

Report 8 of 2022

Annual report

for the year ended 30 June 2022

Part D: Extended audits



Report of the Auditor-General

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for the year ended 30 June 2022
Part D: Extended audits

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“This work evokes thoughts of warm earth, rock country and red sand dunes and speaks to Country as a broader concept. The purples here speak to dusk and smoke that gives way to an inky blue that is informed by the night sky. The reference to smoke is a direct reference to story telling and our shared histories. The imagery of the river and the pebbles speak to the concept of journey, and the section containing the detailed dot-work speaks to community, building community capability and those that are coming along on this journey to create change, empowerment and self determination; they are being carried down the river to a place of understanding. I have also added some of my more distinct and iconic iconography including the drips - a motif I use to refer to the relative recency of non-Aboriginal occupation of this continent.”

“Wherever you are on this continent, you stand on Aboriginal Land.”

*The Auditor-General’s Department acknowledges and respects
Aboriginal people as the State’s first people and nations, and
recognises Aboriginal people as traditional owners and occupants of
South Australian land and waters.*



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1 Executive summary

This year, for the first time, I have brought together common outcomes of specific review work we have performed across a range of agencies in Part D of my Annual Report.

As explained in Part A, we undertake a range of different audits each year to meet the requirements of the *Public Finance and Audit Act 1987* (PFAA) and to report to the Parliament on matters I consider to be important.

There are themes that have emerged from this work that we have performed at a number of agencies for a range of areas:

- how agencies have responded to the new procurement arrangements that applied from 1 July 2021
- whether agencies have effective processes in place to manage contract arrangements
- the approach agencies have taken to managing their grant programs and assessing grant outcomes
- the implementation and management of the SA Public Sector Workforce Rejuvenation Scheme.

We performed our work in these areas in line with section 36(1)(a)(iii) of the PFAA.

The procurement, contract management and grant reviews were extensions of the work we do to issue the controls opinion covered in Part B of this Report. It included work at agencies that are not part of the controls opinion and, in some cases, specifically scoped areas of review beyond the approach we would otherwise have taken.

Our review of the SA Public Sector Workforce Rejuvenation Scheme was an area of additional focus beyond what has been covered in Part B.

The more significant findings for each of these reviews are included in Part C of this Report under the individual agency commentary. This Part D commentary explains the scope of the work we performed and the agencies covered, along with the more significant findings and themes that emerged from the work.

Providing these summarised findings should help to bring attention to the common issues we noted. Sections 1.1 to 1.3 introduce them, and more detail is then provided in sections 2 to 4.

We also reviewed the status of a significant IT project, South Australia Police's (SAPOL's) Shield Program, which is summarised in section 1.4 and discussed in more detail in section 5.

1.1 New government procurement and contract management arrangements

The SA Government has introduced a new procurement and contract management framework.

From 1 July 2021 most public authorities were required to comply with a new Treasurer's Instruction 18 *Procurement* (TI 18). TI 18 was issued following the repeal of the *State Procurement Act 2004* and the dissolution of the State Procurement Board.

TI 18 established a new governance framework for procurement and contract management activities by requiring public authorities to:

- prepare agency procurement frameworks in line with the Procurement Governance Policy
- review their procurement framework for ongoing suitability at least annually
- establish systems, processes and procedures to maximise compliance with the Procurement Governance Policy, Procurement Planning Policy, Sourcing Policy and Contract Management Policy.

The policies referenced above are all approved by the Treasurer and administered by Procurement Services SA (PSSA). PSSA is responsible for across-government procurements, strategic advice to government relating to procurement and administering the procurement policies and procedures applicable to public authorities.

TI 18 also requires:

- public authorities to report annually to PSSA on their existing contract expenditure above \$55,000 and all procurements planned for the next 24 months exceeding this threshold
- chief executives to approve all acquisition plans for procurements above \$550,000 that involved a direct market approach
- public authorities to establish a register of people authorised to approve acquisition plans
- public authorities to establish a register of all procurements above \$55,000 where there was a departure from the Sourcing Policy or Procurement Planning Policy.

TI 18 applies to all public authorities except the University of Adelaide, Flinders University and the University of South Australia, and any public authority exempted by the Treasurer.

TI 18 included transitional provisions that provided temporary relief from certain elements. From 1 July 2022 all public authorities are required to fully comply with it, unless they have a specific exemption.

In 2022 we reviewed compliance with TI 18 and the Procurement Governance Policy, Procurement Planning Policy, Sourcing Policy and Contract Management Policy for a large sample of public authorities.

While we found that all public authorities had engaged with the requirements of the new framework and worked with PSSA on complying with it, we noted a range of areas where they needed to strengthen their compliance. The more common areas are summarised in section 2, while detailed outcomes for each agency are provided in Part C of this Report.

1.2 Grant management

We reviewed a sample of grant programs at seven agencies to determine if they were properly managed and achieving their purpose. We considered whether:

- there was a clear framework supporting the administration of the grant program
- a reporting process was in place for grant recipients on progress/outcomes, and was properly monitored
- an evaluation process had occurred or was planned to assess whether the program is meeting its intended purpose.

In doing this work, we considered whether agencies had met the government requirements set out in Treasurer's Instruction 8 *Financial Authorisations* (TI 8) and Treasurer's Instruction 15 *Grant Funding* (TI 15).

We did not identify any systemic issues across the agencies we reviewed that would suggest the overall management of grants is a significant issue. We did, however, identify opportunities for individual agencies to improve their processes and a significant issue in the management of the Regional Growth Fund (RGF).

In particular, we found that the Department of Primary Industries and Regions (PIRSA) had not performed, and was not, at that time, planning to perform, an evaluation of any RGF grant cycles at the time of our audit. PIRSA has since advised us that the RGF was suspended on 2 June 2022, and that it would be reviewing it to provide advice to the Minister for Primary Industries and Regional Development.

Section 3 provides more detail about our work on grant management.

1.3 SA Public Sector Workforce Rejuvenation Scheme

The 2021-22 State Budget announced a Public Sector Workforce Rejuvenation Scheme (the Scheme) to operate in conjunction with existing targeted voluntary separation payment (TVSP) arrangements.

