

Annual Report on the Operations of the
Auditor-General's Department

for the year ended 30 June 2010



Government of
South Australia



Government of South Australia

Auditor-General's Department

29 September 2010

The Hon M Rann MA, JP, MP
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Dear Premier

Annual Report on the Operations of the Auditor-General's Department

It is my pleasure to forward to you for presentation to the South Australian Parliament the Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2010.

This report has been prepared in accordance with the requirements of the *Public Sector Act 2009*.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S O'Neill', with a horizontal line underneath.

S O'NEILL
AUDITOR-GENERAL

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2009-10 highlights

Governance

We launched our new Corporate and Human Resources Strategic Plans for the 2009-10 to 2011-12 planning period (see pages 2 and 15)

We drafted a new framework for the consistent development and management of our corporate and operational policies (see page 16)

We developed new policies for responding to matters referred to the Auditor-General (see page 10)

Reports

The Annual Report of the Auditor-General for the year ended 30 June 2009 was presented to Parliament

We provided specific comment in a Supplementary Report to Parliament on the implementation of a Government monitoring and reporting process for major ICT projects

Audits

167 independent auditor's reports were issued, 24 of them qualified (see page 8)

We successfully managed the audit impact of the continued implementation of shared services across government (see page 9)

Audit methodology

We significantly advanced the project to implement a new audit methodology with pilot testing nearly complete and most supporting policies and guides developed (see page 9)

We established the necessary infrastructure to successfully implement our new audit methodology (see page 9)

Quality control

16 audit files were subject to peer review to ensure the audits met our quality standards and the results were communicated to staff (see page 10)

Public interest reviews

We progressed our aim to increase reporting to the Parliament on matters of public interest (see page 2 and 7)

We increased field audit involvement in public interest review work (see page 7)

Technology

We rolled out wireless remote network access to all audit staff (see page 15)

Recruitment

We recruited 10 graduates (see page 12)

Retention

Employee turnover held steady in 2009-10 (see page 12)

Developing our people

We implemented a comprehensive professional development program (see page 12)

We ran a series of very successful team development days for all staff (see page 13)

Most of our staff participated in our performance review and development process (see page 14)

Financial management

We operated within our budget (see page 19)

Auditor-General's report

'2009-10 has been a year of substantial progress towards our vision'

This Annual Report on the operations of the Auditor-General's Department summarises our performance, achievements and corporate governance in 2009-10.

This has been a successful year for us. Starting with the launch of our new corporate and human resources strategic plans for the next triennium, we set ourselves a clear vision to increase and improve reporting to the Parliament on matters of public interest. We are making progress towards this goal. By putting in place the right structure and providing the right level of planning emphasis we are increasing the amount of public interest review work we do.

Being involved in a public interest review also adds variety and challenge to the work our audit staff do. It's an area we know our staff want to be involved in and it was very pleasing to be able to provide more opportunities for people to participate in this type of review work in 2009-10. We intend to maintain the capacity and capability we have built in this area and to continue to increase and improve reporting on matters of public interest over the coming years.

We also reached a significant milestone in the project to replace our current audit methodology and software with the selection of a package specifically developed for public sector audit application. It is a major undertaking to replace a methodology that underpins everything we do. Our new methodology is already being used to shape new policies, tools, guidance and technology across the Department so that we have the infrastructure we need to support the methodology. Having put these building blocks in place we will face the critical task of training our staff to apply the new audit approach and software to all audits in 2010-11. Our planning processes have been directed to ensuring that our staff receive the time and support they need to work through these changes and this will be our major focus in the coming year.

Our workforce remained strong this year with employee turnover at a record low level and strong recruitment results showing that we are still an employer of choice.

Our relationship with the Parliament has been maintained this year and we have continued to work cooperatively with the agencies we audit towards our shared objective of effective accountability and responsible financial management.

It has been a challenging year with certain achievements and I must acknowledge my staff once again for their hard work and dedication. The achievements presented in this report show there is much to be proud of.



Simon O'Neill
Auditor-General

Key operational statistics

ACTIVITY INDICATORS

Employees (FTEs) at 30 June 2010	112.4
Number of audits at 30 June 2010	156
Independent Auditor's Reports issued in 2009-10	170

FINANCIAL INDICATORS

	2009-10	2008-09	2007-08
	\$000	\$000	\$000
Total audit fees raised	12 072	10 440	10 277
Total expenses	13 402	11 637	11 094
Total assets	3 164	2 902	3 241
Total liabilities	3 788	3 458	3 547

REPORTS PRESENTED TO PARLIAMENT IN THE LAST THREE YEARS

Date presented	Report title
2 December 2009	Supplementary Report – Agency Audit Report and a Matter of Specific Audit Comment
1 December 2009	Report on the Operations of the Auditor-General's Department for the year ended 30 June 2009
13 October 2009	Report of the Auditor-General for the year ended 30 June 2009 - Part A Audit Overview, Part B Report on Individual Agencies and Part C State's Finances and Related Matters – Some Audit Observations
2 June 2009	Supplementary Report – Agency Audit Reports and a Matter of Specific Audit Comment
25 November 2008	Supplementary Report – Agency Audit Report
28 October 2008	Report on the Operations of the Auditor-General's Department for the year ended 30 June 2008
14 October 2008	Report of the Auditor-General for the year ended 30 June 2008 - Part A Audit Overview, Part B Report on Individual Agencies and Part C State's Finances and Related Matters – Some Audit Observations
22 November 2007	Supplementary Report - Agency Audit Reports
16 October 2007	Report on the Operations of the Auditor-General's Department for the year ended 30 June 2007
16 October 2007	Report of the Auditor-General for the year ended 30 June 2007 - Part A Audit Overview, Part B Agency Audit Reports and Part C State's Finances and Related Matters – Some Audit Observations

What we do

‘We contribute to the financial integrity of the South Australian Government on behalf of the Parliament and the people of South Australia’

The Auditor-General

The Auditor-General makes an important contribution to public sector accountability by providing independent assurance to the Parliament that government activities are conducted and accounted for properly and in accordance with the law.

The Auditor-General’s responsibilities are to:

- conduct and report on financial attest and compliance audits of the accounts and operations of the Treasurer and public sector agencies
- conduct and report on special audits relating to matters of accountability and probity
- examine issues referred by whistleblowers and other members of the community
- examine publicly funded bodies at the request of the Treasurer
- review and report on summaries of confidential government contracts at the request of a Minister
- lead the Auditor-General’s Department as its Chief Executive.

The agencies we audit

The Auditor-General is the prescribed auditor of 156 public sector agencies. They are listed in Appendix D.

The legislation

Principal legislation

The Auditor-General is appointed by Parliament under the *Public Finance and Audit Act 1987* (the PFAA). The PFAA is part of the important accountability link between the Executive Government, the Parliament and the taxpayers of South Australia. As well as establishing the Auditor-General’s mandate, it prescribes the financial reporting obligations of the Treasurer and public sector agencies.

Other legislation

There are provisions in other Acts that have a direct influence on the Auditor-General and the Department. These include statutes appointing the Auditor-General to audit public sector agencies, legislation covering special Commonwealth and State financial arrangements, and State legislation such as Supply Acts, Appropriation Acts, the Public Corporations Act and the Whistleblowers Protection Act.

Our Annual Report

The Annual Report of the Auditor-General is the main communication between the Auditor-General and the Parliament. It comprises:

- Part A: Audit Overview – commentary on financial management, accounting and control matters within the public sector.
- Part B: Agency Audit Reports – commentary on significant issues of administration, financial management and control in individual public authorities, together with their financial statements, the Auditor-General’s independent auditor’s reports and the Treasurer’s Statements.
- Part C: The States Finances and Related Matters – commentary on the public finances of the State, including the past year’s budgeted and actual results, forecasts and debt and cash management.

The Department

The Auditor-General’s Department is an administrative unit established under the *Public Sector Act 2009* to support the work of the Auditor-General. The Department’s two main operational areas are auditing services and corporate services, shown in our organisation charts in Appendix A.

Our vision, mission and values

‘Our vision, mission and values underpin what we do’

Our vision

Effectively change our audit practice to increase and improve reporting to the Parliament on matters of public interest

Our mission

Improving public sector accountability through our annual audits of government agencies covering financial reporting, controls and matters of public interest

Corporate objectives

Corporate objective 1

Conducting and reporting on audits, public interest reviews and investigations

Corporate objective 2

Contributing to public sector developments and improving professional relationships

Corporate objective 3

Attracting and keeping highly skilled and committed people

Corporate objective 4

Running an effective business

Our values

Our values strongly shape and influence the way we work and manage our business. They underpin our commitment to delivering the highest quality service

Integrity

Honest, ethical and professional behaviour

Independence

Being independent, impartial and fair

Innovation

Encouraging new ideas and thinking

Respect

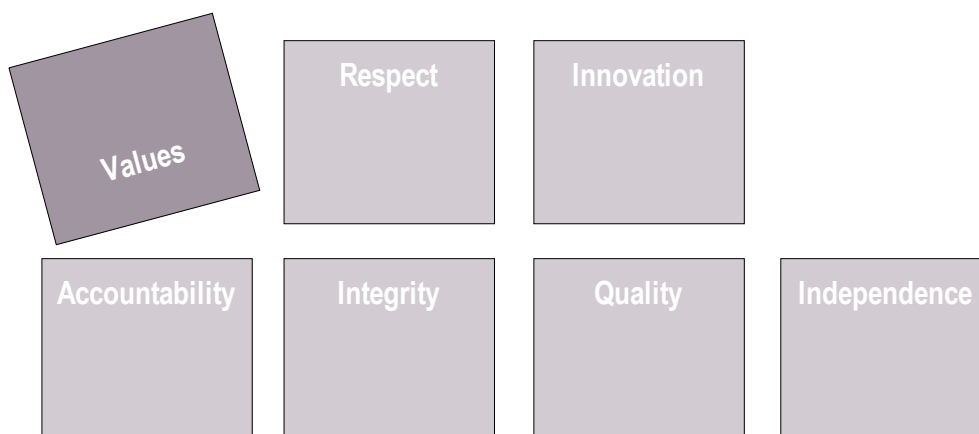
Valuing diversity, open communication and collaboration

Quality

Being relevant and using sound methods, good judgment and diligence

Accountability

Transparent decision making and taking responsibility



Our challenges in 2009-10

‘Our planning and our work during the year must address our main challenges’

During the year we met our major challenges by:

- managing the audit impact of new and ongoing major policy, administrative and service delivery reforms in Government including:
 - the continued implementation of the shared services delivery model for the public sector
 - developments in infrastructure procurement
 - information technology developments
- significantly advancing the project to implement a new audit methodology
- implementing a new structure and resourcing strategy to increase our capacity to undertake public interest reviews and report on the outcomes
- keeping our staff and adding more variety to their work to improve job satisfaction
- maintaining our presence in our professional community by contributing to discussions on developments in accounting and auditing

And looking ahead

Our environment is constantly changing but our major challenges in the year ahead are some that are ongoing from the year just gone. We will continue to be challenged to:

- finish implementing our new audit methodology
- respond to the impact of new and ongoing administrative reforms in government
- respond to the changing economic environment and its impact on our clients and our own operations
- increase reporting of public interest matters and implement a new performance audit methodology
- keep our staff and give them interesting work to do

Corporate objective 1

*‘Conducting and reporting on audits,
public interest reviews and investigations’*

Key targets

- increasing our capacity to conduct public interest reviews
- issuing independent audit and controls opinions for all public sector agencies
- implementing a new audit methodology
- keeping pace with major public sector developments
- quality assurance through self-evaluation
- responding quickly to matters referred to the Auditor-General
- improving the way we report
- expanding the use of statistical indicators of organisational performance

Our performance in 2009-10

Increasing our capacity to conduct public interest reviews

All public interest review (PIR) work is directed by the Auditor-General. It is undertaken by staff working in the PIR team, Information Technology Audit team or field audit depending on the nature and scope of the review. Our PIR strategy requires careful consideration of strategic factors like staffing structure, audit product mix and the competing demands of our statutory audit mandate. However we try to give all staff the opportunity to participate in PIRs as a way of providing interesting work and experience in major review projects.

