



Government
of South Australia

Report
of the
Auditor-General
Supplementary Report
for the
year ended 30 June 2016

Tabled in the House of Assembly and ordered to be published, 11 April 2017

Second Session, Fifty-Third Parliament

Consolidated Financial Report review:
March 2017

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Dear President and Speaker

**Report of the Auditor-General: Supplementary Report for the year ended
30 June 2016: Consolidated Financial Report review: March 2017**

As required by the *Public Finance and Audit Act 1987*, I present to each of you my Supplementary Report for the year ended 30 June 2016 'Consolidated Financial Report review: March 2017'.

Content of the Report

Part A of the Auditor-General's Annual Report for the year ended 30 June 2016 referred to audit work that would be subject to supplementary reporting to Parliament. This report provides detailed commentary and audit observations on the 2015-16 Consolidated Financial Report.

Acknowledgements

The audit team for this report was Salv Bianco, Ken Anderson and Stefanie Chin.

I also express my appreciation for the cooperation and assistance provided by the staff of the Department of Treasury and Finance during the the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson'.

Andrew Richardson
Auditor-General

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1 Overview

Key points

- The CFR is a key financial accountability document that reports the SA Government's actual financial performance and position for the year in accordance with AASB 1049. It reflects the financial relationship between the government as a whole and the 'rest of the world'.
- The net operating balance for the whole of government in 2015-16 is a loss of \$120 million.
- The net lending/borrowing balance for the whole of government in 2015-16 is a net lending deficit of \$313 million.
- The total change in net worth for the whole of government is a reduction of \$2.116 billion.
- Actual 2015-16 results for the general government sector were more favourable than budgeted.

1.1 Background

This Report provides our observations on the 2015-16 CFR, in particular:

- the purpose of the CFR
- highlights of the CFR
- an analysis of the State's actual financial performance
- an analysis of the State's actual financial position
- an overview of the CFR reporting frameworks
- the findings of our review of the CFR.

The CFR is a key financial accountability document that reports the SA Government's actual financial performance and position for the year. The 2015-16 CFR was published on the DTF website in January 2017.

The CFR incorporates both the whole of government financial report and the financial report of the general government sector.

The whole of government financial report reflects a consolidated picture of the financial relationship between the SA Government as a whole and the 'rest of the world'. The whole of government reporting entity includes the general government sector, PNFCs sector and PFCs sector. A list of the entities included in the whole of government financial report is provided in note 49 of the CFR.

In preparing the whole of government financial report, transactions between the general government sector, PNFCs and PFCs are eliminated.

The general government sector in the CFR comprises all government departments, offices and other bodies that are generally engaged in providing services free of charge or at prices significantly below their cost of production. The State Budget focuses on the activity of the

general government sector rather than the whole of government, but includes the general government sector’s interactions with the PNFC and PFC sectors such as dividend receipts and community service obligation payments.

Additional commentary on the State Budget is incorporated in our Supplementary Report for the year ended 30 June 2016 ‘State Finances and related matters: October 2016’.

1.2 Highlights of the Consolidated Financial Report

1.2.1 The whole of government reported a \$120 million net operating deficit for 2015-16

The net operating balance for the whole of government in 2015-16 was a deficit of \$120 million. This result reflects general government, PNFC and PFC sector transactions with non-SA Government entities. Activity between general government, PNFC and PFC sectors is eliminated in the whole of government financial report.

1.2.2 Actual results for the general government sector were more favourable than Budget

Note 51 of the CFR provides a comparison of the original budget figures presented in accordance with AASB 1055 reporting requirements and the 2015-16 final outcome figures per the CFR.

The original budget figures presented in the 2015-16 Budget Papers are presented on the UPF basis. The UPF is based on the ABS Government Finance Statistics format. The Final Budget Outcome report produced by DTF reports on the final outcomes against the budget prepared under the UPF basis.

AASB 1055 requires that original budget information be disclosed in the CFR in accordance with AAS reporting requirements. As the SA Government does not present budgets on the AASB 1055 basis, a restated budget is presented in note 51 of the CFR to align with the accounting basis specified by the standard. Note 51 also outlines the variations between the AASB 1055 reporting basis and the UPF basis.

Table 1.1 shows the actual net operating balance and net lending/borrowing positions reflected in the 2015-16 Final Budget Outcome and CFR for the general government sector were more favourable than corresponding budget figures.

Figure 1.1: Budget and actual net operating balance and net lending/borrowing position for 2015-16 under UPF and AAS

	Net operating balance	Net lending/ borrowing
2015-16 Budget under UPF	\$43 million surplus	\$29 million deficit
2015-16 Final Budget Outcome under UPF	\$300 million surplus	\$96 million surplus
2015-16 Budget under AASB 1055	\$68 million surplus	\$4 million deficit
Actual result per 2015-16 CFR ¹	\$297 million surplus	\$93 million surplus

¹ Note 3 of the CFR discloses the differences in actual results reported under the UPF and AAS reporting frameworks. The differences for both the net operating balance and net lending/borrowing position were immaterial in 2015-16 (\$3 million).

The actual net operating surplus per the 2015-16 CFR is \$297 million, compared to a surplus of \$68 million in the 2015-16 Budget prepared consistent with AASB 1055 requirements.

The difference between the actual and budgeted result was mainly due to an unbudgeted dividend of \$403.5 million from MAC provided for in the 2015-16 mid-year budget review.

1.2.3 Net worth has reduced by \$2.116 billion

The total change in net worth for the whole of government is a reduction of \$2.116 billion. This is primarily attributable to an increase in the unfunded liabilities for defined benefit superannuation plans arising from a change in the discount rate used by the actuary to value the liabilities. Section 3.2.1 provides further detail on the assumptions and financial reporting requirements impacting the estimate of unfunded liabilities for defined benefit superannuation plans.