The stated aim of the Scheme was to provide opportunities for rejuvenation and reconfiguration of public sector agencies, not to reduce the number of public sector employees.

The Scheme was originally intended to end by 31 December 2021. While this was generally the case, arrangements for the Department for Education continued into 2022.

In all, based on data provided by Shared Services SA (SSSA), 831 individuals received a payment under the Scheme. The payments administered by SSSA under the Scheme, net of tax and including the amounts for accrued leave paid out on termination, totalled more than \$41.4 million.

We found the approval processes for a sample of payments made by the agencies we reviewed were appropriate.

We also found that some agencies did not have specific processes to manage the Scheme, and some had not filled all of the positions vacated as the Scheme intended.

Section 4 provides more detail about our work on the Scheme.

1.4 SAPOL Shield Program

The Shield Program is a significant project to implement a police records management system being undertaken by SAPOL. Our high-level review noted that it has experienced significant delays from its original estimated delivery schedule. All functionalities were originally expected to be implemented by October 2019 and are now not expected until June 2023.

SAPOL advised us that the delays were mostly due to the time taken to build functionalities, changes to scope and resourcing difficulties, which were exacerbated in early 2020 by the impacts of the COVID-19 pandemic.

SAPOL is seeking to implement the remaining stages of the program rapidly to reduce the risk and cost pressures of remaining on legacy systems.

Given the lack of contingency funding available for any further delay, SAPOL will need to continue to diligently monitor its program controls, including those over scope.

The Shield Program budget has grown from the original \$57.75 million to a revised estimate of \$89.27 million, reflecting the impact of scope and timing changes.

Section 5 provides more detail about our review of the status of the Shield Program.

2 New government procurement arrangements

2.1 A new procurement and contract management framework to streamline procurement

A key observation from the South Australian Productivity Commission's Stage 2 review of government procurement was that the previous State procurement framework was fragmented – it was a combination of several operationally separate frameworks. This fragmentation was a barrier to a whole-of-government procurement approach, overcomplicated procurement processes for suppliers and impacted on the value generated by the State's procurement spend.

The Commission recommended establishing PSSA. It also recommended the creation of an integrated framework that streamlined the whole-of-government procurement system, and that also focused on managing procurements based on their complexity and risk profile.

The new Framework consists of TI 18, which came into effect from 1 July 2021, and supporting policies that a public authority must meet when planning for, and undertaking, a procurement and contract management process.

TI 18 replaces the former State Procurement Board Guidelines, subject to transitional provisions. The State Procurement Board was abolished from 1 July 2021 and was replaced by PSSA, a branch of the Department of Treasury and Finance.

PSSA issued a suite of policies approved by the Treasurer that support TI 18. They reference a set of schedules, guidelines, templates and tools designed to help agencies comply with the requirements of both TI 18 and the policies. Minimum requirements are based on the type and complexity of the procurement.

Agency chief executives are assigned ownership and responsibility to develop an internal framework that aligns to their agency's strategic purchasing priorities. This approach aims to streamline internal processes while maximising procurement and contract management outcomes for the South Australian public sector. Key framework features include:

- an integrated approach to the procurement of goods and services
- an outcomes-based focus for the procurement process
- improved engagement requirements with industry and suppliers
- chief executives being accountable and responsible for their agency's internal procurement framework, and for approving procurements exceeding defined dollar thresholds
- chief executives being responsible for ensuring that systems, processes and procedures are put in place to maximise compliance with the Procurement Governance Policy, Procurement Planning Policy, Sourcing Policy and Contract Management Policy.

2.1.1 Exempt agencies and procurement types

The Framework is not applicable to South Australian public universities or to any public authority exempted by the Treasurer. Further, where a public authority undertakes procurements under an emergency procurement policy approved by the Treasurer, it will be taken to be compliant with TI 18.

In June 2021 the Treasurer approved certain Framework exemptions, applicable to 2021-22, for the Department for Health and Wellbeing, government schools and preschools and some types of procurement activity at the Art Gallery Board and Museum Board.

2.1.2 Transitional provisions

TI 18 also contains transitional provisions applicable in 2021-22. Compliance with these transitional provisions varies, depending on the type of public authority, as well as prescribed authorities which are defined under TI 18.

2.2 Agencies we included in the review in 2021-22

2.2.1 Public authorities we reviewed

The following public authorities were included in our 2021-22 review:

- Attorney-General's Department
- Department for Child Protection
- Department for Correctional Services
- Department for Education
- Department for Energy and Mining
- Department for Environment and Water
- Department for Health and Wellbeing
- Department for Innovation and Skills
- Department for Trade and Investment
- Department of Human Services
- Department of Primary Industries and Regions
- Department of the Premier and Cabinet
- Department of Treasury and Finance
- Return to Work Corporation of South Australia
- South Australia Police
- South Australian Housing Trust
- TAFE SA.

2.3 Procurement review outcomes

Effective procurement management aims to ensure risks relating to the purchase of goods or services are identified, assessed, managed and monitored. If risks are managed well, the outcome should be that public authorities receive the required goods and services on time, on budget and at the best possible quality for South Australian citizens.

Public sector agencies are also required, when acting in the public interest, to ensure they comply with the law and act with integrity, probity and propriety. Together, these elements support open, competitive, merit-based public spending.

Our procurement review looked to assess whether the public authorities we reviewed had effectively implemented the Framework and, for a sample of material procurements, consistently complied with Framework requirements.

The more common outcomes from our review of procurement are discussed in the following sections.

2.3.1 PSSA reviewed agency frameworks before TI 18 applied

As part of the transition to TI 18, public authorities were required to submit their internal procurement framework to PSSA for review and feedback. Using a capability assessment tool, PSSA identified mandatory elements requiring correction, as well as improvement opportunities.

Our review considered how well the PSSA's feedback was incorporated and updated into public authority procurement frameworks for 2021-22.

We found that most public authorities positively addressed the mandatory changes identified and considered the improvement opportunities. We noted, however:

- one instance where the public authority, despite applying for and being granted extensions for 2021-22, as of June 2022 had not addressed all mandatory Framework recommendations
- an instance where a public authority had failed to prepare and submit to PSSA an annual procurement capability assessment and an annual capability development plan.