We have set ourselves a very specific target to increase and improve reporting to the Parliament on matters of public interest by 2011-12. Last year we made some important decisions about how to achieve this and in 2009-10 we implemented a resourcing and planning strategy that has so far achieved what we set out to do in the first year. That has included giving field audit teams more time for PIR work.

Some of the areas of government activity being subject to review focus include:

- public sector agency goods and services procurement
- procurement of strategic across-government services
- EFT security and control
- e-commerce
- construction of a water desalination plant
- site contamination
- red tape reduction
- intellectual property
- social housing
- prisoner movement contract arrangements
- the Building Education Revolution.

Review outcomes will be either reported to Parliament in the Annual Report of the Auditor-General to Parliament or may be included in a Supplementary Report to Parliament.

Issuing independent audit and controls opinions

Five audit directorates are directly engaged in work to discharge the Auditor-General’s audit responsibilities. They are made up of 16 field audit teams, an information technology audit section and a public interest review team.

We issued **170** independent auditor’s reports in 2009-10, most for agencies with financial years ending on 30 June 2009 or 31 December 2009. **8** related to earlier years.

One measure of our audit performance is the time it takes us to issue an audit opinion to our clients, although delays can occur for many reasons that are outside of our control. The table below shows a significant improvement in our timeliness in 2009-10 mainly due to the now almost negligible impact of legislative reforms in 2005-06 that have affected our statistics for the last three years (see the note to the table).

Table: Audit activity output measures for the four years to 30 June 2010

	2009-10	2008-09	2007-08	2006-07
Number of agencies audited at 30 June	156	157	165	174
Number of qualified audit opinions issued	24	25	47*	29
Average working days between an agency’s end of financial year and issuing an Independent Auditor’s Report	91	115*	149*	102

* As part of the transitional arrangements associated with the Government restructuring of environmental management, the Auditor-General was appointed to audit an additional 32 Animal and Plant Control Boards, 8 Catchment Water Management Boards and 42 Soil Conservation Boards in 2005-06. Only a small number of these Boards continue in existence today.

All of these Boards experienced major delays in preparing and submitting for audit their 2005-06 financial statements and in some cases residual problems affected the timely preparation of 2006-07 and 2007-08 statements. These delays have had a significant impact on the average time taken to issue IAR’s in 2007-08 and 2008-09. Without the impact of these Boards, the average time taken to issue an opinion would have been 103 working days in 2008-09 and 94 working days in 2007-08.

Financial statement preparation difficulties at many Boards also contributed to the high number of qualified audit opinions issued in 2007-08.

Also relevant to understanding how we have performed is the number of hours we spend on audits. This is best measured by audit year rather than financial year. An audit year generally runs from 1 November to 31 October, because an audit finishes when an opinion is issued for financial statements usually prepared as at 30 June.

Budgeted and actual hours charged to financial compliance and controls opinion audits for the past three audit years are shown in the table below. These hours, which are chargeable to public sector agencies, fell slightly for 2007-08 audits due to a fall in average FTEs over the period. They rose again for 2008-09 audits as average FTEs returned to normal levels.

Table: Hours charged to audits over the past three completed audit years

	2008-09 audits	2007-08 audits	2006-07 audits
Conduct of audits	84 500	83 200	85 900
Management of audits	10 400	10 000	10 300

Total actual chargeable hours	94 900	93 200	96 200
Budgeted hours	91 000	89 600	90 400
Excess of actual hours over budget	3 900	3 400	5 800

Implementing a new audit methodology

Having run for ten years, our licence to use our current proprietary audit methodology and software expires at the end of 2011. The package will be used to complete the 2009-10 audit cycle before it is fully replaced by a new methodology.

Replacing our audit methodology is a significant project. After extensive testing and research we have selected IPSAM – the Integrated Public Sector Audit Methodology developed by the Victorian and Queensland state audit offices – as the replacement methodology.

IPSAM is widely used by public sector audit offices across Australia. It has the benefit of being developed for specific use in our industry. The involvement of a number of audit offices provides us with a long term commitment to the product and its development and the opportunity for knowledge sharing between jurisdictions. The IPSAM audit approach is flexible and there will be opportunities to achieve efficiencies in the audit process. There are also technical benefits in terms of improved backup and file access functionality.

Pilot testing of IPSAM in 2009-10 has been successful, and helped us to settle the new infrastructure, policies and guidance needed to support the methodology and software. Change management workshops have helped us to develop an implementation plan that focuses on the impact of the new methodology on our people, who are the ones most affected by this change. It encompasses:

- a communication strategy to deliver information across the Department when and where it is needed
- an impact strategy to determine how our business and our people will be affected by the changes
- a skills strategy to determine what training is needed and the best way to deliver it.

We now face the major challenge of implementing the methodology across the Department in 2010-11. The project team coordinating the implementation has been assisted by resources from audit and IT and we are confident of a successful project outcome.

Keeping pace with major public sector developments

Shared services

The Government's shared services initiative has changed the administrative arrangements of some fundamental aspects of public sector operations. The initiative involved transferring high volume administrative functions such as payroll, accounts payable, accounts receivable and financial reporting to a central service provider, Shared Services SA (SSSA). Last year saw the initiative take on major momentum with most government agencies transitioning to SSSA, and this year the financial reporting transition was completed.

This has continued to place significant additional audit review requirements on us as we established new communication protocols with SSSA and finished the job of identifying and evaluating the new control environment and specific control activities of the transitioned systems and functions. Commentary on the transition strategy, SSSA governance arrangements, reported savings, shared services controls and other matters associated with this initiative is included in the Auditor-General's Annual Report to Parliament.

Quality assurance through self-evaluation

Peer reviews

Ensuring that effective quality control policies and procedures are in place is a professional audit requirement. The Department's peer review program is an independent 'post event' review of audit files to ensure that audits meet quality standards and consistently apply the principles of our audit methodology. The program was applied to 16 audit files that were peer reviewed in 2009-10. The overall standard of these files was good and importantly demonstrated consistency between the audit evidence gathered during the audit and the conclusions drawn. The results were communicated to the senior management group and used to make improvements to audit practices in 2009-10.

A modified peer review program will be used in 2010-11 as we transition to IPSAM.

Responding quickly to matters referred to the Auditor-General

The Auditor-General considers that anyone who has serious concerns to raise or information that they believe is important to public sector governance and accountability should feel safe to do so. Such matters are periodically referred to the Auditor-General by members of the public, whistleblowers and members of parliament.

Any such matters referred to the Auditor-General in good faith will be responded to under new policies developed in 2009-10. They ensure that matters are dealt with in a systematic manner and will be dealt with as quickly as practical.

Improving the way we report

In 2009-10 we continued to make improvements to the written expression and readability of our reports by:

- providing advanced editorial skills training to deputy audit managers to improve the way our audit management letters are written
- developing a standard template for audit management letters to improve the way our audit management letters look.

Next year we will implement the new template and use it as a basis to develop further formatting standards for our internal and external correspondence. We will also continue to review management letter content to look for ways to improve the readability of our letters to agencies on audit outcomes.

Expanding the use of statistical indicators of organisational performance

The Department's Strategic Management System is a practice management and billing system that captures budgeted hours and time costing information to manage audit fees and produce statistical reports on our performance. This information is used to monitor team performance against budgets and respond quickly by providing additional resources to problem areas. We also use it to make decisions about the best way to resource new work requirements.

In 2009-10 we expanded the use of productivity indicators to monitor performance. These statistics add to the picture of how well we are working and are useful when making resourcing decisions.

Further improvements have been identified to the statistical reports on our performance and these will be implemented in 2010-11.

Corporate objective 2

‘Contributing to public sector developments and improving professional relationships’

Key targets

- building capacity to respond to developments in accounting and auditing
- participating in Australasian Council of Auditors-General (ACAG) committees and forums

Our performance in 2009-10

We are active in our professional community and participate in debate on emerging issues in accounting, auditing and the public sector. This year we finished restructuring our Research and Quality Assurance team and this has increased our capacity to participate in this area and to keep our staff up to date with developments in accounting and auditing.

We accept opportunities that we can to comment on public sector reform initiatives. We also maintain our statutory relationship with the Parliament, including with the Economic and Finance Committee of Parliament. We also maintained our relationship with the Government Accounting and Reporting branch (GAR) of the Department of Treasury and Finance by providing feedback on 2010 model financial accounts and liaising on emerging issues in accounting, auditing and the public sector.

In addition members of the Executive have given presentations at the Government Accounting Information Forum and Senior Finance Officers meetings arranged by GAR.

Participating in ACAG committees and forums

Our membership of ACAG – an association established by Auditors-General in Australia, Fiji, New Zealand and Papua New Guinea for mutual support and sharing information – benefits us by providing strong networks to other audit offices throughout the region. ACAG promotes public sector auditing through the exchange of experiences and ideas, which provides opportunities for us to improve our own effectiveness and efficiency. During the year the Auditor-General participated in two ACAG business meetings.

The Auditor-General currently chairs the ACAG’s Financial Reporting and Auditing Committee (FRAC). FRAC provides Auditors-General and ACAG with strategic and technical advice on developments in accounting, financial reporting and financial auditing and develops and coordinates Auditors-General’s responses to Australian and international financial auditing and accounting exposure drafts.

In addition members of the Department have actively participated in ACAG committees and forums covering:

- practice management
- quality assurance
- the audit of universities.

Corporate objective 3

‘Attracting and keeping highly skilled and committed people’

Key targets

- improving staff retention
- meeting the development needs of our staff

Our performance in 2009-10

Improving staff retention

Staff turnover hit a seven year low of 12 percent in 2009-10. The slow return of economic confidence and the state of the public sector labour market are likely to have influenced this result.

Table: Employee turnover for the past three years

2009-10	2008-09	2007-08
12	13	23

Whilst attracting and keeping experienced professionals in the current labour market is not as difficult as it has been in the recent past, pursuing improvements in our retention initiatives is still important to us because of the positive impact this can have on staff satisfaction levels. This year our focus has been on improving job satisfaction by giving staff more exposure to public interest reviews, which staff have told us adds interest and variety to their work. Indications are that this has had a positive effect on morale.

Recruitment in 2009-10

We continue to maintain close links with Universities and professional accounting organisations, and to explore options to increase the potential pool of applicants for audit positions. We have had an excellent response to our recruitment initiatives this year, although with low staff turnover we did not have as many positions to fill. Temporary and casual staff are brought in during periods of peak demand.

Table: Graduates appointed in the three years to 2009-10

	2009-10	2008-09	2007-08
Graduates appointed	10	15	18

Meeting the development needs of our staff

Our workforce is highly skilled, with all audit and many corporate services staff holding or working towards professional qualifications. CPA and ICAA members receive support with their professional education fees and study leave is provided to staff working towards qualifications related to their work.

We invest in continuing professional development to help our staff maintain their technical knowledge and improve their performance, abilities and skills, and particularly their leadership capabilities. Total training and development expenditure for all employees for 2009-10 was four percent of salaries and three percent of total employee expenses. Leadership and management development expenditure rose this year with the delivery of a customised performance management program for senior managers.