2 2015-16 Consolidated Financial Report financial performance

Key points

- The net operating balance for the whole of government in 2015-16 is a loss of \$120 million, compared to a loss of \$195 million in the prior year.
- Grants are a key revenue stream, representing 48% of total revenue in 2015-16.
- Employee expenses are the largest component of expenditure in 2015-16 at 39%.
- The net lending/borrowing balance for the whole of government in 2015-16 is a net lending deficit of \$313 million, compared to a net lending surplus of \$8 million in the prior year.
- The total change in net worth for the whole of government is a reduction of \$2.116 billion.

2.1 Analysis of variations with prior year

Figure 2.1 details the whole of government Statement of Comprehensive Income for the year ended 30 June 2016 with comparative prior year figures.

Figure 2.1: 2015-16 Statement of Comprehensive Income (whole of government)

	2016 \$'million	2015 \$'million
Revenue from transactions		
Taxation revenues	4 088	4 078
Grant revenue	9 518	8 813
Charges for goods and services	4 954	4 838
Interest income	581	815
Dividends and income tax equivalents	51	61
Other revenues	749	865
Total revenues from transactions	19 940	19 470
Expenses from transactions		
Employee expenses	7 797	7 585
Superannuation interest cost	402	438
Other superannuation expenses	776	768
Depreciation and amortisation	1 368	1 321
Use of goods and services	4 732	4 663
Interest expenses	928	1 013
Grant expenses	2 454	2 453
Other operating expenses	1 604	1 424
Total expenses from transactions	20 060	19 665
Net result from transactions – Net operating balance	(120)	(195)

	2016	2015
	\$' million	\$' million
Other economic flows – included in net result		
Net foreign exchange gains (losses)	(195)	(449)
Net gain (loss) on sale of non-financial assets	(1)	9
Net gain (loss) on financial assets or liabilities at fair value	(70)	565
Net actuarial gain (loss) on superannuation defined benefit plans	(2 683)	(461)
Other net actuarial gains (losses)	(292)	1 102
Other economic flows	(160)	(63)
Total economic flows included in net result	<u>(3 400)</u>	<u>704</u>
Net result	<u>(3 521)</u>	<u>508</u>
Other economic flows – other non-owner movements in equity		
Changes in property, plant and equipment asset revaluation reserve	771	354
Net gain (loss) on financial assets at fair value	(24)	-
Current year adjustments – prior period	657	(402)
Prior period adjustment	-	(60)
Total other economic flows – non-owner movements in equity	<u>1 404</u>	<u>(108)</u>
Comprehensive result – change in net worth	<u>(2 116)</u>	<u>400</u>
Total change in net worth	<u>(2 116)</u>	<u>400</u>
Key fiscal aggregates		
Net operating balance	(120)	(195)
Less: Net acquisition of non-financial assets	193	(203)
Net lending/borrowing	<u>(313)</u>	<u>8</u>

The main variations in revenues

- **Grant revenue** – increased by 8% or \$705 million. This is mainly due to an increase in general purpose grants (\$533 million) attributable to higher GST grant revenue from the Commonwealth Government. This reflects changes in the State's share of the national GST pool.
- **Interest income** – decreased by 29% or \$234 million. This decrease was primarily attributable to a decline in SAFA interest earnings of \$80 million and other investment revenue of \$170 million. The decrease in SAFA interest earnings was generally due to lower market interest rates and lower cash balances in 2015-16. The decrease in other investment revenue is primarily due to a classification change for movements in the market value of MAC investments to other economic flows.

The main variations in expenses

- **Employee expenses** – increased by 3% or \$212 million. This growth was due mainly to increases in salary and wages expenses of \$195 million, primarily attributable to enterprise bargaining agreement increases.
- **Interest expenses** – decreased by 8% or \$85 million. This decrease was generally due to lower market interest rates in 2015-16.
- **Other operating expenses** – increased by 13% or \$180 million. This is mainly due to an increase in income/capital and redemption related workers compensation payments arising from recent changes to workers compensation legislative arrangements.

The main variations in other economic flows

- **Net actuarial loss on superannuation defined benefit plans** – increased by \$2.222 billion. This is mainly due to a change in the discount rate used to value the unfunded superannuation liability. The discount rate decreased from 3.6% at 30 June 2015 to 2.5% at 30 June 2016, which has increased the unfunded superannuation liability.
- **Other net actuarial gains (losses)** – decreased by \$1.394 billion to a loss of \$292 million. This is primarily due to changes in the actuarial estimate for the ReturnToWorkSA net outstanding claims liability in 2014-15 resulting from ‘one-off’ legislative changes.

2.2 Further commentary and analysis

2.2.1 The net operating balance has been trending upwards over the past three years

The net operating balance is calculated from the Statement of Comprehensive Income as income from transactions less expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Figure 2.2 shows the whole of government and general government net operating balance for the past five years.