2.3.2 Transitional procurement reporting was mostly completed

TI 18 required public authorities, on or before 1 September 2021, to provide to PSSA:

- a description of all existing contracted expenditure resulting from a previous procurement above \$55,000
- a description of all known forecast procurements above \$55,000 for the next two years.

We identified one public authority whose forward procurement plan contained incomplete information, with forward procurements and actual contracts not reported.

2.3.3 There was general compliance with complexity and capability assessment requirements

Procurement complexity is the level of intricacy involved in procuring goods or services, and considers a range of factors including procurement risk, total cost of ownership and market dynamics.

Procurement capability assessments are about matching the people, resources, systems and processes to the requirements of the procurement.

We considered how public authorities performed complexity and capability assessments under the Framework. While we found that they generally complied with Framework requirements in performing them, we noted some procurements where:

- the acquisition plan did not outline the rationale to support the procurement classification
- complexity assessments were not adequately documented in line with Framework requirements.

2.3.4 Acquisition planning was generally executed appropriately

Successful acquisition planning ensures the most appropriate acquisition strategy is selected to meet the public authority's procurement objectives. It involves identifying the need, planning the procurement strategy and preparing the acquisition plan.

We found that acquisition planning processes were generally executed appropriately, with public authorities complying with Framework requirements.

We did note some procurements where acquisition plans had not been prepared, excluded the required evaluation criteria and methodology requirements and, for a some complex or strategic audits, excluded the required risk management plan.

2.3.5 There were some omissions from insurance and liability limit requirements

The Procurement Planning Policy requires public authorities to identify the type of insurance and minimum level of coverage to be affected and maintained by each supplier before sourcing. Our review considered whether public authorities complied with these requirements.

We found that public authorities were generally compliant with Framework requirements in this area. We did note, however, some procurements where insurance requirements outlined in the purchase recommendation were not included in the contract, or the insurance coverage in the contract did not match that outlined in the purchase recommendation.

2.3.6 General compliance with rules around approaching the market

A public authority is required to assess what market approach is the most appropriate given the procurement circumstances. The most appropriate approach usually depends on the value, complexity and timing of the procurement. The nature of the market itself, or the public authority's procurement goals, can also impact this decision.

We found that public authorities generally ensured that they approached the market in line with Framework requirements. We did, however, note the following exceptions:

- a procurement where the chief executive did not provide formal approval for a limited sourcing arrangement above \$550,000
- an instance where the public authority approached the market for a specific procurement before the procurement approach (as outlined in the Acquisition Plan) was approved by the chief executive
- a procurement where not all assessment criteria for the procurement had been documented in the request for quotation – specifically, it did not identify the non-weighted criteria outlined in the approved acquisition plan.

2.3.7 More attention required to manage confidentiality and potential conflicts when evaluating offers

Selecting the most appropriate offer requires public authorities to consider the nature, value and significance of the goods or services being procured, and to then select the offer that achieves the best value for money.

It is important that the personal interests of participants in the supplier selection process do not conflict, or be perceived to conflict, with their duties and responsibilities as public officers. For this reason, the Sourcing Policy requires all participants in the supplier selection process to complete a conflict-of-interest declaration and confidentiality agreement before starting the evaluation.

We noted instances where the evaluation committee or panel participants failed to complete conflict-of-interest declarations and confidentiality agreements, or the declarations were completed after the contract with the supplier was signed.

2.3.8 Areas to improve around contract negotiation and award

Contract negotiation and award processes often require public authorities to deliberate with a prospective supplier to reach a legally binding agreement.

We found that these processes were generally undertaken in line with Framework requirements, although we noted some procurements where activities supporting contract negotiation could be improved. Examples included procurements where:

- not all evaluation committee members were authorising the purchase recommendation
- required negotiation plans were not always prepared
- certain mandatory inclusions (such as checklists and continuous learning reviews) forming part of the final purchase recommendations for procurements exceeding \$55,000 were absent
- post-sourcing reviews were not completed within 60 days of purchase recommendation approval for complex and strategic procurements, or no post-sourcing review was performed.

2.3.9 Emergency procurement situations

TI 18 states that, where a public authority undertakes procurements under an emergency procurement policy approved by the Treasurer, it will be taken to be compliant with TI 18.

The PSSA Emergency Situations Procurement Schedule (the Schedule) sets out the requirements for public authorities to ensure that appropriate management practices are in place for procurements during an emergency. Our review considered whether public authorities, in these situations, had met these specific requirements.

We found that most public authorities had no need to invoke these emergency provisions.

The one public authority that applied the emergency provisions did not prepare a procurement endorsement form, acquisition plan or procurement complexity assessment, as it deemed that the procurement was related to an emergency situation. However, the situation was not a declared emergency under the *State Emergency Management Act 2004*. Consequently, the emergency provisions in the Schedule did not apply and those documents should have been prepared.

2.4 Contract management review outcomes

Effective contract management aims to ensure risks relating to the contracting of goods and services are identified, assessed, managed and monitored. These risks can include:

- ineffective contract start-up processes leading to poor contract management
- non-compliance with agency contract administration and performance management processes
- inadequate systems being in place to effectively document the contract management process
- agencies not having a register to record all contract details.

TI 18 requires the chief executive of a public authority to have systems, processes and procedures in place to maximise compliance with the Contract Management Policy.

The Contract Management Policy outlines the requirements for public authorities to undertake effective contract management practices to achieve value for money.

The more common outcomes from our review of contract management are discussed in the following sections.

2.4.1 Contract management training – improvement needed

The Contract Management Policy requires all routine, complex and strategic contracts to be managed by an adequately resourced and skilled contract manager. Public officers managing complex and strategic contracts are required to have completed the PSSA contract management training (or similar) within the last two years. There were similar requirements in the previous State Procurement Board contract management policy.

We found that several agencies did not have processes to ensure that contract managers had undergone the required training.

We also found instances where staff managing large contracts had not undergone any form of contract management training, or the evidence of their training could not be provided.