Table: Training and development costs in 2009-10

Training and development	Total cost	% of total employee expenses
Total training and development expenditure	\$290 000	3.1%
Leadership and management development expenditure	\$137 400	1.5%

Most training is planned and conducted through the Department's annual Professional Development Program. Training needs are identified through consultation with Executive and staff, the performance review and development process, focus groups and informal feedback. The program is aligned with core position competencies, and divided into three categories: professional, personal and management.

This year saw the return of our team development days. Conducted primarily outdoors the program combined physical activities with learning outcomes aimed at:

- increasing everyone's understanding of effective team membership skills
- flexible decision making and emotional intelligence
- working with change
- strengthening relationships with other staff and team members.

Nearly everyone in the Department participated in the program and feedback indicated it was a great success.

Other courses in the 2009-10 program covered:

- employee induction
- audit methodology and software
- government accounting and taxation updates
- asset accounting
- time management
- recruitment and selection
- behavioural interviewing
- advanced report writing skills
- tailored diversity and managed performance training for senior managers.

Staff are also supported to attend external courses, conferences and seminars that are relevant to their development.

Appendix E has the full details of the courses attended by our staff this year.

Performance Review and Development

Our performance review and development (PRD) process continues as an integral part of developing the capabilities of our people. Employees and managers work together to review performance against position competencies and key responsibilities, and identify development objectives and opportunities. This gives everyone feedback about the quality of their work and their development needs. Progress towards achieving personal development goals is reviewed regularly, and development needs are reflected in departmental and individual training and development activities.

Participation in the PRD process improved in 2009-10 with 74 percent of staff having a review performed compared with 64 percent last year.

Table: PRD review status

Employees who have had:	Percentage of total workforce
A review within the last 12 months	74%
A review older than 12 months	24%
No review	2%

Looking ahead to our training needs in 2010-11

A major project was undertaken this year to develop the change management program for IPSAM implementation. Essential to the plan is the identification of training needs required to support the implementation of IPSAM that will need to be included in the 2010-11 professional development program. In recognition of the significant change the 2010-11 professional development program will have a significant focus on training to support the new methodology and software.

We will also plan to establish induction programs for staff transitioning to each level of field audit to help them adapt to their changing roles and responsibilities.

Appendix B contains additional statistics and more information about the profile of our workforce

Corporate objective 4

‘Running an effective business’

Key targets

- launching our new strategic plans
- improving our communication infrastructure
- establishing a formal policy development framework
- meeting our OHSW targets

Our performance in 2009-10

Launching our new strategic plans

We launched our new Corporate and Human Resources Strategic Plans in November 2009. They cover the 2009-10 to 2011-12 planning period.

Both plans were developed taking into consideration input we received through the 2009 staff survey. This included suggestions made to further simplify the format of our plans. The result is a new, streamlined set of planning documents. The Corporate Plan is focussed at a highly strategic level, making it very clear what we aim to do over the next three years. The Human Resources Strategic Plan covers our people focussed Corporate Objective 3 – this is where we have more discretion about what we do and where our people need more information about the things that will affect them and their career development over the planning period.

Together these plans set us on a path to:

- increase reporting on public interest matters
- implement a new audit methodology
- give our staff more interesting work to do by changing the product mix to include more public interest reviews and by providing opportunities for people to get involved in projects to develop and implement strategic change.

The Department’s risk management policy, plan and register have been comprehensively reviewed to link to our new Plans and address any risks that have emerged from our new direction and focus.

Improving our communication infrastructure

Supporting our staff with advanced technology and equipment is important both for efficiency and job satisfaction. This area achieved one of the highest satisfaction ratings in our last staff satisfaction survey so we know we are doing this well. But when asked what was the single most important technology improvement we could make to help people with their work, most staff survey respondents asked for better remote access to our internal network for audit staff who spend most of their time at client sites.

With the implementation of IPSAM in 2010-11 we needed to provide the right infrastructure to support the file access and backup functionality the new methodology and software offers. After a successful trial, secure wireless broadband connection was rolled out to all field audit staff in 2009-10.

Establishing a formal policy development framework

This year we developed a formal policy framework for the consistent preparation and update of our corporate and operational policies for launch in 2010-11. Our aim is to have a consistent approach to policy development and a standard template for all policy documents. The new framework sets out the steps involved in writing and issuing a policy, the format for all documentation and our records management requirements. All policies will be maintained within a central index structure accessible to all staff.

We now need to review our existing policies to align with the framework and identify any gaps where new policies are needed.

Meeting our Occupational Health Safety and Welfare (OHSW) targets

The Department has exempt employer status under Section 60(4) of the *Workers Rehabilitation and Compensation Act 1986*. To maintain this status we must comply with five performance standards for self insurers.

The Department's OHSW committee develops and monitors compliance with policies and procedures, and drives new initiatives in OHSW. The committee also develops and coordinates delivery of the annual OHSW training program. Membership of the committee comprises management and employee representatives and the Department's OHSW coordinator.

Our OHSW and Injury Management Action Plan sets objectives and actions for each performance standard and the OHSW committee is responsible for implementing the Plan. A quarterly performance report measuring results against key performance targets is prepared. Independent reviews indicate that we have a high level of compliance with these standards.

Our high standard of workplace safety and low level of incidents continued through 2009-10. Appendix F contains specific data on this.

Our strategic management framework

‘The framework provides a systematic and disciplined approach to planning and managing what we do’

Our strategic management framework provides the structure for planning and managing our audit and corporate responsibilities. It drives how we:

- identify challenges and emerging issues through environmental scanning and staff consultation
- choose the activities that will most benefit our short and long term performance, and plan and allocate the resources needed to get them done
- monitor our progress and measure our performance against what we planned to do.

The key outputs of this cycle are our planning documents:

Corporate and Human Resources Strategic Plans

Establish our vision, mission and values and our intended corporate direction over the longer term – usually three years – expressed as corporate objectives and key strategic actions.

Annual Plans

Translate the broad direction of the Corporate and Human Resources Strategic Plans into specific actions and responsibilities for each year.

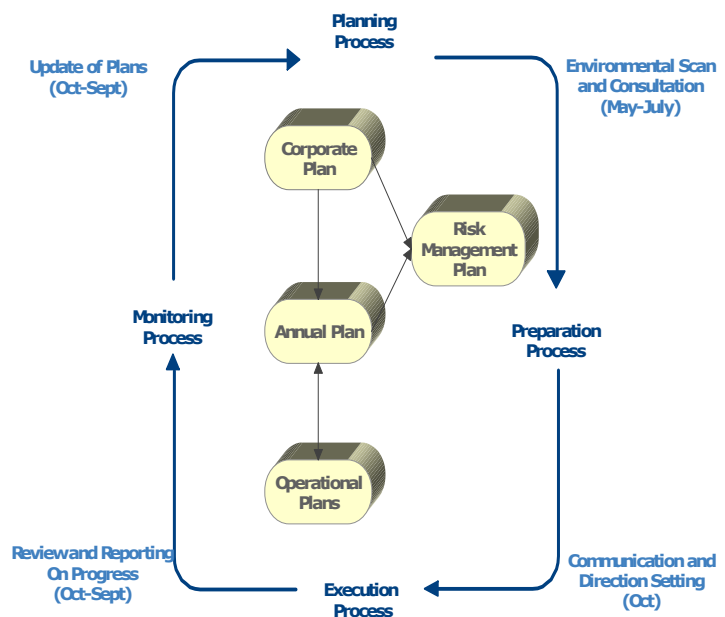
Risk Management Policy and Plan

Identifies risks that may block the achievement of our plans, and opportunities for us to do things better. Describes existing risk control approaches and proposed actions to improve current controls or mitigate emerging risks.

Operational Plans

Prepared by each work team, these detailed work programs translate strategies and actions in the Annual Plan into specific accountabilities and outcomes for each team.

Together these documents are the accountability statements we use to monitor our performance as an organisation. Monthly reports on the status of our planned activities are prepared and communicated to all staff.



Our governance and communication structures

‘Effective corporate governance and good communication are the keys to achieving our vision’

Executive

Comprising the Auditor-General, Deputy Auditor-General and our four Directors of Audits, the Executive is responsible for departmental governance. The Executive meets monthly to oversee: strategic direction; policy setting; organisation structure and resource allocation; business planning; risk management; organisational performance and accountability. Minutes of these meetings are communicated to all staff.

This Group also meets weekly to address operational matters that arise between formal Executive meetings. All decisions are formally reported through the Executive meeting. Minutes of these meetings are communicated to all staff.

Senior Management Group

The Senior Management Group is made up of the Executive, Principal Audit Managers and Corporate Managers. Meetings are held at least quarterly to maintain strong communication across the Department, and as a forum for consultation on policy and procedural matters as they arise.

Departmental information forums

Involving all staff, these meetings are held at least twice a year to ensure matters of importance to the Department’s operations are communicated effectively to everyone.

Directorate/Section meetings

Each year Managers translate the strategies in the Corporate Plan into specific accountabilities, actions and outcomes for their work teams. These are the basis of their operational plans. Meetings between Directors and Managers occur often to discuss the progress of these plans and to discuss local management issues.

Any issues raised at these meetings that have a broader departmental implication or which cannot be resolved at this level are referred to the Executive.

Refer also to Appendix G for information about our important external relationships

Our financial report

Funding

The Department's operations are funded by appropriations from the Consolidated Account. Special Act's funding is received for the Auditor-General's salary.

Budget performance

The Department administers one budget program: Auditing Services. This covers all audit responsibilities prescribed under the PFAA and is divided into two sub-programs:

- Prescribed audits – annual audits where the Auditor-General is the prescribed auditor
- Special investigations – work associated with:
 - special investigations requested by the Treasurer
 - reviewing summaries of confidential Government contracts at the request of a Minister.

Table: Financial performance for the three years to 30 June 2010

	Budget	Actual		
	2009-10	2009-10	2008-09	2007-08
		\$000	\$000	\$000
Total audit fees raised	12 145	12 072	10 440	10 277
Net cost of providing services	13 419	13 401	11 636	10 847
Total assets	2 923	3 164	2 902	3 241
Total liabilities	3 565	3 788	3 458	3 547

Expenses

Net cost of services

The increase in the net cost of services since 2008-09 reflects the increased employee expenses and contractor/consultant costs incurred for new agency audit activity, including WorkCover Corporation of South Australia and Country Health Units. \$1.98 million was paid to contracted auditors, up \$684 000 from last year.

Consultants

Consultants are sometimes used to provide expert advice on matters associated with an audit or a particular aspect of the Department's operations. Consultancy expenses were \$144 000 in 2009-10 (\$80 000 in 2008-09).

Table: Consultancies in 2009-10

Consultancies	Details	\$'000
Under \$10 000	3 Consultancies	12
\$10 000 - \$50 000	1 Consultancy: KPMG	13
Above \$50 000	1 Consultancy: KPMG	55
Total	5 Consultancies	80

Overseas travel

There was no work-related overseas travel in 2009-10.

Payment performance

Treasurer’s Instruction 11 ‘Payment of creditors’ accounts’ requires undisputed accounts to be paid within 30 days of receiving an invoice unless a specific due date applies. We report monthly to the Department of Treasury and Finance on our payment performance. This year we paid 98 percent of invoices by the due date compared with 96 percent last year, and exceeded the Department of Treasury and Finance’s benchmark of paying 90 percent of accounts within 30 days.