Figure 2.2: Net operating balance for the past five years

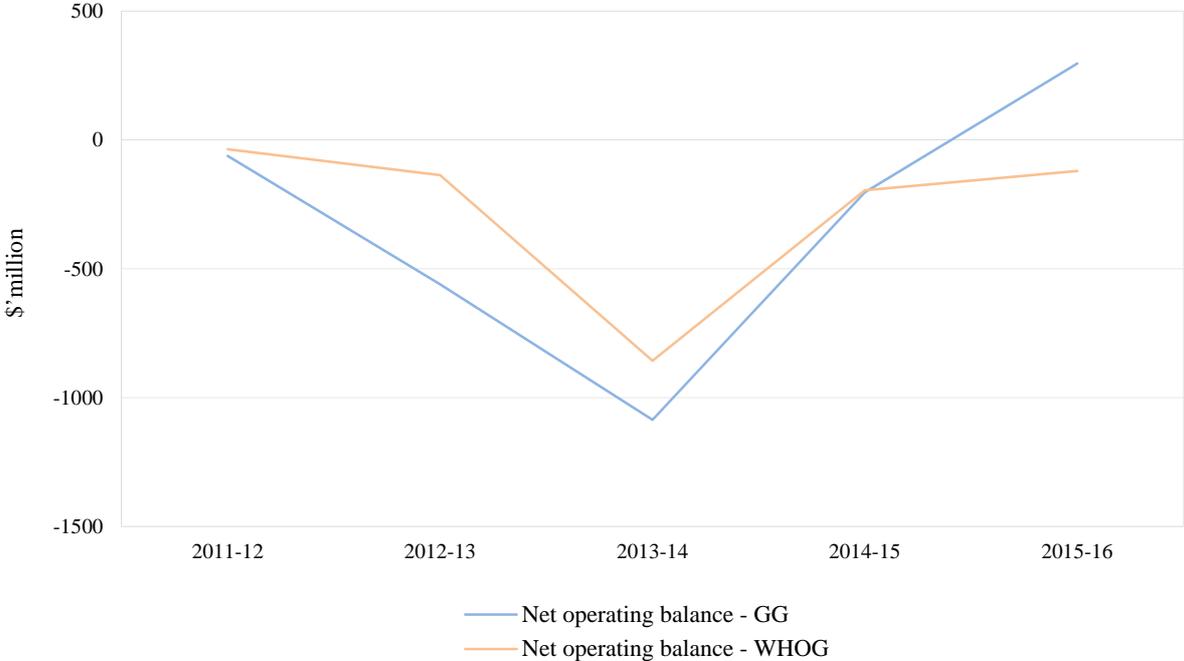


Figure 2.2 shows that following the low point of a downward trend in 2013-14, both the whole of government and general government net operating balance have been trending upwards.

2.2.2 The net lending/borrowing position has been variable over the past five years

The net lending/borrowing position is the net operating balance minus the net acquisition/disposal of non-financial assets. The net acquisition/disposal of non-financial assets includes purchases (acquisitions) of non-financial assets less sales (disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. A net lending (fiscal surplus) balance indicates that the public sector is contributing more than enough to finance all its investment spending. A net borrowing (fiscal deficit) position indicates that the public sector’s level of investment exceeds its level of savings.

Figure 2.3 shows the whole of government and general government net lending/borrowing position for the past five years.

Figure 2.3: Net lending/borrowing position for the past five years

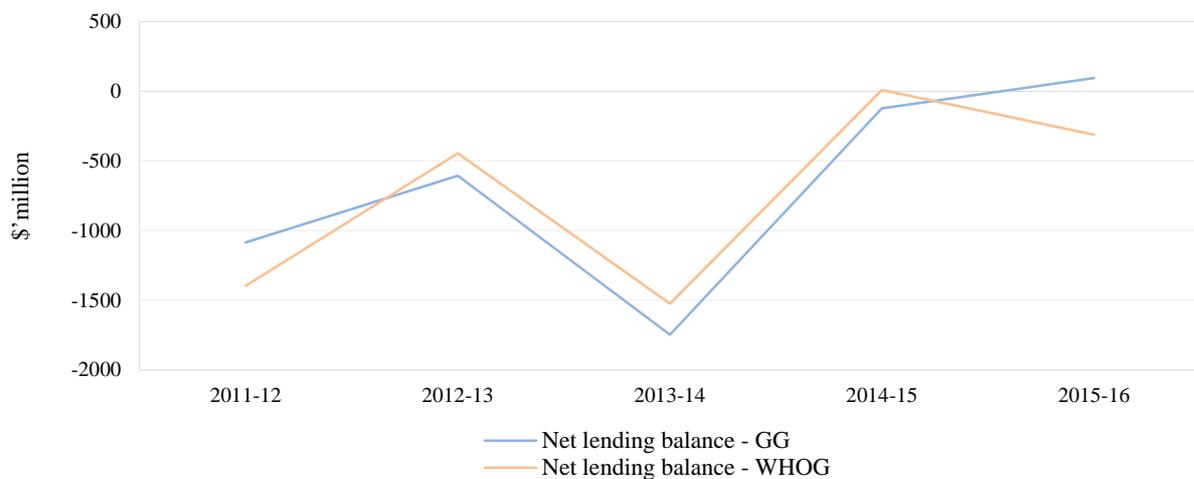
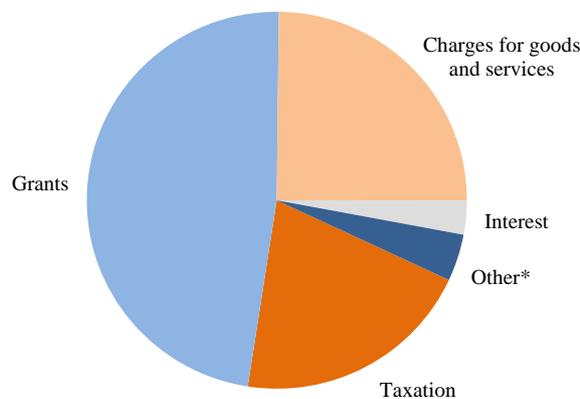


Figure 2.3 highlights that there has been a high degree of variability in the net lending/borrowing position over the past five years, however there has been a slight trend towards small surpluses in the past two years. This variability is primarily driven by movements in the net operating balance and net acquisition of non-financial assets.

2.2.3 Commonwealth grant revenue is a key revenue stream

Figure 2.4 shows the composition of total whole of government revenue in the 2015-16 CFR.