2.4.2 Contract risk and complexity assessment documentation is important

The Contract Management Policy requires public authorities to classify a contract as either transactional, routine, complex or strategic, based on the complexity, risk profile and value of the contract. The classification process is critical to understanding a contract's business impact and the resourcing required to manage it.

We found that some agencies had classified contracts as complex or strategic but had not documented their reasoning for this assessment.

Assessments of contract complexity can impact the extent of resourcing applied to managing the contract.

2.4.3 Contract management plans – key improvement areas

The Contract Management Policy requires the contract owner to develop and approve a contract management plan for all complex and strategic contracts, no later than the contract commencement date. Agencies are expected to assess the adequacy of the contract management plan at least annually throughout the contract term and to update the plan as required.

We found several instances where contract management plans were approved after the contract commencement date, or not approved at all. In another instance the contract management plan did not rate the significance of identified contract risks or have a mitigation strategy to address them.

Contract management plans are an important tool in ensuring contract objectives are achieved and should be in place before the contract starts.

2.4.4 Contract performance management can be improved

Contract managers are required to monitor contractor performance over the life of the contract in line with the performance standards detailed in the contract. Often the contract will require both parties to meet regularly to discuss the performance and delivery of services. This is good practice.

We found instances where performance management meetings were not occurring or were delayed for several months.

These meetings are important reporting, monitoring and decision-making forums for all contract-related business, including managing service provider performance against contracted obligations and agreed outcomes.

2.4.5 Information management systems did not always have all the records

The Contract Management Policy requires public authorities to ensure they have proper systems in place for identifying, gathering and recording information in line with their contract management framework and the requirements of the *State Records Act 1997*.

Records to be maintained may include, but are not limited to:

- procurement documentation
- the risk management plan and risk assessment
- the original contract
- the contract management plan
- minutes of contract management meetings
- significant communications with the supplier
- where applicable, records of invoices and payments
- performance reports, assessments, feedback or non-compliance issues
- variations or extensions to the contract
- legal or technical advice received.

The Procurement Governance Policy requires agencies to maintain a contract register to record details of all goods, services and construction contracts valued above \$55,000, including secondary contracts under established panel contracts.

We found instances where contracts were missing from contract registers, and where key contract details were missing.

If key contract information is not readily available, this may impact an agency's ability to manage the contract.

3 Grant management

3.1 Overview

The administration of grant programs involves designing the program, the selection process, developing and administering grant agreements, and monitoring and evaluating activities under the program. Sound financial management practices supporting the administration of grant programs increase the likelihood that grants will achieve their intended purpose. If these programs are not properly administered, it may erode public trust in government administration.

We reviewed the administration of a selection of grant programs managed by the following agencies in 2021-22:

- Department for Energy and Mining
- Department for Innovation and Skills
- Department for Trade and Investment
- Department of Primary Industries and Regions
- Department of the Premier and Cabinet
- Department of Treasury and Finance
- Office for Recreation, Sport and Racing.

These same agencies were reviewed in 2020-21 when we sampled a selection of grant programs and focused on the selection, awarding and approval process.

In 2021-22 our review focused on whether a sample of grant programs were properly managed and achieving their purpose. We considered whether:

- there was a clear framework supporting the administration of the grant program
- a reporting process was in place for grant recipients on progress/outcomes, and was properly monitored
- an evaluation process had occurred or was planned to assess whether the program is meeting its intended purpose.

We considered TI 8 and TI 15 in determining whether the agencies complied with government requirements.

While the Office for Recreation, Sport and Racing was included in this review, the scope of this work did not extend to grants provided as a result of the 2022 State Election to local sporting clubs. Part A of this Report explains what we reviewed for those grants, and highlights what we were not able to review.

3.2 Outcome of our review – no systemic issues

We did not identify any systemic issues across the agencies we reviewed that would suggest the overall management of grants is a significant issue. We did, however, identify a significant issue in the management of the RGF. This issue is summarised in section 4.3 and

discussed in more detail in Part C of this Report under 'Department of Primary Industries and Regions'.

Other issues we identified were opportunities to:

- improve documented recommendations for the approval of some grants, and provide clearer information to the public about the operation of a grant program
- improve the monitoring of acquittals and escalate issues
- exercise better oversight of the different grant programs that occur across an agency
- improve the documentation of risk assessments, the management of conflicts of interest and the support for assessment and approval processes.

3.3 No planned program evaluation for the Regional Growth Fund

The RGF is a \$160 million program over 10 years to support regional South Australia. Its purpose is to unlock new economic activity in regional South Australia, deliver critical economic infrastructure to create direct benefit across regional industries and strengthen regional communities. The program commenced in 2018-19 and \$76 million has been awarded to date.

We found that PIRSA had not performed, and was not at that time planning to perform, an evaluation of any RGF grant cycles.

Without periodic evaluation, the RGF may not achieve its objectives and PIRSA may not identify this issue and make improvements to the program. The potential impact of this is significant given the long-term nature and total program value of the RGF.

We recommended that PIRSA consider a periodic evaluation of the RGF to assess whether grant outcomes are being realised and identify improvement opportunities. PIRSA responded that the RGF was suspended by the SA Government on 2 June 2022 and that PIRSA would be reviewing the RGF to provide advice to the Minister for Primary Industries and Regional Development.

4 SA Public Sector Workforce Rejuvenation Scheme

4.1 Overview

The 2021-22 State Budget announced the Scheme to operate in conjunction with existing TVSP arrangements.

In contrast to TVSPs, the Scheme was not designed to reduce the number of public sector employees. Instead, it aimed to promote rejuvenation of the workforce by providing an incentive payment for some staff to leave the public sector, with the resulting vacancies available to allow the employment of new staff at the same or lower classification.

The stated aim of the Scheme was to provide opportunities for rejuvenation and reconfiguration of public sector agencies.

Employees paid under the Scheme were not eligible to work for the South Australian public sector for a 12-month exclusion period.

In July 2021, the Department of Treasury and Finance released a document governing the operation of the Scheme.

The Scheme was originally intended to end by 31 December 2021. While this was generally the case, arrangements for the Department for Education continued into 2022.

More than 1,200 people sought calculations of the amount they would be paid under the Scheme from SSSA. In all, based on data provided by SSSA, 831 individuals received a payment under the Scheme.