Table: Payment performance in 2009-10

Timing of payments	Number	Percentage	Value \$'000	Percentage
Paid by the due date	999	97.5%	4 386	94.7%
Paid late, within 30 days of due date	22	2.1%	245	5.3%
Paid more than 30 days after due date	4	0.4%	1	-
Total	1 025	100%	4 633	100%

Audit fees

Audit fees are charged to agencies on a cost recovery basis. This revenue is paid into the Consolidated Account and accounted for as an administered item.

Fraud Management

We want our workplace to be free of fraud. Our staff are bound by the Employee Conduct Standards of the *Public Sector Act 2009* and the Code of Ethics for the South Australian public sector. We have a policy on ethical conduct in the workplace that offers protection to genuine whistleblowers who disclose information about suspected illegal or fraudulent activities. We also have a fraud management policy. Internal controls are in place to either prevent or detect fraud.

There were no cases of internal fraud detected during the year. In recent years the Department has experienced a number of attempted frauds by external parties in the taxi industry. In response the Department has established comprehensive internal controls to monitor electronic taxi ticket usage. During the year thirty three attempted instances of fraudulent presentation of electronic taxi tickets by an external third party were detected, investigated and reported to the service provider. The Department has already been reimbursed for twenty one of these attempts with the remaining matters still under investigation by the service provider.

Auditor-General's Department

Statement of Comprehensive Income for the year ended 30 June 2010

		2010	2009
EXPENSES:	Note	\$'000	\$'000
Employee expenses	3	9 462	8 573
Supplies and services:			
Contractors		1 980	1 296
Office accommodation and service costs		599	586
Computing and network processing costs		211	169
Staff development and training		152	151
Other expenses		150	155
Motor vehicle hire		144	128
Consultancies		144	80
FBT		53	50
Staff travel and accommodation		50	67
Shared Services SA charges		48	27
Report printing		26	23
Temporary staff		21	58
		3 578	2 790
Depreciation and amortisation	9, 10	328	261
Net loss from the disposal of non-current assets	5	34	13
Total expenses		13 402	11 637
INCOME:			
Other income		1	1
Total income		1	1
NET COST OF PROVIDING SERVICES		13 401	11 636
REVENUES FROM SA GOVERNMENT:			
Appropriations and contingency provision grant	6	13 333	11 386
NET RESULT		(68)	(250)
TOTAL COMPREHENSIVE RESULT		(68)	(250)

Net result and comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	7	2 495	2 229
Receivables	8	173	144
Total current assets		2 668	2 373
NON-CURRENT ASSETS:			
Computing and office facilities	9	413	489
Intangible assets	10	83	40
Total non-current assets		496	529
Total assets		3 164	2 902
CURRENT LIABILITIES:			
Payables	11	349	279
Cash advance - Imprest account		3	3
Employee benefits	12	994	891
Provision for workers compensation	13	4	4
Total current liabilities		1 350	1 177
NON-CURRENT LIABILITIES:			
Payables	11	250	235
Employee benefits	12	2 174	2 034
Provision for workers compensation	13	14	12
Total non-current liabilities		2 438	2 281
Total liabilities		3 788	3 458
NET ASSETS		(624)	(556)
EQUITY:			
Opening balance - deficit		(556)	(306)
Decrease in net assets		(68)	(250)
TOTAL EQUITY		(624)	(556)

Total equity is attributable to the SA Government as owner

Commitments 14

Statement of Changes in Equity for the year ended 30 June 2010

	Note	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008		(306)	(306)
Total comprehensive result for 2008-09		(250)	(250)
Balance at 30 June 2009		(556)	(556)
Total comprehensive result for 2009-10		(68)	(68)
Balance at 30 June 2010		(624)	(624)

All changes in equity are attributable to the SA Government as owner

Statement of Cash Flows for the year ended 30 June 2010

	Note	2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		(9 180)	(8 414)
Supplies and services		(3 912)	(3 323)
CASH INFLOWS:			
Other income		1	1
GST refunds from ATO		353	248
CASH FLOWS FROM (TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	6	13 333	11 386
Net cash provided by (used in) operating activities	16.2	595	(102)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payment to Shared Services SA due to administrative restructure	15	-	(14)
Cash used in financing activities		-	(14)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of computing and office facilities	9.2	(268)	(215)
Purchase of intangible assets	10.2	(61)	(30)
Cash used in investing activities		(329)	(245)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		266	(361)
CASH AND CASH EQUIVALENTS AT 1 JULY		2 229	2 590
CASH AND CASH EQUIVALENTS AT 30 JUNE	7, 16.1	2 495	2 229

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Auditor-General's Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the PFAA.

The Department's sole activity is the provision of auditing services covering all the audit responsibilities prescribed under the PFAA. Within this activity class there are two activities:

Prescribed audits

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the PFAA. During the year the Department spent \$13.402 million (\$11.637 million) on this activity.

Special investigations

Includes all work defined in the PFAA that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on special investigations when requested by the Parliament or Treasurer
- reviewing summary documents of confidential government contracts and reporting on the adequacy of each document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific Terms of Reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During 2009-10 and 2008-09 the Department incurred no expenditure on this activity.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with applicable AASs and TIs and APSs issued pursuant to the PFAA.

The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values.

The financial statements has been prepared based on a 12 month operating cycle and is presented in Australian currency.

AASs and AASB Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010 with the exception of AASB 2009-12. The Department has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

The Statement of Cash Flows has been prepared on a cash basis.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement, or where assumption and estimates are significant to the financial statements are outlined in the applicable notes
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures in these financial statements:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
 - (b) Employees whose normal remuneration is \$100 000 or more and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly to those employees.
 - (c) Expenses incurred as a result of engaging consultants (reported in the Statement of Comprehensive Income).

(c) Reporting entity

The Department produces both departmental and administered financial statements. The Departmental financial statements report on the use of assets, liabilities, income and expenses controlled or incurred by the Department. The administered items financial statements report on the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific APS or AAS has required a change.

Where applicable the comparatives have been restated to assist users understanding of the current reporting period and do not replace the original financial statements for the preceding period.

(e) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

(f) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT and GST. Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred by the Department on a purchase of goods or services is not recoverable from the ATO it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables which are stated with the amount of GST included.

The net GST receivable/payable to the ATO has been recognised as a receivable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the ATO have however been classified as operating cash flows.

(g) Income and expenses

Income and expenses are recognised in the Statement of Comprehensive Income only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by another accounting standard.

The loss on the disposal of non-current assets is recognised when control of the asset has passed to the recipient.

(h) Revenues from SA Government

Parliament approved funding appropriations are received for the full accrual cost of services. The appropriation is paid into a Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriations for accrued expenses are deposited in a Special Deposit Account in the name of the Auditor-General's Department at DTF titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to TI 3, paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Administered items are funded by Parliamentary appropriations on a cash basis.

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature.

The Department has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current. All other assets and liabilities are classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call.

(k) Receivables

Receivables arise in the normal course of audit services to other agencies. Receivables are generally settled within 14 days after the issue of an invoice.

(l) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

(m) Non current asset acquisition and recognition

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation.

All non-current physical assets with a value greater than \$2000 are capitalised in accordance with APF III, APSs 2.15 and 2.16.

The acquisition of software is capitalised when the expenditure meets the definition criteria of an intangible asset and when expenditure is greater than or equal to \$2000 in accordance with APF III, APSs 2.15 and 2.16. The Department has no internally generated intangible assets.

(n) Revaluation of non-current assets

The revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years in accordance with APF III, APS 3.3.

All non-current assets with a limited useful life are systematically depreciated over their useful lives.

(o) Depreciation/amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful lives of all major assets are reassessed on an annual basis. In 2009-10, the Department re-assessed the useful life of laptop computer equipment and decreased it from three years to two years. The net effect of this change in 2009-10 is approximately a \$31 000 increase in depreciation.

Depreciation/amortisation for non-current assets is determined as follows:

<i>Class of assets</i>	<i>Method</i>	<i>Useful life (years)</i>
Computing and office equipment	Straight-line	3
Laptop computer equipment	Straight-line	2
Leasehold improvements	Straight-line	3
Computer software	Straight-line	3

(p) Payables

Payables include creditors, accrued expenses and employee on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid. Creditors include all unpaid invoices received relating to the normal 12 month operating cycle.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All amounts are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries, long service leave and annual leave.

(q) Employee benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with AASB 119. Employee benefits comprise salaries, annual leave and long service leave.

Salaries

Liabilities for salaries are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.

Annual leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date. Annual leave is expected to be paid within 12 months.

Sick leave

No liability is recognised, as all sick leave is non-vesting and the average sick leave taken by employees is considered to be taken from the current year's accrual, as it is estimated to be less than the annual entitlement for sick leave.

Long service leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. DTF has advised that a benchmark of 5.5 years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 119. This advice has been adopted and the long service leave liability as at 30 June 2010 has been calculated at nominal amounts based on current salary rates for employees with 5.5 or more years service.

Long service leave (continued)

The long service leave to be taken in the 12 months to 30 June 2011 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Superannuation

Contributions are paid to several superannuation schemes operated by the SA Government and are treated as an expense when they occur. The liability for payments to beneficiaries is assumed by the South Australian Superannuation Board. The liability outstanding at the reporting date for any contributions due but not yet paid to the South Australian Superannuation Board is included in payables.

(r) Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2010 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

(s) Leases

The Department has entered into two operating leases. The two leases are for office accommodation and motor vehicles.

Operating leases

Under the operating leases, the lessor effectively retains the entire risks and benefits incidental to ownership of the leased items.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis which is representative of the benefits derived from the leased assets.

(t) Events after the end of the reporting period

There have been no events subsequent to 30 June 2010 that have had a material impact on the information disclosed in these financial statements.

3. Employee expenses	2010	2009
Employee benefits:	\$'000	\$'000
Salaries	7 105	6 530
Annual leave	657	570
Long service leave	334	222
Total employee benefits	<u>8 096</u>	<u>7 322</u>
Employee on-costs:		
Superannuation	896	834
Payroll tax	464	415
Total employee on-costs	<u>1 360</u>	<u>1 249</u>
Workers compensation	6	2
Total employee expenses	<u>9 462</u>	<u>8 573</u>
4. Supplies and services provided by entities within SA Government		
Office accommodation and service costs	597	582
Staff development and training	2	5
Other expenses	46	40
Motor vehicle hire	104	92
Shared Services SA charges	48	27
Total supplies and services provided by entities within SA Government	<u>797</u>	<u>746</u>
5. Net loss from the disposal of non-current assets		
Net book value of non-current assets disposed	34	13
Total net loss from the disposal of non-current assets	<u>34</u>	<u>13</u>
No proceeds were received from the disposal of non-current assets.		
6. Funding of the Department		
Appropriations to the Department in 2009-10 amounted to \$13.221 million (\$11.371 million) and there was a contingency provision grant of \$112 000 (\$15 000).		
Appropriations under Special Acts are reported under administered items.		
7. Cash and cash equivalents	2010	2009
	\$'000	\$'000
Deposits with the Treasurer	2 492	2 226
Imprest Account and cash on hand	3	3
Total cash and cash equivalents	<u>2 495</u>	<u>2 229</u>

Deposits with the Treasurer

These include funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

Deposits with the Treasurer are non-interest bearing for the Department. The Department's only interest bearing asset is an Imprest account and the exposure to interest rate risk is insignificant.

The weighted average interest rate for the Imprest Account was 3.51 percent (5.13 percent).

The carrying amounts of cash and cash equivalents represents fair value.

8. Receivables		2010	2009
Current:		\$'000	\$'000
GST input tax recoverable		163	138
Other		10	6
Total current*		<u>173</u>	<u>144</u>

* The current receivable amounts are with non-SA Government entities.