Figure 2.4: Composition of revenue

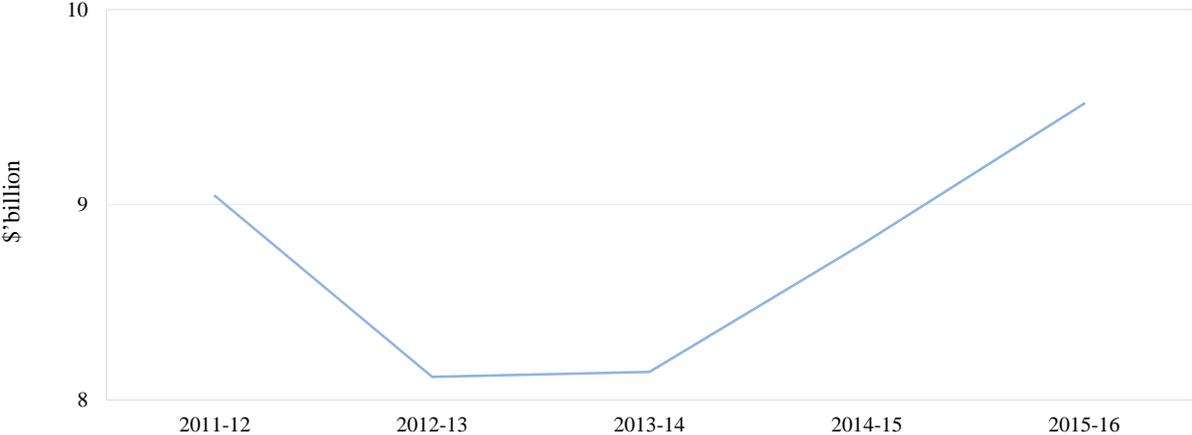


* Includes dividends and income tax equivalents and other revenues.

Figure 2.4 highlights that grant revenue, which is virtually all Commonwealth sourced, is the largest revenue stream for the State, representing 48% of total revenue from transactions in 2015-16.

Figure 2.5 shows there has been an upward trend in whole of government grant revenue over the last three years.

Figure 2.5: Grant revenue



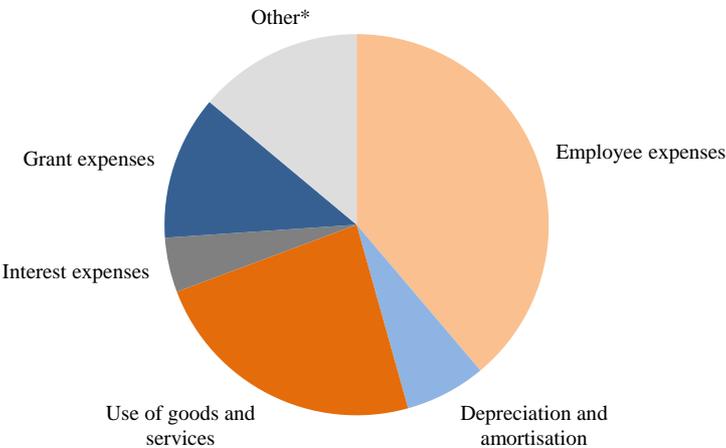
This growth in grant revenue largely reflects growth in GST grants from the Commonwealth Government, with South Australia’s share of the national GST pool increasing in 2015-16.

The other major revenue streams for the State are goods and services charges (25%) and taxation (21%).

2.2.4 Employee expenses are increasing modestly as a percentage of total expenditure

Figure 2.6 shows the composition of total whole of government expenses in the 2015-16 CFR.

Figure 2.6: Composition of expenditure



* Includes other superannuation expenses, superannuation interest cost and other expenses.

Figure 2.6 highlights that employee expenses are the largest component of expenditure for the State, representing 39% of total expenses from transactions in 2015-16. The other major components of expenditure are use of goods and services expenses (24%) and grant expenses (12%).

Figure 2.7 shows whole of government employee expenses over the past five years and those expenses as a percentage of total expenses.

Figure 2.7: Employee expenses as a percentage of total expenses

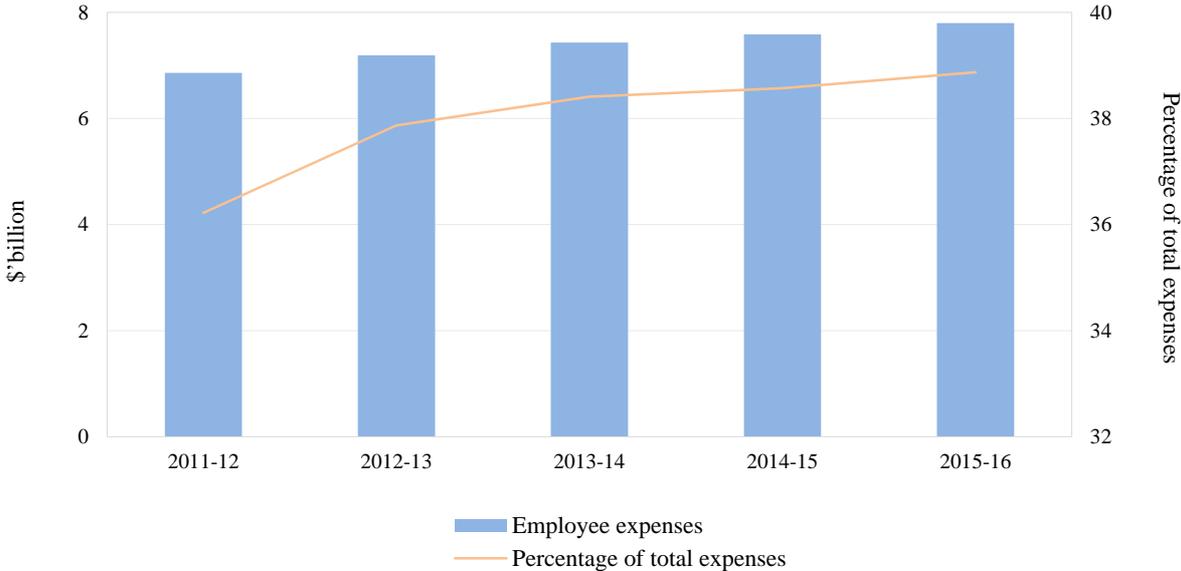


Figure 2.7 highlights that employee expenses as a percentage of total expenses have been trending modestly upwards over the past five years. Employee expenses have increased from 36.2% of total expenses in 2011-12 to 38.9% of total expenses in 2015-16.