The payments administered by SSSA under the Scheme, net of tax and including the amounts for accrued leave paid out on termination, totalled more than \$41 million.

4.2 Details of the Scheme

The Scheme was designed to:

- operate in conjunction with, not replace, existing TVSP arrangements
- provide a termination payment (incentive payment) based on an employee ceasing employment in the South Australian public sector.

The Scheme was not open to all public sector employees. Employees needed to express an interest in the Scheme, but any offers were subject to the discretion of agency chief executives.

The intention was for the vacancies generated as a result of staff separations under the Scheme to be filled by new staff at the same or lower classification levels.

The scope of the Scheme was limited to employees who had an ongoing right to employment in South Australian public sector. This meant casual employees, those on fixed (term) contracts and executives on fixed-term contracts were not eligible.

4.2.1 Scheme payments

The incentive payments under the Scheme varied depending on length of service and whether the employee was full-time or part-time. Payments under the Scheme were in addition to any accrued leave liabilities held by the employee.

Incentive payments were a flat rate of:

- \$50,000 gross for employees who had at least 10 years' service (pro rata for part-time employees) up to the effective date of resignation
- \$25,000 gross for employees who had less than 10 years' service (pro rata for part-time employees) up to the effective date of resignation.

Payments were made as lump sum payments, net of income tax.

Agencies made offers to select employees, at the discretion of the chief executive, and the employees generally had three weeks to accept the offer.

4.2.2 Timing of the Scheme

The Department of Treasury and Finance published a document governing the operation of the Scheme in July 2021.

The Scheme was originally intended to cease by 31 December 2021, with all offers being made by the end of November 2021 and employees who accepted offers leaving the public sector by 31 December 2021.

While this time frame was generally followed, the Department for Education received approval from the Treasurer to continue offering payments under the Scheme further into 2022.

The Scheme only operated in 2021-22 and ceased when the last payments were made in 2022.

4.3 Scope of our review

As the Scheme was a new initiative and differed from existing TVSP arrangements, we reviewed a sample of Scheme payments and the operation of the Scheme generally at the following agencies:

- Attorney General's Department
- Department for Child Protection
- Department for Correctional Services
- Department for Education
- Department for Energy and Mining
- Department for Environment and Water
- Department for Health and Wellbeing
- Department for Innovation and Skills
- Department for Trade and Investment
- Department of Human Services
- Department of Primary Industries and Regions

- Department of the Premier and Cabinet
- Department of Treasury and Finance
- South Australia Police
- South Australian Housing Trust
- TAFE SA.

We also obtained overall data about the Scheme’s operation from SSSA.

At each agency we selected a sample of payments under the Scheme and reviewed whether they had been appropriately approved, accepted and calculated.

We also considered the approach taken by the agencies to monitor the operation of the Scheme and, in particular, the rejuvenation element of it. Specifically, we looked at how agencies had monitored that rejuvenation had occurred.

4.4 Outcome of the review – Scheme results are unclear

SSSA data shows that 1,207 employees received calculations under the Scheme. Of these, 831 accepted offers, received payment and separated from the public sector under the Scheme.

The data below shows the distribution of these payments across agencies, based on SSSA data, as well as the total net amounts paid to employees (including accrued leave entitlements and net of tax).

Rejuvenation Scheme



831 payments



\$41.4m paid



Department for Education
255 payments
\$12.4m



Department of Treasury and Finance
63 payments
\$2.9m



SA Health – Department for Health and Wellbeing
44 payments
\$2.7m



South Australia Police
47 payments
\$2.5m



SA Health – Central Adelaide Local Health Network
47 payments
\$2.3m



TAFE SA
48 payments
\$2.2m



Department for Child Protection
43 payments
\$2m



South Australian Housing Authority
30 payments
\$1.8m



Department for Infrastructure and Transport
24 payments
\$1.5m



Other agencies
230 payments
\$11.1m

4.4.1 Audit findings

We found that:

- processes to ensure offers to employees were appropriately approved had operated effectively

- payments under the Scheme were correctly calculated.

We noted that there was a more varied outcome in relation to the overall management of the Scheme within the agencies we reviewed. In some cases, we found the process to manage the vacancies was monitored and positions were backfilled. However, we also found that some agencies did not implement any specific processes to monitor the implementation of the Scheme. They also did not have specific processes to monitor the way in which positions made vacant under the Scheme were filled.

In several cases, it was also evident that not all of the positions vacated under the Scheme were filled. Reasons given for this varied, but included:

- difficulty in attracting new staff to roles in a tight employment market
- the Scheme coinciding with an ongoing restructure, resulting in a lower number of overall positions being available.

Given the lack of monitoring in one agency, it was not clear whether all the positions had been filled or not.

One agency told us that it did not consider the Scheme included compliance measures.

As noted above, the Scheme was intended to end by 31 December 2021. This did not occur as the Department for Education, the agency with the largest number of Scheme payments, received approval to continue offering payments into 2022.

4.4.2 Recommendations for future schemes

It is clear that the agencies we reviewed had varying interpretations of the Scheme. While all complied with the requirements for payment acceptance, there was not the same, consistent focus on ensuring the other element of the Scheme – to rejuvenate the public sector workforce – was achieved.

While there was a short time frame provided to agencies, we consider that it would be appropriate for agencies to implement specific processes to monitor the backfilling of roles that are vacated in any future schemes of this nature.

Overall, based on SSSA data, the Scheme resulted in the separation of 831 staff from the public sector. Some agencies we reviewed had not filled all of these positions. Of them, some indicated their intention to fill them in future and provided reasons for the delay.

In one case, the operation of the Scheme coincided with an ongoing restructure, meaning not all positions vacated under the Scheme would be able to be filled.

The varying outcomes and time frames suggest that a central monitoring role would also help to ensure that overall Scheme objectives were achieved in any similar future scheme that sets a goal of workforce rejuvenation.

5 SAPOL Shield Program

5.1 Introduction

In September 2009 the SA Government approved for South Australia Police (SAPOL) to acquire a police records management system in a project now referred to as the Shield Business Transformation Program (Shield Program). Stage 1 of the program involved the purchase and implementation of software modules to meet immediate business needs.