Interest rate and credit risk

GST input tax credits are recoverable from the ATO and as such there is no interest rate or credit risk and the carrying amount represents fair value. With respect to the other receivable there is no interest rate risk and the carrying amount represents fair value. The credit risk associated with the other receivable is insignificant.

9. Computing and office facilities		2010	2009
9.1 Classes of computing and office facilities		\$'000	\$'000
Computing and office equipment - at cost		533	580
Accumulated depreciation		<u>(414)</u>	<u>(418)</u>
		119	162
Laptop computer equipment - at cost		334	275
Accumulated depreciation		<u>(137)</u>	<u>(105)</u>
		197	170
Leasehold improvements - at cost		497	444
Accumulated depreciation		<u>(400)</u>	<u>(287)</u>
		97	157
		<u>413</u>	<u>489</u>

There were no indications of impairment of non-current assets at 30 June 2010.

9.2 Reconciliation of carrying amount	Carrying amount				Carrying amount
	01.07.09	Additions	Disposals	Depreciation	30.06.10
	\$'000	\$'000	\$'000	\$'000	\$'000
Computing and office equipment	162	32	-	75	119
Laptop computer equipment	170	183	34	122	197
Leasehold improvements	157	53	-	113	97
Total computing and office facilities	<u>489</u>	<u>268</u>	<u>34</u>	<u>310</u>	<u>413</u>

	Carrying amount				Carrying amount
	01.07.08	Additions	Disposals	Depreciation	30.06.09
	\$'000	\$'000	\$'000	\$'000	\$'000
Computing and office equipment	102	110	-	50	162
Laptop computer equipment	166	104	13	87	170
Leasehold improvements	258	1	-	102	157
Total computing and office facilities	<u>526</u>	<u>215</u>	<u>13</u>	<u>239</u>	<u>489</u>

10. Intangible assets		2010	2009
10.1 Classes of intangible assets		\$'000	\$'000
Computer software - at cost		610	549
Accumulated amortisation		<u>(527)</u>	<u>(509)</u>
		83	40

There were no indications of impairment of non-current assets at 30 June 2010.

10.2 Reconciliation of carrying amount	Carrying amount				Carrying amount
	01.07.09	Additions	Disposals	Amortisation	30.06.10
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer software	40	61	-	18	83
Total intangible assets	<u>40</u>	<u>61</u>	<u>-</u>	<u>18</u>	<u>83</u>

**10.2 Reconciliation of carrying amount
(continued)**

	Carrying amount 01.07.08 \$'000	Additions \$'000	Disposals \$'000	Amortisation \$'000	Carrying amount 30.06.09 \$'000
Computer software	32	30	-	22	40
Total intangible assets	32	30	-	22	40

11. Payables

	2010 \$'000	2009 \$'000
Current		
Employee on-costs	222	207
Creditors	124	64
Accrued expenses	3	8
Total current	349	279
Non-current:		
Employee on-costs	250	235
Total non-current	250	235
Total payables	599	514
Payables to entities within the SA Government	256	220

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates fair value due to the amounts being payable on demand.

12. Employee benefits

	2010 \$'000	2009 \$'000
Current:		
Salaries	202	195
Annual leave	528	519
Long service leave	264	177
Total current	994	891
Non-current:		
Long service leave	2 174	2 034
Total non-current	2 174	2 034
Total employee benefits	3 168	2 925

13. Provision for workers compensation

Current:		
Provision for workers compensation	4	4
Total current	4	4
Non-current:		
Provision for workers compensation	14	12
Total non-current	14	12
Total provision	18	16
Carrying amount at 1 July	16	18
Workers compensation payments	(1)	-
Increase (Decrease) in the provision	3	(2)
Carrying amount at 30 June	18	16

The workers compensation provision is based on an actuarial assessment provided by the Public Sector Workforce Division of DPC.

14. Commitments**Operating lease commitments**

The Department's operating leases are for the leasing of office accommodation and motor vehicles.

Office accommodation

Office accommodation is leased from the Building Management Division of the Department for Transport, Energy and Infrastructure. The lease expires on 30 June 2015. The rental amount is based on floor space, with the rental rate reviewable by Department for Transport, Energy and Infrastructure every two years.

Motor vehicles

Motor vehicles are leased from the Fleet SA business unit of DTF. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

Operating lease commitments (continued)

At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	2010 \$'000	2009 \$'000
Not later than one year	660	607
Later than one year and not later than five years	2 443	38
Total operating lease commitments	<u>3 103</u>	<u>645</u>

Capital commitments

Capital expenditure contracted for at the reporting date which is not recognised as a liability

Not later than one year	-	27
Total capital commitments	<u>-</u>	<u>27</u>

Remuneration commitments

At the reporting date the Department had commitments for the payment of salaries and other remuneration under fixed-term employment contracts (these obligations have not been recognised as liabilities):

Not later than one year	1 000	866
Later than one year and not later than five years	1 191	1 654
Total remuneration commitments	<u>2 191</u>	<u>2 520</u>

Amounts disclosed include commitments arising from executive and employee contracts under fixed term employment. The Department does not offer fixed term employment contracts to executives and employees for periods greater than five years.

15. Net assets transferred as a result of an administrative restructure

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in DTF.

As part of this reform on 20 October 2008 the Department's payroll services were transitioned to Shared Services SA.

One employee, budget funding of \$44 000 and the following assets and liabilities were transferred to Shared Services SA.

	2010 \$'000	2009 \$'000
Cash	-	14
Total assets	<u>-</u>	<u>14</u>
Payables	-	1
Employee benefits	-	13
Total liabilities	<u>-</u>	<u>14</u>
Total net assets transferred	<u>-</u>	<u>-</u>

The net assets transferred by the Department as a result of an administrative restructure were at their carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

16. Cash flow reconciliations**16.1 Reconciliation of cash and cash equivalents**

Cash and cash equivalents at 30 June per:

Statement of Financial Position	2 495	2 229
Statement of Cash Flows	2 495	2 229

16.2 Reconciliation of net cost of providing services to net cash provided by operating activities

Net cost of providing services	(13 401)	(11 636)
Net cash flows from government	13 333	11 386
Depreciation and amortisation	328	261
Increase in receivables	(29)	(51)
Increase in employee benefits	243	137
Increase (Decrease) in provision for workers compensation	2	(2)
Increase (Decrease) in payables	85	(210)
Loss on disposal of non-current assets	34	13
Net cash provided by (used in) operating activities	<u>595</u>	<u>(102)</u>

17. Remuneration of employees

The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:	2010		2009	
	Number of executives*	Number of employees	Number of executives*	Number of employees
\$100 000 - \$109 999	-	10	-	10
\$110 000 - \$119 999	-	4	-	2
\$120 000 - \$129 999	-	2	-	-
\$170 000 - \$179 999	1	-	3	-
\$180 000 - \$189 999	3	-	1	-
\$190 000 - \$199 999	-	-	1	-
\$200 000 - \$209 999	1	-	-	-
\$350 000 - \$359 999	-	-	1	-
\$360 000 - \$369 999	1	-	-	-
Total number of executives/employees	6	16	6	12

* Based on the Department's executive organisation structure.

Total remuneration received or receivable by departmental executives was \$1.29 million (\$1.253 million). Total remuneration received or receivable by the non-executive employees was \$1.74 million (\$1.264 million).

The employee remuneration figures detailed above include employee remuneration recorded in both the Department's financial statements and in the administered financial statements of the Department.

18. Remuneration of auditor

	2010	2009
	\$'000	\$'000
Remuneration for audit of financial statements	9	9
Remuneration for other services	-	-
	9	9

19. Financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Carrying amount	
	2010	2009
Financial assets:	\$'000	\$'000
Cash and cash equivalents	2 495	2 229
Receivables*	10	6
Financial liabilities:		
Payables	599	514
Cash advance - Imprest account	3	3

* Receivables amounts disclosed exclude amounts relating to statutory receivables where rights or obligations have their source in legislation such as the GST.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2010**

	Note	2010	2009
		\$'000	\$'000
EXPENSES:			
Employee expenses		302	284
Amounts paid/payable to consolidated account		12 072	10 440
Total expenses		12 374	10 724
INCOME:			
Fees for audit services		12 072	10 440
Appropriation - Special Acts	A2.2	251	283
Total income		12 323	10 723
NET RESULT		(51)	(1)
TOTAL COMPREHENSIVE RESULT		(51)	(1)

The net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Administered Financial Position
as at 30 June 2010**

	Note	2010	2009
		\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	A4.1	500	296
Receivables	A2.1	193	2 036
Total assets		693	2 332
CURRENT LIABILITIES:			
Employee benefits	A3	127	118
Amounts payable to consolidated account		208	1 896
GST payable		306	236
Total current liabilities		641	2 250
NON-CURRENT LIABILITIES:			
Employee benefits	A3	341	320
Total non-current liabilities		341	320
Total liabilities		982	2 570
NET ASSETS		(289)	(238)
EQUITY:			
Opening balance - deficit		(238)	(237)
Decrease in net assets		(51)	(1)
TOTAL EQUITY		(289)	(238)

Total administered equity is attributable to the SA Government as owner

**Statement of Administered Changes in Equity
for the year ended 30 June 2010**

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008	(237)	(237)
Total comprehensive result for 2008-09	(1)	(1)
Balance at 30 June 2009	(238)	(238)
Total comprehensive result for 2009-10	(51)	(51)
Balance at 30 June 2010	(289)	(289)

All changes in equity are attributable to the SA Government as owner

**Statement of Administered Cash Flows
for the year ended 30 June 2010**

		2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(272)	(264)
Amounts paid to consolidated account		(13 761)	(10 269)
GST paid to ATO		(1 137)	(1 002)
CASH INFLOWS:			
Fees for audit services	A2.1	15 123	9 800
CASH FLOWS FROM SA GOVERNMENT:			
Appropriations - Special Acts		251	283
Net cash provided by (used in) operating activities	A4.2	204	(1 452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		204	(1 452)
CASH AND CASH EQUIVALENTS AT 1 JULY		296	1 748
CASH AND CASH EQUIVALENTS AT 30 JUNE	A4.1	500	296

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Statement of significant accounting policies

The summary of all significant accounting policies for the Auditor-General's Department are contained in note 2. The policies outlined in note 2 apply to both the Department and the administered financial statements.

A2. Administered items

A2.1 Auditing fees

Section 39 of the PFAA provides for the levying of fees for audit services provided by the Department. These are paid into the Consolidated Account.

	2010 \$'000	2009 \$'000
Fees outstanding at 1 July	2 036	352
Billings (including GST)	13 280	11 484
	15 316	11 836
Receipts (including GST)	15 123	9 800
Fees outstanding at 30 June	193	2 036

At 30 June, the value of audit work in progress was \$5.783 million (\$5.449 million). The Department is of the opinion that this amount is recoverable.

Interest rate and credit risk

Receivables are normally settled within 14 days and are all non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations and there is no concentration of credit risk. The carrying amount of receivables approximates net fair value due to the amounts being payable on demand.

A2.2 Special Acts

Subsection 24(4) of the PFAA, provides that the salary and allowances of the Auditor-General will be determined by the Governor and will be paid from the Consolidated Account which is appropriated for that purpose and the necessary extent.

