

Report of the Auditor-General

Report 14 of 2020

Auditor-General's Department
2019-20 Annual report
for the year ended 30 June 2020



Auditor-General's Department

www.audit.sa.gov.au

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Hon Steven Marshall
Premier
Department of the Premier and Cabinet
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Dear Premier

Auditor-General's Department: Annual report for the year ended 30 June 2020

Attached is the annual report of the Auditor-General's Department for the year ended 30 June 2020, forwarded in line with the requirements of the *Public Sector Act 2009*.

This annual report summarises our performance and achievements in 2019-20 and gives an overview of what we have achieved in the three strategic priority areas of our corporate plan.

I am proud of our significant accomplishments this year, including:

- developing a new strategic plan for the period 2020-21 to 2022-23
- pilot site testing our new financial auditing methodology and software across a number of field audit teams in preparation for full implementation in October 2020
- working with an external expert to help us with effectiveness auditing, allowing us to use their expert knowledge to develop our capacity to undertake this work
- conducting a survey of our financial audit clients and nearly all respondents provided favourable ratings for the overall quality of our audit process
- quickly facilitating our entire workforce working from home in response to COVID-19, which gave us the opportunity to refine our use of on-line collaboration tools and establish good management and team practices to support flexible work arrangements well into the future
- presenting 14 reports to Parliament

- continuing with our leadership and management development program and started focussing on enterprise leadership capabilities for the future
- commencing a process to replacement our practice management information system with a system that meets our data and information needs now in and in the future
- progressing our review of our organisation structure including developing a possible model to adopt financial audit staff pooling in the financial audit directorates.

I would like to thank my professional and dedicated Executive and staff for their commitment and hard work in 2019-20. Their continuing effort and energy to implementing changes we are introducing through our corporate plan has been personally motivating and satisfying.

I also congratulate them all for their commitment to their work during this extraordinary year. I greatly appreciate that everyone contributed to us achieving our goals while dealing with how the COVID-19 pandemic affected their personal circumstances.

I would also like to acknowledge the cooperation of all public authorities with my staff during the year. An audit is a joint effort between auditor and auditee and I am grateful that chief executives and staff throughout the public sector share this same view and give their time and effort to the audit process.

On behalf of my department, I acknowledge the efforts of all who responded to the bushfires in our State and who assisted in other parts of Australia.

We also acknowledge our health sector and police, and all who have assisted South Australians to be safe during this COVID-19 pandemic. They created an opportunity for us all to live and work in an environment that was rare when compared to much of the world.

Finally, I acknowledge the Hon Bruce Lander QC, who completed his term as the state's inaugural Independent Commissioner against Corruption, for his contribution to advancing integrity in public administration.

I would be grateful if you would table this report at your earliest convenience.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General

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2019-20 highlights

Corporate plan

Our major projects are nearing finalisation as we complete the final year of our four-year corporate plan.

We developed a new three-year strategic plan for the period 2020-21 to 2022-23.

Reports

The Annual Report of the Auditor-General for the year ended 30 June 2019 was presented to Parliament.

We completed examinations on credit card use and management in three local government councils and reported the findings to Parliament.

We presented two reports on the Adelaide Oval redevelopment project, and seven other reports to Parliament.

(See page 2 for a list of our reports)

Performance auditing

We implemented our revised performance audit methodology for all performance audits.

We engaged and are working with an external expert to help us to explore new areas and approaches for conducting effectiveness audits.

Survey of financial audit clients

Conducted a survey of our financial audit clients and nearly all respondents provided favorable ratings for the overall quality of our audit process.

Replacing our audit software

We piloted our new financial auditing methodology and software across a number of field audit teams in preparation for full implementation in October 2020.

Data analytics

We developed a data analytics framework including a number of templates for documenting analytical procedures.

Practice management system

After an approach to the market, we completed a proof of concept process for a practice management system to assess whether it would meet all our data and information needs.

Organisation structure review

We developed a statement of purpose and a vision story for our next strategic plan and progressed our organisation structure review by exploring alternative models and consulting with staff.

Flexible working arrangements

We reviewed our flexible work arrangements and used the principles in our working from home policy when our entire workforce needed to work from home due to COVID-19.

Developing our people

We continued to invest in developing our people's technical and leadership skills.

We continued our leadership and management development program and started focussing on enterprise leadership capabilities for the future.

We implemented a coaching program with an external coaching panel to support the development of our managers.