Figure 2.8 shows the year on year percentage change in total whole of government employee expenses over the past five years.

Figure 2.8: Year on year percentage change in employee expenses

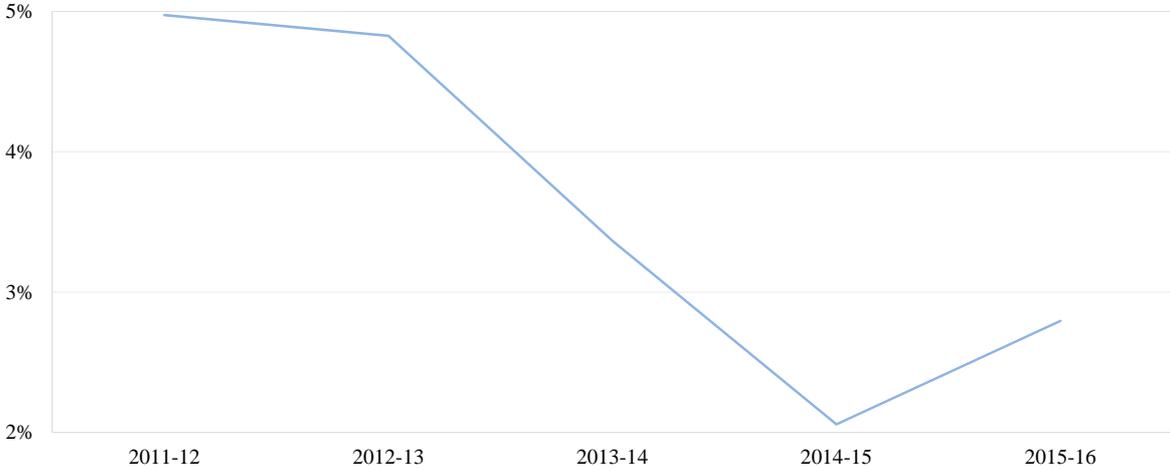


Figure 2.8 highlights that percentage year on year growth in employee expenses was trending downwards from 2011-12 to 2014-15, but reversed marginally from a lower base in 2015-16.

Figure 2.9 shows the FTE employee numbers for the whole of government over the past five years.

Figure 2.9: Whole of government FTEs

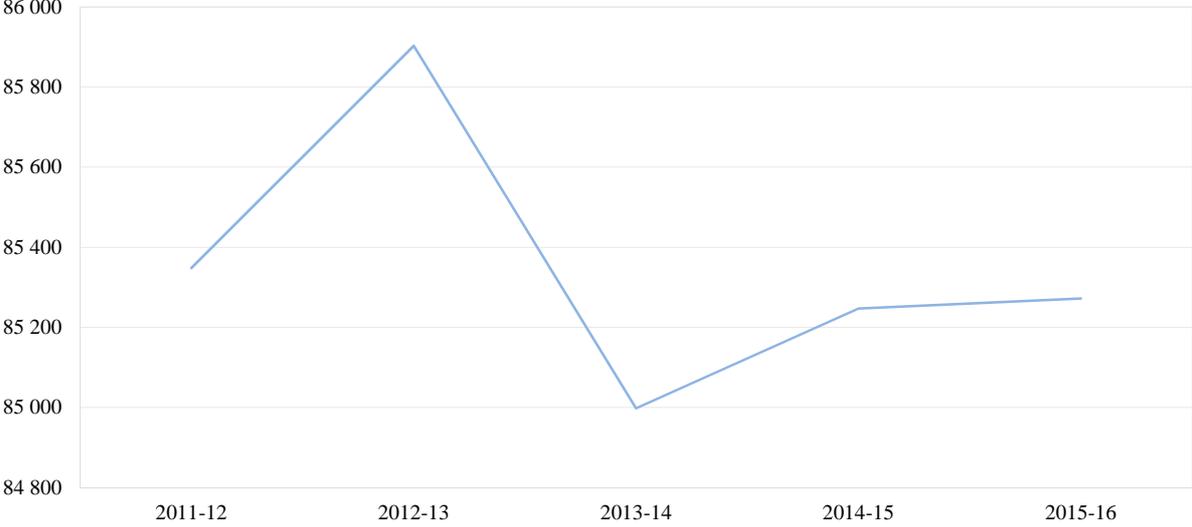


Figure 2.9 highlights that there has been a slight trend upwards in total FTE numbers since 2013-14.

While growth in employee expenses and total employee numbers has been modest in the last three years, employee expenses are growing at a faster rate than non-employee expenses, in particular use of goods and services expenses.

3 2015-16 Consolidated Financial Report financial position

Key points

- Total assets of the whole of government are \$104.293 billion.
- The major State assets are buildings, structures and land.
- Total liabilities of the whole of government are \$66.543 billion.
- The major state liabilities are borrowings and unfunded superannuation liabilities.
- The State's borrowings have plateaued in the last two years after increases between 2011-12 and 2013-14.
- Unfunded superannuation liabilities increased by \$2.7 billion primarily as a result of the change in the discount rate used by the actuary to value the liabilities.
- Net assets of the whole of government are \$37.749 billion, which is a \$2.116 billion decrease from the prior year.

3.1 Analysis of variations with prior year

Figure 3.1 details the whole of government Statement of Financial Position for the year ended 30 June 2016 with comparative prior year figures.