A3. Employee benefits	2010	2009
Current:	\$'000	\$'000
Salaries	8	7
Annual leave	119	111
Total current	<u>127</u>	<u>118</u>
Non-current:		
Long service leave	341	320
Total non-current	<u>341</u>	<u>320</u>
Total employee benefits	<u>468</u>	<u>438</u>

A4. Notes to the Administered Statement of Cash Flows**A4.1 Reconciliation of cash and cash equivalents**

Cash and cash equivalents at 30 June per:

Statement of Administered Financial Position	500	296
Statement of Administered Cash Flows	500	296

A4.2 Reconciliation of net operating surplus to net cash provided by operating activities

Net result	(51)	(1)
Decrease (Increase) in receivables	1 843	(1 684)
Increase in employee benefits	30	20
(Decrease) Increase in amounts payable to the Consolidated Account	(1 688)	171
Increase in GST payable	70	42
Net cash provided by (used in) operating activities	<u>204</u>	<u>(1 452)</u>

A5. Specific disclosure - SA Government

The following discloses revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Income excluding appropriations	10 589	9 316
Expenses	12 072	10 440
Financial assets	647	2 304
Financial liabilities	208	1 896

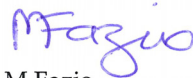
Certification of the Financial Report

We certify that the:

- financial statements:
 - are in accordance with the accounts and records of the department; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the department at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the department over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



S O'Neill
AUDITOR-GENERAL
19 August 2010



M Fazio
ACTING MANAGER, FINANCE
19 August 2010



EdwardsMarshall

AUDITOR-GENERAL'S DEPARTMENT

INDEPENDENT AUDITOR'S REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT

Level 3 153 Flinders Street
Adelaide SA 5000
GPO Box 2163 Adelaide SA 5001
Telephone 08 8139 1111
Facsimile 08 8139 1100
info@edwardsmarshall.com.au
edwardsmarshall.com.au

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Auditor-General's Department ("the Department"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows, statement of administered comprehensive income, statement of administered financial position, statement of administered changes in equity, statement of administered cash flows, certification of the financial report for the year then ended, a summary of significant accounting policies and other explanatory notes.

The Auditor-General and the Manager, Finance's responsibility for the Financial Report

The Auditor-General and the Manager, Finance, of the Department are responsible for the preparation and fair presentation of the financial report in accordance with Section 35 of the Public Finance and Audit Act 1987 (including the Treasurer's Instructions promulgated under the provisions of that Act) and Australian Accounting Standards (including Australian Accounting Interpretations). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report, ensuring that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General and Manager, Finance, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.



EdwardsMarshall

AUDITOR-GENERAL'S DEPARTMENT

**INDEPENDENT AUDITOR'S REPORT TO THE
TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT (CONT)**

Level 3 153 Flinders Street
Adelaide SA 5000
GPO Box 2163 Adelaide SA 5001
Telephone 08 8139 1111
Facsimile 08 8139 1100
info@edwardsmarshall.com.au
edwardsmarshall.com.au

AUDITOR'S OPINION

In our opinion:

- a) the financial report presents fairly, in all material respects, the financial position of the Department as at 30 June 2010, and its financial performance and its cash flows for the financial year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards (including the Australian Accounting Interpretations)
- b) the financial statements are in accordance with the accounts and records of the Department; and
- c) the internal controls employed by the Department for the financial year ended 30 June 2010 over its financial reporting and the preparation of the financial statements are effective.

Edwards Marshall
Chartered Accountants

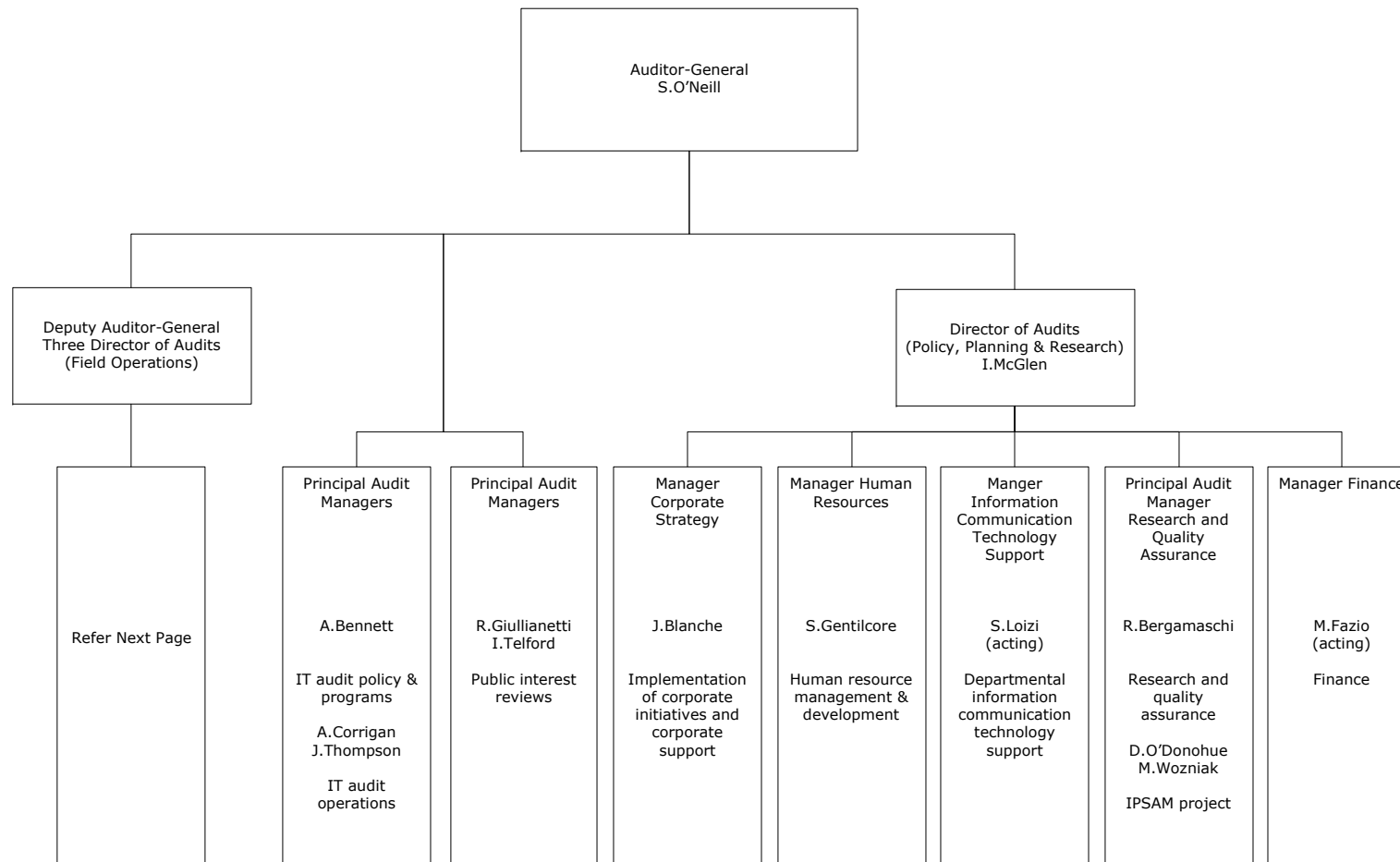
Noel Clifford
(Partner)

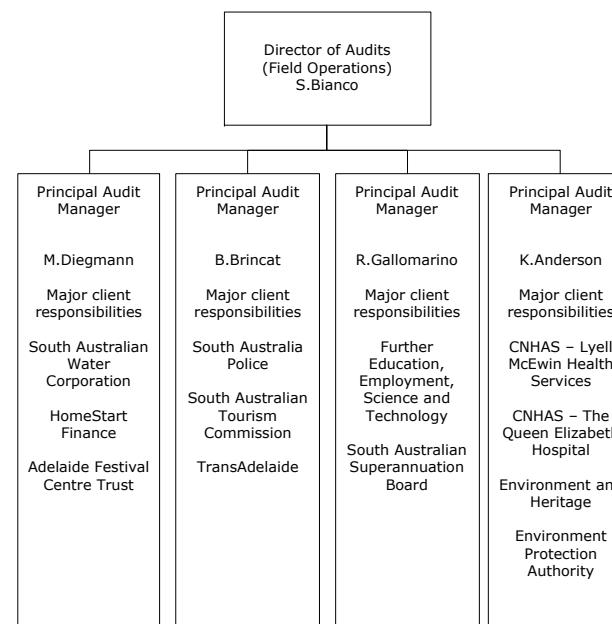
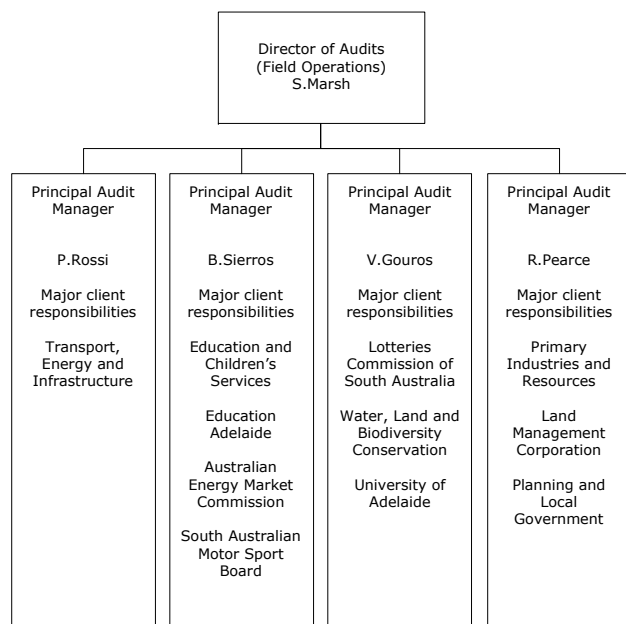
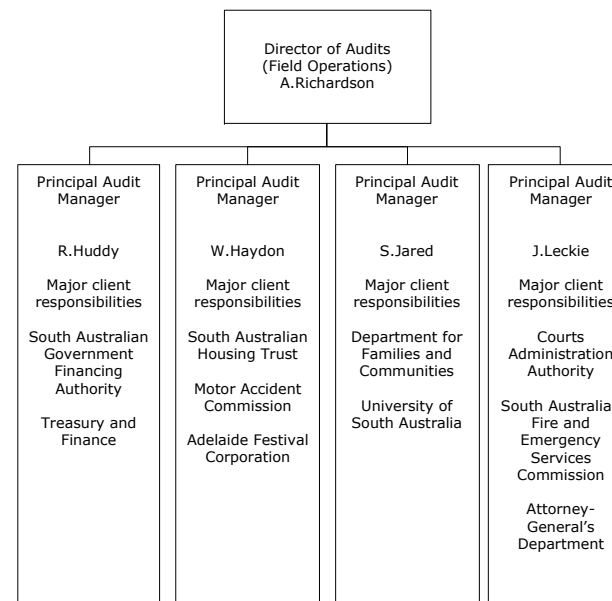
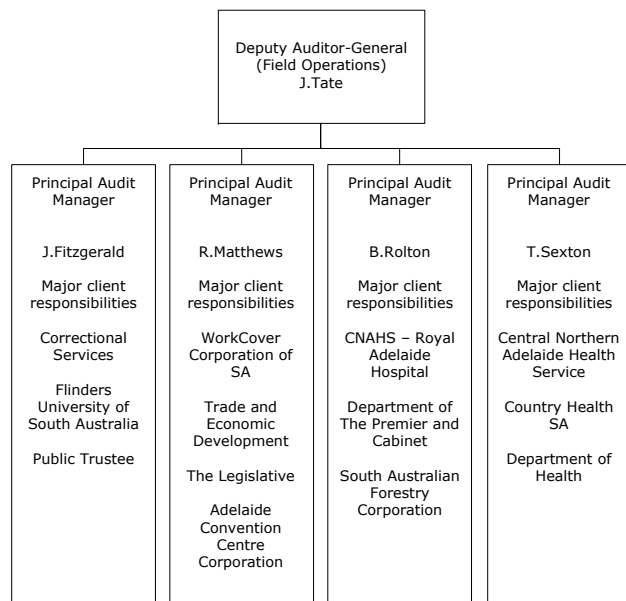
Adelaide
South Australia

19 August 2010

Our organisation structure

as at 30 June 2010





Our workforce profile

The Department has an approved staffing establishment of **113** full time equivalents (FTEs) including the Auditor-General's position. On 30 June 2010 the Department employed **117 people**, representing **112.4 FTEs** (110.5 FTEs at 30 June 2009).