We progressed our Gender Equity in Leadership strategy. This included starting organisation-wide unconscious bias training, developing an overarching flexible work arrangements policy, and ensuring that our recruitment processes promoted access to flexible work arrangements.

Reports presented to Parliament this year

31 August 2019	Report 5 of 2019 <i>Adelaide Oval redevelopment for the designated period 1 January 2019 to 30 June 2019</i>
30 September 2019	Report 6 of 2019 <i>Annual report for the year ended 30 June 2019 – Part A: Executive summary, Part B: Controls opinion and Part C: Agency audit reports</i>
30 September 2019	Report 7 of 2018 <i>Auditor-General’s Department 2018-19 Annual Report for the year ended 30 June 2019</i>
15 October 2019	Report 8 of 2019 <i>State finances and related matters</i>
29 October 2019	Report 9 of 2019 <i>Information and communications technology reviews</i>
26 November 2019	Report 10 of 2019 <i>Country health property maintenance</i>
3 December 2019	Report 11 of 2019 <i>Darlington Upgrade Project</i>
3 March 2020	Report 1 of 2020 <i>Adelaide Oval redevelopment for the designated period 1 July 2019 to 31 December 2019</i>
3 March 2020	Report 2 of 2020 <i>Examination of credit card use and management: City of Charles Sturt</i>
3 March 2020	Report 3 of 2020 <i>Examination of credit card use and management: City of Playford</i>
3 March 2020	Report 4 of 2020 <i>Examination of credit card use and management: The Coorong District Council</i>
3 March 2020	Report 5 of 2020 <i>Consolidated Financial Report review</i>
24 March 2020	Report 6 of 2020 <i>Update to the annual report for the year ended 30 June 2019</i>
7 April 2020	Report 7 of 2020 <i>Flinders Link Project</i>

What we do

‘Providing the Parliament and people of South Australia with timely, relevant information on the performance and accountability of government agencies and local government’

The Auditor-General

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

The Auditor-General’s responsibilities are to:

- conduct and report on financial report and controls audits of the accounts and operations of the Treasurer and public sector agencies
- conduct performance audits and report on matters of accountability and probity
- examine publicly funded bodies at the request of Parliament, the Treasurer, a Minister or the Independent Commissioner Against Corruption
- conduct examinations of the local government sector
- examine public interest disclosures and other issues referred by members of the public
- review and report on summaries of confidential government contracts at the request of a Minister
- lead the Auditor-General’s Department as its chief executive.

The legislation

Principal legislation

The Auditor-General is appointed by Parliament under the *Public Finance and Audit Act 1987* (the PFAA).

The PFAA is part of the important accountability link between the Executive Government, the Parliament and the taxpayers of South Australia.

As well as establishing the Auditor-General’s mandate, it prescribes the financial reporting obligations of the Treasurer and public sector agencies.

Other legislation

There are provisions in other Acts that have a direct influence on the Auditor-General and the Department.

These include statutes appointing the Auditor-General to audit public sector agencies, legislation covering special Commonwealth and State financial arrangements, and State legislation such as Supply Acts, Appropriation Acts, the Public Corporations Act, the Independent Commissioner Against Corruption Act and the Public Interest Disclosure Act.

The Annual Report

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

- Part A: Executive summary – the opinions the Auditor-General is required to give under the PFAA and commentary on some key financial management and accounting matters arising from audits.
- Part B: Controls opinion – provides our observations on significant control matters identified from our controls opinion audit program.
- Part C: Agency audit reports – a summary of the outcomes of the audit of each agency, with a snapshot of key agency information covering financial statistics, significant events and transactions and whether the financial statement and controls opinions are unmodified or modified (qualified).

The agencies we audit

A list of the agencies we audit is published annually in Part A of the Auditor-General’s Annual Report.