In April 2011, Niche RMS software from Niche Technology Inc. was purchased, to be implemented as the new police records management system. The system, called Shield, was to be implemented in stages, with custody management and criminal associations modules implemented as stage 1.

Stages 2 to 4¹ of the program were approved by the SA Government in November 2013. SAPOL expected to complete the Shield implementation by the end of 2019-20.

Due to delays, in early 2021 SAPOL requested additional funding from the Department of Treasury and Finance to complete the remaining stages of the program (stages 3 and 4), extending the program timeline to the end of 2023.

When fully implemented, Shield is expected to provide SAPOL with a contemporary, fully integrated operational policing system. The aim is to increase efficiencies, improve resource deployment and provide a more comprehensive information/intelligence picture. Shield will replace most of SAPOL's ageing applications.

5.2 What we found

Our high-level review noted that the Shield Program had experienced significant delays from its original estimated delivery schedule. SAPOL advised us that the delays were mostly due to the time taken to build functionalities, changes to the scope and resourcing difficulties, which were exacerbated in early-2020 by the impacts of COVID-19. All functionalities were originally expected to be implemented by October 2019. The final functional release is now not expected until June 2023.

SAPOL is seeking to implement the remaining program stages rapidly to reduce the risk and cost pressures of remaining on legacy systems. SAPOL will need to ensure it carefully works through the challenge of balancing the extent of change the organisation can operationally manage, while delivering timely program outcomes.

¹ Stages 2 to 4 were to be implemented over a seven-year period (2013-14 to 2019-20).

Given the lack of contingency funding available for any further delays, SAPOL will need to diligently monitor its program controls and scope. Although maintenance and licencing costs will come with any new system, if SAPOL can meet its target completion date, it will enable the decommissioning of several SAPOL legacy mainframe systems.² Legacy system operational costs from 2023-24 are yet to be determined but are forecast to increase, which is not budgeted for.

5.3 Review objective, scope and approach

The purpose of our high-level review was to get an update from SAPOL on the Shield Program's current implementation status, budget, expenditure to date, expected benefits and key challenges.

Our review relied on the information provided by SAPOL and we did not seek detailed supporting evidence to validate these responses. We did not perform detailed control testing or evaluate system usability in this review.

5.4 Shield Program background

SAPOL has now been working for around 10 years to implement Shield to replace over 21 legacy systems.

Stages 1 and 2 are complete and have delivered functions such as Intelligence and Custody Management, Missing Persons, Vehicle Collisions, Crime Management, Arrest and Report, and Case Management.

SAPOL intends to implement the remaining functionalities in stages through to mid-2023. It also aims to support integration with systems at other agencies, such as Forensic Science SA (FSSA) and the Courts Administration Authority (CAA).

Shield is intended to be the single source of truth for operational police records and the central system for providing vital information to other justice agencies such as the CAA, Department of Human Services and Department for Child Protection, all with the common aim of keeping South Australians safe.

² SAPOL advised us that some legacy mainframe systems it uses will not be replaced by Shield. These systems are being addressed as part of a whole-of-government separate project.

Figure 5.1: Shield system functionalities



5.5 Shield Program rollout status update and implementation plans

In 2015-16 SAPOL changed its program implementation approach from a major release schedule to performing minor maintenance releases in February and major functional releases in September each year. SAPOL advised us that these changes were to:

- reduce the operational impact on SAPOL staff and provide sufficient operational support following module releases
- allow sufficient time for configuration, regression testing, user acceptance testing and training, while avoiding busy periods, both before and after releases.

SAPOL originally expected to complete all program module implementations by October 2019. At the time of our 2017-18 review, completion had been revised to October 2021. It is now expected by June 2023, and SAPOL was working with the software vendor to finalise the remaining functional release dates.

SAPOL advised us that recent delays were due to difficulties finalising business requirements and additional software vendor works to address the complexity of these requirements. The revised program schedule was also impacted by COVID-19, which required the reallocation of all sworn SAPOL resources off the program for nine months. Other contributors have been data conversion challenges and recruitment delays. SAPOL estimated these delays had added an additional 12 to 18 months to the program.

At the time of our review, SAPOL had just implemented Property Management (June 2022), which includes stores, cash and confiscations. This module consolidates two legacy system functions, creating efficiencies and ensuring there is no duplication of effort. It provides improved mobility and better auditing capabilities to track property for evidence purposes. It also includes item scanning capabilities, which removes the need to manually type in property number searches.

SAPOL was expecting the outstanding modules to be implemented in:

- stage 3Ai (August 2022) – integration implementation for courts lodgements
- stage 4 (June 2023) – warrants, bail, intervention orders, applications and orders, offender history/person identify, court scheduling and outcomes and identity management.

SAPOL is yet to determine when some integration works will occur. This includes integrating with FSSA for lodging a range of items and samples collected by SAPOL for forensic examination and receiving updates and reports.

SAPOL faces several significant challenges to implement some of the remaining scope. They are discussed in more detail in section 5.7.

5.6 Shield Program assurance

SAPOL engaged a third party to perform a Shield Program review that was completed in February 2020. In summary, the review recommended changes to the program's delivery and governance models, training and change management, operating support model, integration and data architecture and governance and data integration between systems.

We followed up the status of proposed remediations with SAPOL. It advised us that most were completed, with some outstanding activities related to integration architecture, training, benefits realisation and the operational support model.

SAPOL advised us that in response to this review, it intends to implement the remaining phases rapidly to reduce the risk and cost pressures from remaining legacy systems. The remaining stages 3 and 4 are highly complex, require significant technical integration and will impact the entire organisation.

In addition, a separate third party was engaged to perform a detailed assessment of the remaining program works and the program structure in 2021. SAPOL indicated that most of the recommendations from this assessment were implemented for stages 3 and 4.

We noted that SAPOL's Project Management Office has provided ongoing assurance on key program risks and controls since mid-2020. Its last review was completed in late-2021.