The following tables profile our workforce.

Employee numbers, gender and status

Breakdown of workforce by gender

Gender	Proportion of people	Proportion of FTEs
Male	46.2%	47.8%
Female	53.8%	52.2%

Number of employees by salary bracket

Salary bracket	Number		Total
	Male	Female	
\$0 - \$49 199	7	13	20
\$49 200 - \$62 499	14	27	41
\$62 500 - \$80 099	10	15	25
\$81 100 - \$100 999	17	8	25
\$101 000 +	6	0	6
TOTAL	54	63	117

Status of employees in their positions at 30 June 2010 (FTEs)

Gender	FTE's				Total
	Ongoing	Short-term contract	Long-term contract	Other (casual)	
Male	42.8	3.9	7	0	53.7
Female	51.7	7.0	0	0	58.7
TOTAL	94.5	10.9	7	0	112.4

Status of employees in their positions at 30 June 2010 (people)

Gender	People				Total
	Ongoing	Short-term contract	Long-term contract	Other (casual)	
Male	43	4	7	0	54
Female	56	7	0	0	63
TOTAL	99	11	7	0	117

Executives

Executives by gender, classification and status

Classification	Ongoing		Term tenured		Term untenured		Other (Casual)		Total				
	M	F	M	F	M	F	M	F	M	% ¹	F	% ¹	Total
CEO	1	0	0	0	0	0	0	0	1	16.7	0	0	16.7
EXEC B	0	0	1	0	4	0	0	0	5	83.3	0	0	83.3
Total	1	0	1	0	4	0	0	0	6	100	0	0	100

¹ Percentage of all executives

Work experience

At 30 June 2010 the average work experience of employees in the Department was **nine years and ten months** (compared to nine years and three months at 30 June 2009).

Employees with work experience in:	Years of service						TOTAL
	0 <3	3 <6	6 <11	11 <16	16 <21	21+	
Auditor-General's Department	45	20	15	10	5	22	117
Public sector	39	23	15	8	6	26	117

Employee movements

Number of people in 2009-10 who have:

Separated from the Department	14
Been recruited to the Department	14

The average FTE employees for 2009-10 was **111.5**, compared with 103.7 last year.

Leave management

Leave type	Days per employee			
	2006-07	2007-08	2008-09	2009-10
Sick leave	7.66	6.83	5.14	6.30
Family carer's leave	0.57	0.78	0.72	0.74
Miscellaneous special leave	0.26	0.32	0.69	0.43

4 people were on leave without pay from the Department on 30 June 2010.

Workforce diversity

Age profile of employees

At 30 June 2010 the average age of the Department's employees was 35 years, the same as at 30 June 2009. More than half our staff (58 percent) are under 35 years of age, compared with the South Australian workforce statistics benchmark of 39 percent.

Workforce age bracket	Male	Female	Total	Percentage of total	2010 workforce benchmark*
15-19	0	0	0	0	6.1
20-24	3	12	15	12.8	10.6
25-29	10	24	34	29.1	10.5
30-34	10	8	18	15.4	9.4
35-39	4	7	11	9.4	11.2
40-44	11	4	15	12.8	11.1
45-49	5	4	9	7.7	12.2
50-54	3	3	6	5.1	11.0
55-59	6	1	7	6	9.2
60-64	1	0	1	0.9	6.0
65+	1	0	1	0.9	2.9
TOTAL	54	63	117	100.0	100.0

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at May 2010

Voluntary flexible working arrangements

	Male	Female	Total
Purchased leave	0	0	0
Flexitime	48	63	111
Compressed weeks	0	0	0
Part-time	2	12	14
Job share	0	0	0
Working from home	0	0	0

Aboriginal and Torres Strait Islander employees

The Department is committed to implementing strategies which promote equal opportunity and has used the resources of the Aboriginal Recruitment and Development Strategy through a number of recruitment and selection processes.

Salary Bracket	Aboriginal staff	Total staff	Percentage of total	Target*
\$0 - \$49 199	2	20	10	2%
\$49 200 - \$62 499	0	41	0	2%
\$62 500 - \$80 099	0	25	0	2%
\$80 100 - \$100 999	0	25	0	2%
\$101 000 +	0	6	0	2%
TOTAL	2	117	1.7%	2%

* Target from the State Strategic Plan

Cultural and linguistic diversity

The table below shows that the Department has a number of employees who speak languages other than English at home.

	Male	Female	Total	% of agency	% of SA community*
Number of Employees born overseas	11	15	26	22.2	20.3
Number of Employees who speak language(s) other than English at home	11	21	32	27.4	16.6

* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 census.

Disability

Where possible the Department has actively participated in programs such as the Disability Employment Strategy and provides a supportive work environment for anyone with a disability. At 30 June 2010, we did not employ anyone with a disability that meets the Commonwealth DDA definition.

Our audit approach

Financial and compliance audits

Our annual audits of the accounts of the Treasurer and public sector agencies focus on accountability for the funds and resources provided to agencies. They also provide high level assurance that the agency has met their legal obligations.

The Department's current financial compliance audit methodology meets professional standards set by the Auditing and Assurance Standards Board. It is a risk based audit approach and uses an audit software package on licence from an international firm of chartered accountants.

The methodology has a strong emphasis on planning, which has two elements:

- understanding the agency's business activities and any associated audit risks
- selecting audit procedures that reduce audit risk to an acceptable level.

Audit plans are developed by experienced audit staff and approved by a Director of Audits.

Statistical sampling methods and special audit software routines are used to select and test audit samples.

For procedural fairness audit findings are discussed with agency management and communicated in a management letter.

At the end of an audit a quality control review is performed by audit management to ensure that:

- audit work meets professional standards
- work followed the approved plan or reasons for departures documented
- enough work was performed to form an opinion on the agency's financial statements
- results have been conveyed to agency management
- agency management has responded to the issues raised
- the opinion expressed on the financial statements reflects the results of the audit.

The Auditor-General issues an opinion on the financial statements of each agency through an Independent Auditor's Report.

In most cases the opinion is unqualified, but where the results of an audit are not satisfactory or where the accounting treatment for certain transactions does not comply with professional accounting standards the Independent Auditor's Report may be qualified. In extreme cases, no opinion can be expressed.

Reviewing the adequacy of agency controls

Public sector agencies are mandated to maintain control over financial management by the Treasurer's Instructions issued pursuant to the PFAA. Chief Executives must ensure that policies, procedures, systems and controls are developed and implemented in order to meet their financial management responsibilities.

Section 36 of the PFAA requires the Auditor-General to express an opinion as to whether: *'the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.'*

We evaluate and test internal controls in every agency. The Auditor-General also expresses a direct controls opinion for the Treasurer and for individual public sector agencies that are published in the Auditor-General's Annual Report to Parliament.

The Department has developed a specific controls opinion methodology to formalise the planning, conduct and findings of these reviews.

Public Interest Reviews

Efficiency and economy audits

Subsection 31(2) of the PFAA authorises the Auditor-General to examine the efficiency and economy with which a public authority uses its resources. These audits are also known as value-for-money or performance audits'. They can be diverse in the types of issues reviewed. A review may be large, complex and involve more than one agency, or relatively small and cover only one aspect of an agency's operations.

The methodology and approach used are determined by the issues covered, but always feature:

- planning
- a measurement model
- fact gathering
- assessing the facts against the measurement model
- forming conclusions
- natural justice/procedural fairness processes
- quality control
- reporting, either through the Auditor-General's Annual Report or in a separate report to Parliament.

Examining the accounts of a publicly funded body

Subsection 32 of the PFAA empowers the Auditor-General to examine the accounts of any publicly funded body or publicly funded project at the request of the Treasurer. These examinations are conducted, funded and reported as 'special investigations'.

A publicly funded body or publicly funded project is defined in the PFAA as either an entity constituted under the *Local Government Act 1934* or any body or person carrying out functions of public benefit that has received money from the State by way of grant or loan. A publicly funded project is defined as a project or activity entirely or substantially funded out of money provided by the State or an entity constituted under the *Local Government Act 1934*.

Reports on any examinations conducted are tabled in both Houses of Parliament.

Reviewing summaries of confidential Government contracts

Section 41A of the PFAA requires the Auditor-General, at the request of a Minister, to examine and report on summaries of confidential government contracts. These examinations are conducted, funded and reported as 'special investigations'.

The report of the Auditor-General expressing an opinion on the adequacy of the summary must be tabled in both Houses of Parliament.

Whistleblower legislation

We have nominated six responsible officers to receive and action disclosures under the *Whistleblowers Protection Act 1993*. All complaints pursuant to this Act are investigated in accordance with the Department's whistleblower policy.

Public sector agencies audited at 30 June 2010

Aboriginal Lands Trust
Adelaide and Mount Lofty Ranges Natural Resources Management Board
Adelaide Cemeteries Authority
Adelaide Convention Centre Corporation
Adelaide Dolphin Sanctuary Fund
Adelaide Entertainments Corporation
Adelaide Festival Centre Trust
Adelaide Festival Corporation
Adelaide Film Festival
Adelaide Hills Wine Industry Fund
Agents Indemnity Fund
Alinytjara Wilurara Natural Resources Management Board
ANZAC Day Commemoration Fund
Art Gallery Board
Attorney-General's Department
Austraining International Pty Ltd
Australian Children's Performing Arts Company
Australian Energy Market Commission
Barossa Wine Industry Fund
Bio Innovation SA
Board of the Botanic Gardens and State Herbarium
Caring for our Country Program (South Australia)
Carrick Hill Trust
Central Northern Adelaide Health Service
Children, Youth and Women's Health Service
Citrus Growers Fund
Clare Valley Wine Industry Fund
Coast Protection Board
Commissioners of Charitable Funds
Construction Industry Training Board
Correctional Services - Department for
Country Health SA Hospital Inc.
Courts Administration Authority
Dairy Authority of South Australia

Public sector agencies audited at 30 June 2010

Defence SA
Distribution Lessor Corporation
Dog and Cat Management Board
Dog Fence Board
Economic Development Board
Education Adelaide
Education and Children's Services - Department of
Electoral Commission of South Australia
Electricity Industry Superannuation Scheme
Environment and Heritage - Department for
Environment Protection Authority
Essential Services Commission of South Australia
Eyre Peninsula Grain Growers Rail Fund
Eyre Peninsula Natural Resources Management Board
Families and Communities - Department for
Further Education, Employment, Science and Technology - Department of
General Reserves Trust
Generation Lessor Corporation
Governors Pensions Scheme
Health - Department of
Health, Community and Disability Services Ministerial Council
History Trust of South Australia
HomeStart Finance
Independent Gambling Authority
Independent Gaming Corporation Ltd
Judges' Pensions Scheme
Kangaroo Island Natural Resources Management Board
Land Management Corporation
Langhorne Creek Wine Industry Fund
Legal Services Commission of South Australia
Legislature - The
Libraries Board of South Australia
Local Government Finance Authority of South Australia
Lotteries Commission of South Australia