Our vision, purpose and values

'We uphold the South Australian public sector values and our own values align with them'

Our vision

The South Australian public sector operating to the highest levels of accountability and integrity

Our purpose

To provide timely, relevant information to Parliament on the performance and accountability of government agencies and local government from our audits, reviews and examinations

Our strategic priorities

Priority 1

Establish performance auditing as a core output

Priority 2

Improve the impact, quality and relevance of our audits and reports

Priority 3

Build our capability and capacity to meet the changing demands of public sector auditing and the changes across the public sector environment

What we value

Our values shape and influence the way we work and manage our business

Integrity

We act fairly, honestly, impartially and independently

Accountability

We value and take responsibility for the trust and resources invested in our function. We hold ourselves and others accountable for achieving results

Responsiveness

We listen and respond to our clients and stakeholders within the constraints of our independence

Collaboration

We value and support teamwork that builds relationships and cooperation across the Department. We value our working relationships with our clients

Courage and tenacity

We persevere, listen attentively, question thoughtfully and challenge openly, and encourage others to do the same

Respect

We value and strive for respectful relationships between our staff and with our clients and external stakeholders

Innovation

We encourage and value ideas for improvement

Strategic priority 1

'Establish performance auditing as a core output'

Key strategic actions

- Reviewed and refined our performance audit methodology to reflect our developing experience with its application to improve the quality of our work.
- Implemented our forward plan for the performance audit function using a project management approach.
- Continued to build the capabilities of the performance audit team.

Our performance in 2019-20

Refining our performance audit methodology

We implemented our revised performance audit methodology for all performance audits. This included establishing a new engagement quality review policy for performance audits.

Implemented our forward plan for the performance audit function

We delivered to Parliament six performance audit reports on a number of areas of public interest.

We started to develop 'proof of concept' project briefs for all planned 2020-21 performance audit work.

Build the capabilities of the performance audit team

We engaged and are working with an external expert to help with an effectiveness audit, allowing us to use their expert knowledge to develop our own capacity to undertake this work. Unfortunately, COVID-19 interrupted this effectiveness audit. Effectiveness auditing involving the external expert will be programmed into 2020-21.

Strategic priority 2

'Improve the impact, quality and relevance of our audits and reports'

Key strategic actions

- Designed and introduced a new project management approach to bring forward the timing of our financial audit work and reporting, including establishing milestones and accountabilities, coordinating efforts across teams and early engagement with clients on critical audit issues.
- Developed a client engagement strategy to support our understanding of the client's business and key risks, and to inform the work we do.
- Applied plain English reporting principles to all our work.
- Reviewed the scope of our controls opinion work to ensure it is relevant to our clients and Parliament.
- Measured the impact, quality, and relevance of our reports by participating in ACAG client survey responses.

Our performance in 2019-20

Establishing milestones and accountabilities

We established targets for the 2019-20 audit strategy letters, controls opinion planning and audit management letters. We used our data analytics software to report to our Executive monthly on our performance against the targets we set. We completed all our planned work for the year. Some of the time targets were affected and delayed by the effects of COVID-19. We changed some plans to allow us to audit and report on bushfires and COVID-19 effects in the public sector.

Client engagement

We developed a communication strategy to increase the effectiveness of our relationship with Parliament.

We held another briefing for the chairs of agency audit committees. We discussed emerging audit matters and shared issues of mutual interest for the year. We will continue to do this in future years.

We developed and are implemented strategies to engage with the Department of Treasury and Finances and our clients on new accounting standards (leasing, revenue and service concession arrangements).

Survey of financial audit clients

We conducted a survey of our financial audit clients to determine their overall satisfaction with our reports and services. Nearly all clients provided favourable ratings for the overall quality of the audit process. Further, our clients were nearly universal in their agreement that our auditors conducted themselves professionally during the audit and had the professional skills and knowledge required to conduct the audit.

Strategic priority 3

‘Build our capability and capacity to meet the changing demands of public sector auditing and the changes across the public sector environment’

Key strategic actions

- Strengthened our application of auditing standards when exercising judgement over audit scope and coverage.
- Conducted targeted reviews of audit processes and other operations of the Department to create efficiencies.
- Embedded data analytics in audit processes and built data analytics capacity and capability across the Department.
- Ensured our practice management system meets our data and information needs.
- Implemented the performance management and learning management system.
- Ensured our workforce capabilities support our business needs.
- To drive our change agenda, targeted the development of leadership, people and strategic management skills for executives and senior managers.
- Improved the way we manage work health and safety.
- Maintained the currency of our audit practice through new audit software.
- Managed strategically and planned effectively.
- Reviewed our organisational structure.

Our performance in 2019-20

Embedding data analytics in audit processes and build data analytics capacity and capability across the Department

We developed a data analytics framework including a number of templates for documenting analytical procedures. The framework and supporting procedures will be implemented across financial audits in 2020-21.

We provided a secondment opportunity for one of our data analytics team to work in the Australian National Audit Office to develop their data analytics capacity and to support the cooperation and sharing of knowledge and experiences between audit offices.