5.7 Current Shield Program activities

SAPOL is currently testing system functionalities for stage 3Ai required to integrate Courts lodgements. It also continues to address requirements for other integration works. SAPOL is in the final stages of implementing Property Management (stage 3B) and recently submitted requirements to the software vendor for Bail and Warrants (stage 4).

SAPOL continues to be challenged by additional scope pressures. It is working with the Shield Operations Unit³ to help address a significant backlog of business change requests.

SAPOL has developed a detailed training strategy for the Program and continues to progress training materials for upcoming module releases. Training is being conducted face-to-face for critical groups facing significant business process change. Other staff have received online training.

5.8 Current Shield Program challenges

As discussed, the Program has experienced significant delays from its original estimated delivery schedule. Functionality delays have been mostly due to the time taken to build functionalities, scope changes and the complexity of SAPOL's business requirements. The final module was originally expected to be delivered in June 2017, but has now been delayed until June 2023.

³ In 2017 SAPOL established the Shield Operations Unit to provide technical and operational support.

SAPOL advised us that it is implementing mitigation strategies to control the scope of the program and ensure more timely delivery of the remaining functional releases. Given the lack of contingency funding, SAPOL will need to diligently monitor these strategies.

Some of the key challenges impacting the delivery schedule are detailed below.

5.8.1 Completing program interdependencies

SAPOL advised us that the complexity and changes in scope of integration works have been challenging from a work schedule and technical perspective.

Discussions about the integration scope and priority of works have been ongoing between SAPOL and FSSA for some time. In August 2021, the Shield Program Board was made aware that FSSA had stopped building its existing Laboratory Information Management System (LIMS), as it had commenced a procurement of an alternative LIMS solution. At the time of our review, the scope, requirements and time frame for integration with this alternative solution were unclear due to complexities arising from the procurement process.

SAPOL advised us that it will proceed with planning the integration of the drugs in drivers system⁴ requirements to replace existing functionality. Other proposed integration works with FSSA will be postponed until the new LIMS system is confirmed and requirements are available.

Integration between Shield and the CAA's Electronic Court Management System is also required to process Court lodgements and outcomes. The integration has been subject to significant delays. SAPOL indicated that this was due to a misunderstanding between SAPOL and the CAA about the extent of information that would be transferred electronically and what would remain manual. In addition, the schedule and approach to the integration works took some time to finalise. This required input by Justice Technology Services, CAA and SAPOL.

SAPOL indicated that design and integration works are complete and it is in the testing phase. Integration is expected to be implemented in August 2022.

SAPOL indicated in its stage 3 and 4 updated business case that several justice-related agencies are bringing on new systems with an increased expectation for agencies to share data to keep the public safe. These changes were not envisaged in the original business case. Although this has increased the amount and complexity of some works, it is expected to deliver greater cross agency collaboration in the Justice sector.

SAPOL will need to work closely with FSSA and the CAA to ensure the scope of works, testing requirements and time frame for implementation are clear and agreed between all parties. If key pieces of data are not transmitted by the integration works for an extended period, SAPOL will need to ensure workarounds are developed and agreed.

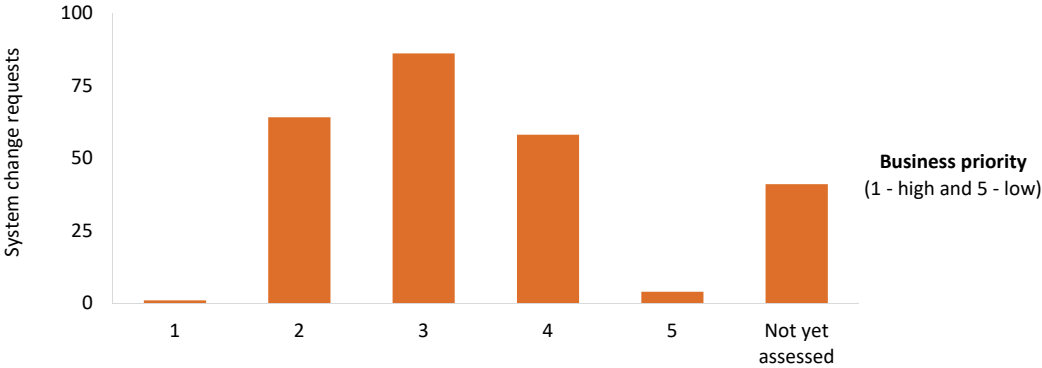
⁴ Drugs in drivers includes drugs and alcohol testing, oral fluid analysis and blood samples for analysis.

5.8.2 Containing the program scope and functional changes

SAPOL advised us that containing the program scope has been a challenge. This includes containing the intended module functionalities and interdependences with other SAPOL programs. There are also a considerable number of outstanding change requests from several business units, mostly relating to functionality improvements.

At the time of our review, there were 254 outstanding requests and of these 213 had been assessed. One was rated as a high priority.

Figure 5.2: Outstanding system change requests as of June 2022



To help contain scope changes SAPOL advised us that any requested scope changes, including system functionality change requests, need to be endorsed by the Business Review Council and approved by the Shield Program Board.

5.8.3 Timely delivery of the software vendor’s build process

SAPOL stated in its stage 3 and 4 updated business case that its cost estimates were based on a certain level of system configurability and customisation. However, changing or enhancing aspects of system functionality has proved more difficult than SAPOL originally expected. System requirements also need to be sufficiently detailed and will require multiple build cycles from the software vendor to be properly implemented.

For example, a minor legislative change that required certain options to be displayed in a drop-down list within the system could not be performed by SAPOL internally and instead required development from the software vendor. This is because of the complexity of the Shield data structure. System changes must be worked through on a case-by-case basis, in collaboration with the software vendor.

Other changes made by the software vendor to the core Shield product have provided benefits, but have added additional testing delays. SAPOL has also had to address issues introduced that were outside the program’s original scope and SAPOL’s control. Further, SAPOL has only been provided with access to software vendor resources for short build cycles throughout the year.

SAPOL has had difficulty keeping to software build schedules. Despite this, at the time of our review, it advised that it is in constant communications with the software vendor. Agreed forward plans have been developed and recent vendor software build time frames have improved. SAPOL will need to closely monitor these forward plans and adapt any interdependent activities where required to minimise the risk of further delays.