Public sector agencies audited at 30 June 2010

Maralinga Lands Unnamed Conservation Park Board
McLaren Vale Wine Industry Fund
Medvet Science Pty Ltd
Motor Accident Commission
Museum Board
National Action Plan for Salinity and Water Quality (South Australia)
National Landcare Program Community Support (South Australia)
Native Vegetation Fund
Natural Heritage Trust - Extension
Northern and Yorke Natural Resources Management Board
Olive Industry Fund
Outback Areas Community Development Trust
Parliamentary Superannuation Scheme
Planning and Development Fund
Planning and Local Government - Department of
Playford Capital Pty Ltd
Playford Centre
Police Superannuation Scheme
Premier and Cabinet - Department of the
Primary Industries and Resources - Department of
Professional Standards Council
Public Trustee
RESI Corporation
Residential Tenancies Fund
Retail Shop Leases Fund
Riverland Wine Industry Fund
Rock Lobster Fishing Industry Fund
Rural Industry Adjustment and Development Fund
SA Ambulance Service Inc
SA Metropolitan Fire Service Superannuation Scheme
SACE Board of South Australia
Second-hand Vehicles Compensation Fund
South Australia Police
South Australian Ambulance Superannuation Scheme

Public sector agencies audited at 30 June 2010

South Australian Apiary Industry Fund
South Australian Arid Lands Natural Resources Management Board
South Australian Asset Management Corporation
South Australian Cattle Industry Fund
South Australian Citrus Industry Development Board
South Australian Country Arts Trust
South Australian Country Fire Service
South Australian Deer Industry Fund
South Australian Film Corporation
South Australian Fire and Emergency Services Commission
South Australian Forestry Corporation
South Australian Government Financing Authority
South Australian Grape Growers Industry Fund
South Australian Housing Trust
South Australian Local Government Grants Commission
South Australian Metropolitan Fire Service
South Australian Motor Sport Board
South Australian Murray-Darling Basin Natural Resources Management Board
South Australian Pig Industry Fund
South Australian Psychological Board
South Australian Sheep Industry Fund
South Australian State Emergency Service
South Australian Superannuation Board
South Australian Superannuation Scheme
South Australian Tertiary Admissions Centre
South Australian Tourism Commission
South Australian Water Corporation
South Australian Water Corporation - Hydro Joint Venture
South East Natural Resources Management Board
South Eastern Water Conservation and Drainage Board
Southern Adelaide Health Service
Southern State Superannuation Scheme
State Opera of South Australia
State Procurement Board

Public sector agencies audited at 30 June 2010

State Theatre Company of South Australia
Stormwater Management Authority
Superannuation Funds Management Corporation of South Australia
Super SA Retirement Investment Fund
Supported Residential Facilities Indemnity Fund
Teachers Registration Board of South Australia
The Flinders University of South Australia
Trade and Economic Development - Department of
TransAdelaide
Transmission Leasing Pty Ltd
Transmission Lessor Corporation
Transport, Energy and Infrastructure - Department for
Treasury and Finance - Department of
University of Adelaide
University of South Australia
Water, Land and Biodiversity Conservation - Department of
West Beach Trust
Wildlife Conservation Fund
WorkCover Corporation of South Australia
Zero Waste SA

Total number of agencies audited at 30 June 2010: 156

Internal training courses attended by our staff

Course title	Hours
AGES Methodology	198.00
Auditing Public Sector Assets	607.50
Executive Diversity Workshop	18.00
Graduate Induction and Training (Professional and Technical)	546.00
Internal (CD Rom) Training	1.00
IPSAM Pilot Team Training	198.00
Leadership Development (ASO4 and ASO5/6)	127.50
Managers Workshops (Diversity and Managed Performance)	361.00
OHS&W	18.85
Presentation Skills	112.00
Records Management	4.00
Team Development Program	735.00
Time Management	104.00
Training Others	64.00
Total	3 094.85

External training courses attended by our staff

Course title	Hours
Clarity Standards Information Session	3.00
Photographers and Graphic Designers	3.00
A Guide to Accounting for Income Taxes (IAS12)	4.00
CPA Congress 2009	100.50
Networking Session	3.50
Government Accounting Information Forum (GAIF)	22.00
Government Taxation Information Forum (GTIF)	44.00
Leadership Coaching/Training	12.00
ACL Training	150.00
Administrative Assistants Conference	6.00
FBT Simplifier 2010	7.75
Asset Accounting and Management Information Session	21.00
IPSAM Methodology Training	37.50
Total	414.25

Total hours training attendance: 3509 hours

Providing a safe and environmentally friendly workplace

Greening of Government Operations (GoGO)

Energy management (GoGO priority area 1)

The South Australian Government's Energy Action Plan targets a reduction in energy use in government buildings of 25 percent from 2000-01 levels by 2014. Energy used by our Department is limited to light and power in our leased office premises in the State Administration Centre, and there are limited opportunities to make energy savings.

Energy saving measures

We encourage our staff to be energy efficient. Office equipment such as faxes, printers and photocopiers are fitted with energy saving modes and auto-off timers to reduce power when not in frequent use. We use low energy LCD computer monitors, and all non-essential computers are shut down at the close of business each day.

Our office layout maximises natural light in most offices and workstation areas. All offices have movement sensors to control both the conditioning and artificial lighting, reducing energy demand.

Energy consumption

As tenants of leased premises there are limited opportunities for making significant energy savings through infrastructure initiatives. However a small improvement in energy efficiency was achieved in 2008-09, which we attribute to the full year effect of changes we made to consolidate workstations and install energy efficient appliances through our office renovation in 2007-08.

Our overall energy use is now 4 percent less than the 2000-01 baseline.

	Energy use (GJ)	Greenhouse gas (CO ₂) emissions (tonnes)	Business measures (MJ/m ²)*
Base year 2000-01	450	148	290
2007-08	440	120	284
2008-09	433	93	279
2009-10**	430	86	278

* We have used the floor space we occupy (1550 m²) as the business measure for our light and power energy use.

** The 2009-10 figures have been adjusted for estimated consumption of electricity used by the server room in as we were not fully billed in 2009-10 for the electricity used in that area of the building.

Paper consumption

Our staff are aware of the environmental impact of their actions and conscious of the need to reduce paper wastage. All photocopiers and most printers we use have duplex functions for double-sided printing. Posters displayed near these machines raise awareness of the impact of printing on paper. Maximum use is made of electronic mailing facilities to reduce the need to print agendas, minutes, reports and general office communications.

In 2009-10 we used 1200 reams of paper for standard office printing and photocopying, about the same amount as in the previous year.

Water use (GoGO priority area 2)

We cannot report on water usage because water is not separately metered for our tenancy. Our water usage is limited to kitchens and bathrooms.

Waste management (GoGO priority area 3)

Improved recycling and waste management practices were implemented in the building we occupy late last year. Separate bins are provided for different recycling materials and this has greatly increased the amount of recycling we do. A recent review indicated an acceptable level of compliance with the new system across our Department.

Printer cartridges and decommissioned mobile phones and accessories are also routinely recycled.

OHSW Statistics

OHS notices and corrective action taken

Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	Nil
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	Nil
Number of notices served pursuant to OHS&W Act ss 35, 39 and 40 (default, improvement and prohibition notices)	Nil

Agency gross¹ worker's compensation expenditure for 2009-10 compared with 2008-09²

Expenditure	2009-10	2008-09	Variation
Income maintenance	Nil	Nil	Nil
Lump sum settlements - redemptions (sec 42)	Nil	Nil	Nil
Lump sum settlements - permanent disability (sec 43)	Nil	Nil	Nil
Medical/hospital costs combined	1 039	280	759
Other	Nil	Nil	Nil
Total claims expenditure	1 039	280	759

Meeting safety performance targets³

	Base: 2005-06	Performance: 12 months to 30 June 2010*			Final target
	Numbers or %	Actual	Notional quarterly target**	Variation	Numbers or %
1. Workplace fatalities	Nil	Nil	Nil	Nil	Nil
2. New workplace injury claims	Nil	Nil	n/a	Nil	n/a
3. New workplace injury claims frequency rate	Nil	Nil	n/a	Nil	n/a
4. Lost time injury frequency rate***	Nil	Nil	n/a	n/a	n/a
5. New psychological injury claims	Nil	Nil	n/a	Nil	n/a

¹ Before 3rd party recovery

² Information available from IDEAS RS/SIMS (for detailed advice on data extraction contact PSWD)

³ Information available from IDEAS RS/SIMS (SIPS target report)

	Base: 2005-06	Performance: 12 months to 30 June 2010*			Final target
	Numbers or %	Actual	Notional quarterly target**	Variation	Numbers or %
6. Rehabilitation and return to work:					
6a. Early assessment within 2 days	n/a	n/a	n/a	n/a	80% or more
6b. Early intervention within 5 days	n/a	n/a	n/a	n/a	80% or more
6c. RTW within 5 business days	n/a	n/a	n/a	n/a	75% or more
7. Claim determination:					
7a. Claims determined in 10 business days	Nil	Nil	n/a	Nil	75% or more
7b. Claims still to be determined after 3 months	Nil	Nil	n/a	Nil	3% or less
8. Income maintenance payments for recent injuries:					
2008-09 injuries (at 24 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average
2009-10 injuries (at 12 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average

* Except for Target 8, which is YTD. For targets 5, 6c, 7a and 7b performance is measured up to the previous quarter to allow reporting lag.

** A reduction in injury claims is difficult given the Departments low incidence of claims. The Departments targets for Safety Management are to maintain existing levels of performance and provide a workplace culture and expectation that if an employee is injured at, or arising from work, injury management activities will assist the employee to return to work at the earliest possible timeframe.

*** Lost time injury frequency rate for new lost-time injury/disease for each one million hours worked. This frequency rate is calculated for benchmarking and is used by the WorkCover Corporation.

Our important external relationships

Parliament

The Auditor-General is accountable to the Parliament. He is independent of the Executive Government and not subject to the direction of any person in carrying out his functions and exercising his powers under the PFAA.

There is a high level of accountability to the Parliament, met mainly through the Auditor-General's Annual Report to Parliament and meeting with the Economic and Finance Committee of Parliament.

Public sector agencies

We have established professional working relationships with Chief executives and managers in the public sector. We contribute to their management outcomes by:

- providing independent information and advice on their operations
- encouraging them to apply effective financial and management controls
- supporting improvements to agency financial reporting.

Senior audit staff also attend audit committee meetings at most agencies.

Contract auditors

The Auditor-General contracts a number of audits to the private sector where audit resources or specialist audit skills are not available within the Department.

Plans prepared by contracted auditors are reviewed by our own senior audit managers, who also exercise quality control over the work performed.

The Auditor-General remains responsible for all contracted audits and issues the Independent Auditor's Report on the financial statements.

The Department monitors and regularly revisits the extent of audit work that is sub-contracted each year, in the context of how best to achieve our annual statutory audit work program. In 2008-09 the Auditor-General contracted the audits of 30 public sector agencies, including eight divisions of regional health services and eight natural resources management boards. Contract auditors also assisted with a number of specialist IT audit reviews.

Interstate and overseas audit offices

Our membership of ACAG – an association established by Auditors-General in Australia, Fiji, New Zealand and Papua New Guinea for mutual support and sharing information – benefits us by providing strong networks to other audit offices throughout the region. ACAG promotes public sector auditing through the exchange of experiences and ideas, which provides opportunities for us to improve our own effectiveness and efficiency.

The Auditor-General also chairs ACAG's Financial Reporting and Auditing Committee.