Figure 3.1: 2015-16 Statement of Financial Position (whole of government)

	2016 \$'million	2015 \$'million
Assets		
Financial assets		
Cash and deposits	1 519	1 795
Receivables	1 279	1 062
Loan advances	2 000	1 943
Investments, loans and placements	11 856	11 203
Investments – other	20 795	20 986
Interests in joint arrangements	4	9
Total financial assets	37 453	36 998
Non-financial assets		
Produced assets: ¹		
Inventories	484	577
Machinery and equipment	1 686	1 952
Buildings and structures	49 003	48 695
Heritage assets	1 259	1 141
Biological assets	48	50
Intangibles	139	146
Non-financial assets held for sale	607	32
Other non-financial assets	99	84
Non-produced assets: ²		
Land	12 779	12 180
Intangibles	496	478
Non-financial assets held for sale	240	218
Total non-financial assets	66 840	65 550
Total assets	104 293	102 549

	2016	2015
	\$'million	\$'million
Liabilities		
Deposits held	198	101
Borrowings	17 756	18 040
Payables	1 370	1 330
Employee benefits	2 929	2 718
Unfunded superannuation liabilities	14 029	11 358
Superannuation fund deposits	24 209	23 002
Provisions (other than employee benefits)	5 306	5 372
Other liabilities	746	761
Total liabilities	<u>66 543</u>	<u>62 683</u>
Net assets	<u>37 749</u>	<u>39 866</u>
Equity		
Retained earnings	2 492	5 925
Reserves:		
Asset revaluation reserve	35 151	33 804
Other reserves	60	97
Financial assets available for sale reserve	46	39
Total equity (net worth)	<u>37 749</u>	<u>39 866</u>

¹ **Produced assets** – are non-financial assets that have come into existence as outputs from production processes.

² **Non-produced assets** – are non-financial assets that come into existence other than through processes of production.

The main variations in assets

- **Cash and deposits** – decreased by 15% or \$276 million. This was mainly driven by a decrease in cash for MAC and ReturnToWorkSA arising from expenditure timing issues and changes in the mix of investment assets.
- **Receivables** – increased by 20% or \$217 million. This is mainly due to increases in SAFA foreign exchange swaps receivable (\$67 million) and other taxes collectable (\$72 million). The increase in foreign exchange swaps receivable was primarily associated with the greater use of European currency derivatives by SAFA in 2015-16 compared to the prior year. The increase in other taxes collectable relates to changes in the amount and timing of GST collectable by government agencies.
- **Non-financial assets held for sale (produced)** – increased by \$575 million. This is primarily due to the reclassification of MAC's investment property portfolio as assets held for sale, as they were offered for sale through an expression of interest process during 2015-16.
- **Land** – increased by \$599 million. This is mainly due to the first time recognition of unallotted Crown lands by DEWNR in 2015-16.

The main variations in liabilities

- **Unfunded superannuation liabilities** – increased by 24% or \$2.7 billion. This is mainly due to an increase in the estimated present value of the defined benefit obligation (\$2.6 billion) and a decrease in the fair value of the defined benefit plan assets (\$0.1 billion). The defined benefit obligation increased primarily as a result of a change in the discount rate used by the actuary to value the obligation. The discount rate was 2.5% at 30 June 2016 compared with 3.6% at 30 June 2015.

3.2 Further commentary and analysis

3.2.1 Net worth decreased in 2015-16 after four years trending upwards

Net worth is an economic measure of wealth and provides an indication of a government's overall financial position. For the whole of government, net worth is calculated as total assets less total liabilities less shares/contributed capital.

Figure 3.2 shows the net worth for the whole of government over the past five years.

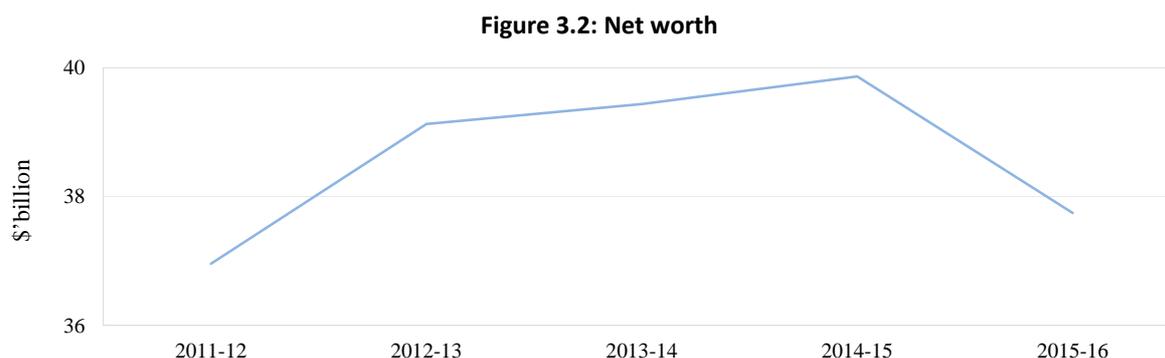


Figure 3.2 highlights that the net worth of the State was trending upwards over the four years to 2014-15, but declined in 2015-16.

The decrease in net worth in 2015-16 is primarily due to an increase in the unfunded superannuation liability from \$11.4 billion to \$14 billion arising from changes in actuarial estimates and assumptions, in particular discount rates.

Figure 3.3 shows the unfunded superannuation liability, net worth and net worth excluding the unfunded superannuation liability over the past five years.