5.8.4 COVID-19 impacts and program resourcing

SAPOL advised us that in 2020-21 it was significantly impacted by the onset of the COVID-19 pandemic. It estimated this impact to have resulted in at least a nine-month delay.

All sworn officers and some dedicated program resources were redirected from the program into COVID-19 duties, such as border checkpoints.

Due to the lack of officer availability, training was delayed and the ability to leverage participation of assigned subject matter experts was also impacted. Given these difficulties, SAPOL needed to reconsider the coordination of its training approach. It updated its training strategy, which it applied to the stage 3A release in October 2021. SAPOL advised us that the improved online training approach has provided a good foundation for future release training.

SAPOL has also experienced continual staff movement in technical roles, placing high reliance on in-house resources to complete key technical tasks. This mostly impacted the improvement and optimisation of the Shield system, where limited resources were allocated. SAPOL advised us that it has also experienced several changes of Program leadership, which has had an impact on maintaining both momentum and continuity.

Once activities increased again following the 2020-21 COVID-19 delays, SAPOL incurred increased costs to recruit and upskill new staff. SAPOL advised us that it has developed an acquisition plan for contract resources until the end of the program to help to improve replacement time frames. While it is making positive steps to address its resourcing shortfalls, SAPOL is likely to be challenged to find key resources in the current market.

5.9 Shield Program budget and expenditure

In November 2017, the program was approved a budget of \$44.49 million for stages 2 to 4, bringing the total budget to \$57.75 million. In February 2018, SAPOL indicated that \$23.48 million (capital and operating expenditure) was spent, leaving \$21.01 million for the remainder of the program.

In 2019-20 SAPOL transferred an additional \$6.08 million to the program budget from its existing operating budget. This additional funding was to cover budget impacts due to program delays and some Shield functionality amendments.

In early-2021, SAPOL identified a significant budget shortfall after forecasting the resourcing required to complete the program. At this time, SAPOL advised us that it was working to improve the accuracy of its financial forecasting for the remaining program stages.⁵

⁵ We raised an issue for SAPOL's formal response regarding weaknesses in the governance of program finances (see section 5.9).

SAPOL estimated that an additional \$34.47 million would be required to complete the remaining program stages 3 and 4. Of this, \$29.59 million was requested from the Department of Treasury and Finance,⁶ extending the program to the end of 2023. In the 2021-22 State Budget, SAPOL was allocated additional capital funding of \$20.98 million (over 2021-22 and 2022-23). SAPOL advised us that the total amount requested but not approved (\$29.59 million) included contingency funding and a separate amount to offset the risk of any future program delays. The total program budget has now reached \$89.57 million.⁷

SAPOL’s updated program business case for stages 3 and 4 stated that the additional funding requested was mostly due to program delays caused by COVID-19 and additional costs to recruit new program staff. Other notable delays were attributed to difficulties finalising and configuring SAPOL’s complex business requirements, data conversion activities and training.

If SAPOL meets its target completion date of the end of 2023, it will be able to decommission several legacy mainframe systems. Legacy system operational costs from 2023-24 are yet to be determined but forecast to increase, which is not budgeted for. These costs are yet to be determined and will create a cost pressure for SAPOL if it does not meet the target completion date.

A summary of the Shield Program budget and expenditure as of June 2022 is provided in figure 5.3:⁸

Figure 5.3: Budget and expenditure as of June 2022

	Capital investment \$000	Operating and recurrent expenditure \$000	Total \$000
Stage 1 approved budget – September 2009	9,204	4,054	13,258
Stages 2 to 4 approved budget – November 2017	29,014	15,481	44,495
Stages 3 and 4 additional approved budget – July 2021	⁹ 27,063	¹⁰ 4,754	31,817
Total approved budget – July 2022	65,281	24,289	89,570
Stage 1 expenditure	9,190	2,641	11,831
Stages 2 to 4 expenditure to date	34,631	22,587	57,218
Total expenditure to date	43,821	25,228	69,049
Remaining budget	21,446	(939)	20,507

Note: Table may not add due to rounding.

SAPOL advised us that in 2021-22 it implemented a new financial forecasting tool, which was used concurrently with other program forecast analysis to better manage the budget. SAPOL further advised us that several internal reviews of the current program financial forecasts and risks have been performed.

⁶ The remainder to be funded internally by SAPOL.
⁷ \$1.41 million of the stage 1 operating expenditure budget was not used and not carried forward.
⁸ The expenditure to date figures were provided by SAPOL and are unaudited.
⁹ The 2021-22 State Budget included a budgeted investment payment of \$10.64 million and provides an estimate for 2022-23 of \$10.33 million. The remaining \$6.08 million is the additional SAPOL funded budget transferred in 2019-20.
¹⁰ Allocation of operating budget as advised by SAPOL.

5.10 Summary of control issues

As previously mentioned, our review scope did not involve performing detailed control testing of the Shield system or the program. Despite this, we did identify some control issues for management attention. Key issues included:

- weaknesses in the governance of program finances
- no formal benefits realisation plan
- the stage 3 and 4 business case is in a draft status
- a lack of escrow deposits
- gaps in the provision of status updates on deliverables to the Shield Program Board
- weaknesses in disaster recovery processes.

SAPOL advised us that our findings were discussed at an August 2022 Shield Program Board meeting and have been reviewed, with a series of remediation actions being developed. The Shield Program Board will consider these remediation actions before providing a formal response to our findings.

Appendix – Abbreviations used in this Report

Abbreviation	Description
CAA	Courts Administration Authority
FSSA	Forensic Science SA
LIMS	Laboratory Information Management System
PFAA	<i>Public Finance and Audit Act 1987</i>
PIRSA	Department of Primary Industries and Regions
PSSA	Procurement Services SA
RGF	Regional Growth Fund
SAPOL	South Australia Police
SSSA	Shared Services SA
TI 8	Treasurer's Instruction 8 <i>Financial Authorisations</i>
TI 15	Treasurer's Instruction 15 <i>Grant Funding</i>
TI 18	Treasurer's Instruction 18 <i>Financial Management</i>
TVSP	Targeted voluntary separation package