Ensuring our practice management system meets our data and information needs

After an approach to the market, we completed a proof of concept process for a practice management system to assess whether it would meet all our data and information needs. We decided to defer our final decision and reassess this system after the planned release of new functionality that we felt was core to our business needs. While we wait, we will implement process and system improvements to our current systems in 2020-21.

OUR PERFORMANCE

Implementing the performance management and learning management system

We conducted a post-implementation review of our Performance and Learning Management system.

We found that, overall, managers and employees are happy with the system and it has met its original objectives of a simpler process, an online system, alignment of corporate and individual goals, and multiple touch points. We continue to work on system improvements.

Ensuring our workforce capabilities support our business needs

Our response to the COVID-19 pandemic necessitated our entire workforce working from home, which gave us the opportunity to refine our use of online collaboration tools and establish good management and team practices to support flexible work arrangements well into the future.

We reviewed all of our policies and practices related to flexible work arrangements to develop an improved overarching policy.

We revised our recruitment and selection policy to align with our new approaches to continuous recruitment, streamlined application processes and the gender equity in leadership agreed actions related to recruitment. The revised policy identifies our approach to merit-based selection processes, mandated actions and where judgement can be used. New procedures were developed to provide detailed information to support a successful merit-based selection process. The gender equity in leadership action items also implemented included providing information and training for selection panels to promote our flexible working arrangements when filling vacancies and ensuring our job advertisements use gender neutral terms.

We reviewed some of our processes for integrating new external employees into senior field audit roles and have identified several changes which will improve our processes.

To drive the change agenda, target the development of leadership, people and strategic management skills for executives and senior managers

We continued to implement the strategy for gender equity in leadership for our Department by:

- starting the delivery of awareness training to all staff covering inclusive culture, unconscious bias, modelling behaviour, effective communication and ethical decision-making
- promoting our flexible working arrangements when advertising and filling vacancies
- providing development opportunities to staff identified as having high potential
- offering female managers the opportunity to participate in targeted women's leadership programs.

Unfortunately, COVID-19 interrupted the delivery of inclusion and unconscious bias training for all staff and the remaining courses have now been rescheduled for October/November 2020.

A Department-wide coaching program with an external coaching panel was implemented to support the development of our managers.

We continued our program of providing senior managers with development opportunities such as participating in executive forums

Our professional development program continued to deliver our recurring programs to support new and aspiring supervisor/managers and our graduates.

Internal rotation processes were implemented with placements for our financial auditors in our Data Analytics, Local Government and Performance Audit sections.

Improve the way we manage work health and safety

We implemented a new suite of work health and safety policies and procedures and provided training to all senior managers on the new requirements.

We drafted our Disability Access and Inclusion Plan. It is ready for consultation with the intention to implement it in October 2020.

Maintaining the currency of audit practice through audit software

We piloted our new audit methodology and software across a number of financial audit teams in preparation for full implementation across all financial audit teams in October 2020.

Reviewing our organisational structure

We developed a statement of purpose and a vision story for our strategic plan and progressed our organisation structure review by exploring alternative models and consulting with staff. This included developing a possible model to adopt staff pooling in our financial audit directorates. The review process included creating opportunities for staff to talk about our business and to actively engage in the organisational change process.

Developing a new strategic plan

We developed a new strategic plan for the next three years that will be released to staff in October 2020. We engaged an external consultant to do an environmental scan and facilitate the planning process. The consultant met with key departmental stakeholders, each member of the Executive and facilitated senior management and employee focus group sessions.

The new plan reflects the changes we must make to stay relevant in a changing world. We will need to continue to provide valued, quality financial audits. The way this work is undertaken across the world will change as advances in technology enable us to produce our work more efficiently. At the same time, we will constantly challenge ourselves to ask what we should be focussed on to add best value.

Measures of performance

Currently we are auditing 156 financial statements and last year we audited 153 financial statements. A list of the agencies we audit is published annually in Part A of the Auditor-General's Annual Report. It includes the Auditor-General's Department, which is audited by BDO Audit (SA) Pty Ltd.

One measure of our audit performance is the time it takes us to issue an audit opinion to our clients, although delays can occur for many reasons that are outside of our control.

Audit activity output measures (financial years)			
	2017-18	2018-19	2019-20
Average working days between an agency's end of financial year and issuing an Independent Auditor's Report	73	75	82

Also relevant to understanding how we have performed is the number of hours we commit to audits. The actual hours charged for financial report and controls opinion audits for the past three audit years are shown in the next table.

