Treasury
Date Received: 31 August 2022



Mr Greg Piper MP
Chair, Public Accounts Committee
Parliament of New South Wales
Macquarie Street SYDNEY NSW 2000

Dear Mr Piper

Thank you for your letter of 17 August 2022 requesting further information on two recommendations within the Auditor-General's report on State Finances 2021.

Recommendation: Given the continued identified instances of non-compliance with sections 4.6(1) and 5.5(3) of the Government Sector Finance Act 2018, NSW Treasury needs to promptly improve the guidance it provides agencies to ensure that expenditure of public monies is properly supported by authorised delegations.

In response to the specific questions raised in your letter, I provide the information below.

Agencies subject to the *Government Sector Finance Act 2018* (GSF Act) report their cash requirements and expenditure relative to their appropriation limits and budget controls to NSW Treasury each month.

No agencies have so far reported any non-compliance with sections 4.6(1) and 5.3(3) of the GSF Act for the 2021-22 financial year. I would note, however, that agencies are only formally required to report any non-compliance with these sections of the GSF Act in their annual financial statements as part of the Statement of Compliance.

Since my letter of 17 June 2022, Treasury has taken the following additional measures to provide guidance to agencies on the expenditure of government monies:

- Additional guidance on delegations under the GSF Act was issued to agencies on 17 July 2022 and is available on the NSW Treasury website which can be found on the [Treasury Finance Resources Hub](#) and the [GSF Act webpage](#). This included guidance on responsibilities and clarification of the delegation requirements for agencies.
- Treasury has been conducting agency information sessions during August 2022 to support agencies' understand their obligations. These information sessions will wrap up in September.
- Treasury is refining the process for monitoring expenditure against appropriations throughout the financial year.
- Treasury has progressed the development of possible amendments to the GSF Act to simplify and clarify the framework for expenditure against appropriations.

Recommendation: NSW Treasury establish a policy to determine the minimum expected rate of return on its equity injections into public sector entities.

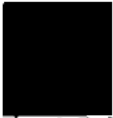
As I outlined in my response of 17 June 2022, Treasury has been working with the Audit Office in developing a proposed policy for the minimum expected rate of return on equity injections into public sector entities. In the first instance, the focus of work has been on developing a policy framework that will apply to State-Owned Corporations.

Following ongoing engagement with the Audit Office, Treasury has completed a draft of the proposed policy for State Owned Corporations. This draft has been provided to the Audit Office for formal consideration and feedback prior to publication.

I would like to assure the Committee that Treasury and the Audit Office are engaged in positive, constructive dialogue on the draft policy, and I anticipate a policy that has been finalised in light of this engagement will be available for the Committee's information very shortly (my expectation is within a matter of days). Naturally, I will ensure that there is no delay in providing a copy of the policy to the Committee for its information.

I trust this information is of assistance to the Committee.

Yours sincerely



**Paul Grimes PSM
Secretary**

31 August 2022