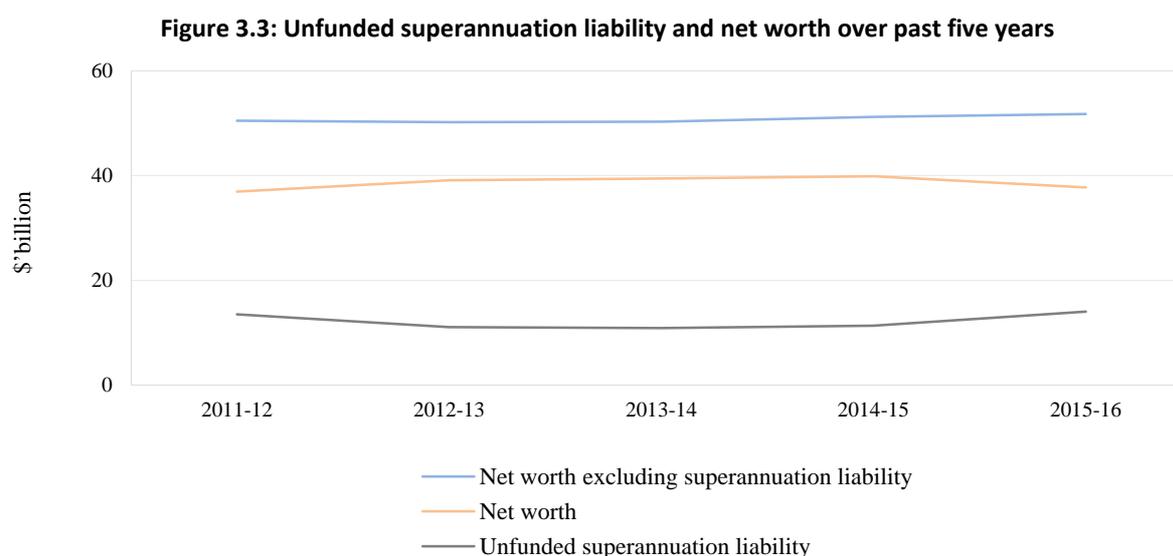


Figure 3.3 shows that the movement in net worth over the past five years has been the inverse of movements in the unfunded superannuation liability.

Figure 3.3 also highlights that excluding the unfunded superannuation liability, there has been a slight trend upwards in net worth over the past five years.

The unfunded superannuation liability is a long-term liability to current and past members of closed defined benefit superannuation schemes. The 2016-17 Budget reported that while financial market volatility in the recent past has resulted in multi-billion dollar revisions to the value of the liability recorded on the balance sheet, there has been no material change in the actual expected payments to beneficiaries underlying the liability.

Unfunded superannuation liabilities are valued at points in time by discounting future superannuation benefit payments by a discount rate that reflects the prevailing risk-free interest rate, consistent with the requirement of AASs.

The SA Government reports that it remains committed to fully funding the superannuation liability by 2034.

The unfunded superannuation liability is calculated in accordance with AASs as the net difference between the estimated value of accrued defined benefit superannuation obligations and the value of assets set aside to meet these obligations. Superannuation liabilities are determined on long-term estimates of total liabilities. This is a liability to current and past members of closed defined benefit superannuation schemes. They are not liabilities that will be called on in total in the immediate future, meaning the ability to fund them over many years exists. The State has a long-term funding strategy in place.

In estimating the unfunded superannuation liability, a range of variable factors and assumptions are taken into account including scheduled past service contributions by the SA Government. The superannuation liability may change periodically as assumptions and earnings experience change and, because of discounting, as the Government bond rate changes and the period of settlement approaches. This is an accepted fact for this type of liability.

For further information on the actuarial calculation of the unfunded superannuation liabilities, refer note 37 of the CFR.

3.2.2 State assets primarily comprise buildings, structures and land

Figure 3.4 shows the composition of total whole of government assets in the 2015-16 CFR.

Figure 3.4: Composition of the State assets in the CFR

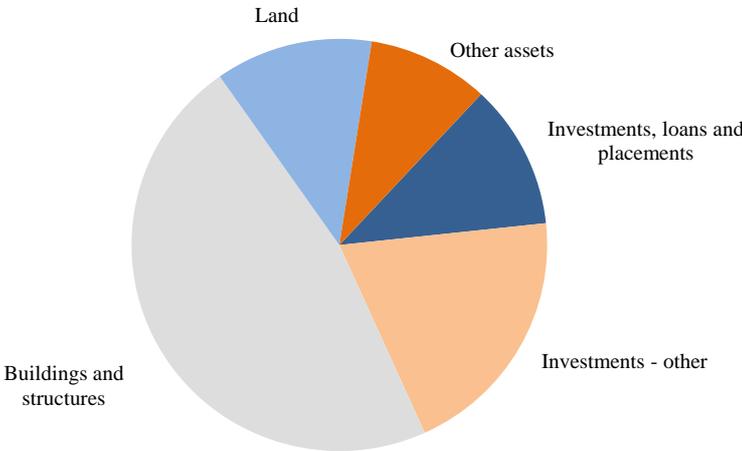


Figure 3.4 shows that the State’s total assets are primarily comprised of buildings and

structures (47%), investments – other (20%), land (12%) and investments, loans and placements (11%).

Investments – other relates to superannuation investments held by Funds SA on behalf of members of the various state superannuation schemes. Funds SA has a corresponding liability to the members of the various schemes that is reflected under superannuation fund deposits.

3.2.3 State liabilities primarily comprise borrowings and unfunded superannuation liabilities

Figure 3.5 shows the composition of total whole of government liabilities in the 2015-16 CFR.

Figure 3.5: Composition of the State liabilities in the CFR

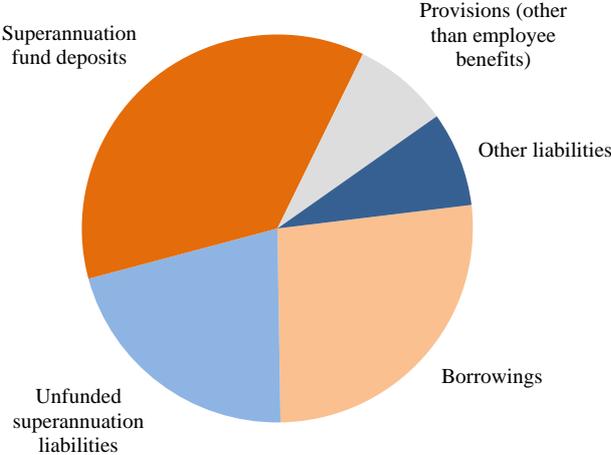


Figure 3.5 shows that the State’s total liabilities are primarily comprised of superannuation fund deposits (36%), borrowings (27%) and unfunded superannuation liabilities (21%).

The superannuation fund deposits relate to the funds invested by various state superannuation schemes with Funds SA. Funds SA has a liability to members of these schemes for the funds deposited. The corresponding superannuation fund investments held by Funds SA on behalf of members are reflected under assets in investments – other.

Figure 3.6 shows whole of government borrowings over the past five years.

Figure 3.6: Borrowings

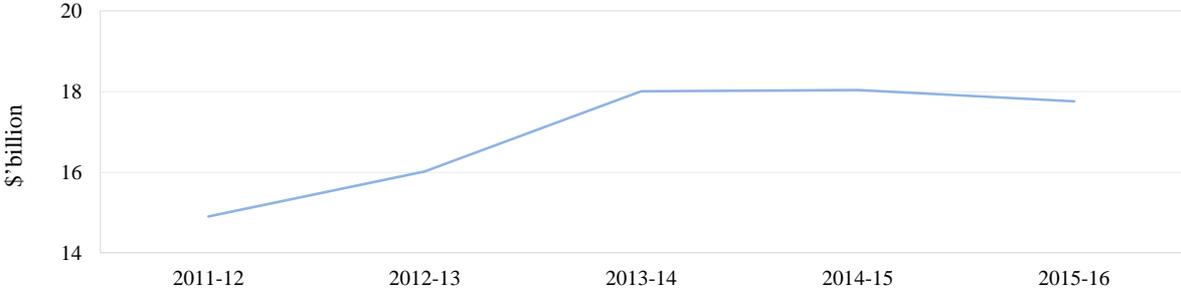


Figure 3.6 highlights that borrowings have plateaued in the last two years after increases between 2011-12 and 2013-14. This is consistent with the small net lending/borrowing position surpluses and deficits in the past two years.

4 Consolidated Financial Report reporting framework

AASB 1049 requires governments to prepare whole of government and general government sector financial reports in accordance with the standard.

The South Australian CFR for the year ended 30 June 2016 has been prepared by DTF under AASB 1049 and comprises both whole of government and general government sector financial reports.

The whole of government reporting entity includes government departments (general government sector), PNFCs and PFCs. The general government sector financial report reflects that sector's transactions with PNFCs, PFCs and non-SA Government sector entities.

A listing of the entities controlled by the SA Government and their corresponding sector classification is outlined in note 49 of the CFR.

In arriving at a consolidated result in the whole of government financial report, transactions between all government controlled entities are eliminated to present a consolidated picture of the financial relationship between the government as a whole and the 'rest of the world'.

AASB 1049 requires financial reports to be prepared consistent with the principles and rules established by the ABS.² However, it is important to note that some technical differences remain between AASB 1049 and Government Finance Statistics principles. The impact of these differences for the SA Government is immaterial, with a table reconciling the key aggregates set out in note 3 of the CFR.

5 Scope of our review of the Consolidated Financial Report

Our review of the CFR included an evaluation of:

- the principles adopted in defining the economic entity
- controls and procedures within DTF for evaluating the reliability and validity of financial data forwarded by agencies
- processes for preparing the CFR
- compliance with appropriate legislation and accounting frameworks.

Consistent with previous years, there is currently no requirement under the *Public Finance and Audit Act 1987* or other legislation for the Auditor-General to provide an Independent Auditor's Report on the CFR. Therefore, unless relevant legislative provisions are passed, I will not issue a formal Independent Auditor's Report on the CFR. However, I consider it both valuable and consistent with wider public expectation that we review the credibility and validity of such financial information.

² 'Australian System of Government Finance Statistics: Concepts, Sources and Methods', Australia, 2005, Australian Bureau of Statistics (Publication 5514.0).

6 Findings from our review of the Consolidated Financial Report

6.1 Matters reflected in Independent Auditor's Reports for government agencies

As noted in section 5, an Independent Auditor's Report is not provided on the CFR. However, a management letter summarising the results of our review was provided to DTF in January 2017. It included any agency specific audit matters identified that would impact on the audit opinion for the CFR, if one was provided.

I noted in the letter that, while I had not modified my Independent Auditor's Reports for ReturnToWorkSA and the Lifetime Support Authority for 2015-16, I drew attention to the inherent uncertainty associated with certain liabilities of these entities. I also drew attention to a land error correction in the 2015-16 administered financial report of DEWNR.

6.2 Opportunities to enhance controls over the preparation of the Consolidated Financial Report

The management letter to DTF outlined opportunities to improve the way financial information is collected, validated and consolidated in preparing the CFR. The matters we raised included:

- operating expenditure commitments for property leases needed to be checked to ensure they were not double counted
- the split of the State's share of joint operation income and expenditure associated with the Murray-Darling Basin Authority between the net result from transactions and other economic flows needed to be confirmed
- formal policies and procedures governing the processing and checking of manual journals impacting the CFR were yet to be finalised
- the policy on the valuation of land under roads had not been reviewed and updated since September 2013
- the need to perform formal analysis to confirm the impacts on the whole of government financial instrument sensitivity analysis of including data from all State government controlled entities.

DTF's response to the management letter indicated that appropriate action would be taken to address the matters raised.

Appendix – Abbreviations used in this Report

Abbreviation	Description
AAS	Australian Accounting Standard
AASB 1049	Australian Accounting Standard AASB 1049 ‘Whole of Government and General Government Sector Financial Reporting’
AASB 1055	Australian Accounting Standard AASB 1055 ‘Budgetary Reporting’
ABS	Australian Bureau of Statistics
CFR	Consolidated Financial Report
DEWNR	Department of Environment, Water and Natural Resources
DTF	Department of Treasury and Finance
FTE	Full-time equivalent
Funds SA	Superannuation Funds Management Corporation of South Australia
GST	Goods and services tax
MAC	Motor Accident Commission
PFC	Public financial corporation
PNFC	Public non-financial corporation
ReturnToWorkSA	Return to Work Corporation of South Australia
SAFA	South Australian Government Financing Authority
UPF	Uniform Presentation Framework