These hours are generally recovered from public sector agencies through audit fees and provide a measure of the resources we commit to undertaking audits.

Hours charged to audits			
	2017-18	2018-19	2019-20
Conduct of audits (hours)	92 500	93 600	101 300
Management of audits (hours)	12 200	11 400	10 070
Total hours charged	104 700	105 000	111 370

Our financial report

Auditor-General's Department

Statement of Comprehensive Income for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Expenses:			
Employee expenses	2	14 000	13 657
Supplies and services:			
Contractors		1 394	1 603
Office accommodation and service costs	12	721	707
Consultancies		380	279
Other supplies and services	5	1 074	1 137
		<u>3 569</u>	<u>3 726</u>
Depreciation and amortisation		252	209
Total expenses		<u>17 821</u>	<u>17 592</u>
Income:			
Appropriation and contingency provision grant	6	18 161	17 618
Services received free of charge	7	63	73
Other income		1	1
Total income		<u>18 225</u>	<u>17 692</u>
Net result		<u>404</u>	<u>100</u>
Total comprehensive result		<u>404</u>	<u>100</u>

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

**Statement of Financial Position
as at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
Current assets:			
Cash and cash equivalents	8	7 307	6 585
Receivables	9	124	145
Total current assets		<u>7 431</u>	<u>6 730</u>
Non-current assets:			
Computing and office facilities	10	332	314
Right of use plant & equipment	10	50	-
Intangible assets	10	6	10
Total non-current assets		<u>388</u>	<u>324</u>
Total assets		<u>7 819</u>	<u>7 054</u>
Current liabilities:			
Payables	11	491	489
Lease liabilities		28	-
Employee benefits	3	2 062	1 753
Provision for workers compensation	4	20	20
Total current liabilities		<u>2 601</u>	<u>2 262</u>
Non-current liabilities:			
Payables	11	392	395
Lease liabilities		22	-
Employee benefits	3	3 940	3 947
Provision for workers compensation	4	41	31
Total non-current liabilities		<u>4 395</u>	<u>4 373</u>
Total liabilities		<u>6 996</u>	<u>6 635</u>
Net assets		<u>823</u>	<u>419</u>
Equity:			
Retained earnings		823	419
Total equity		<u>823</u>	<u>419</u>

Total equity is attributable to the SA Government as owner

Commitments

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**Statement of Changes in Equity
for the year ended 30 June 2020**

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2018	319	319
Total comprehensive result for the year 2018-19	100	100
Balance at 30 June 2019	419	419
Total comprehensive result for the year 2019-20	404	404
Balance at 30 June 2020	823	823

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

**Statement of Cash Flows
for the year ended 30 June 2020**

	2020 Inflows (Outflows) \$'000	2019 Inflows (Outflows) \$'000
Cash flows from operating activities:		
Cash outflows:		
Employee expenses	(13 629)	(12 780)
Supplies and services	(3 900)	(3 932)
Payments for Paid Parental Leave Scheme	(74)	(38)
Cash inflows:		
Other income	1	1
Goods and services tax refunds from Australian Taxation Office	372	375
Receipts for Paid Parental Leave Scheme	58	52
Appropriations and contingency provision grant	18 161	17 618
Net cash provided by (used in) operating activities	989	1 296
Cash flows from investing activities:		
Cash outflows:		
Purchase of computing and office facilities	(230)	(199)
Purchase of intangible assets	-	(10)
Net cash provided by (used in) investing activities	(230)	(209)
Cash flows from financing activities:		
Cash outflows:		
Repayment of leases	(36)	-
Repayment of borrowings	(1)	-
Net cash provided by (used in) financing activities	(37)	-
Net increase (decrease) in cash and cash equivalents	722	1 087
Cash and cash equivalents at 1 July	6 585	5 498
Cash and cash equivalents at 30 June	7 307	6 585

Notes to and forming part of the financial statements

1. Objectives of the Auditor-General's Department (the Department)

The Department is an administrative unit of the public service established under the *Public Finance and Audit Act 1987* (PFAA). It is a wholly owned and controlled entity of the Crown. Accordingly, all government-related entities are related parties of the Department.

The Department's main statutory responsibilities are to audit and examine the activities of State and Local Government agencies and to report the results to Parliament as required by the PFAA.

Controlled

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

Prescribed audits

Includes all audit and examination work for State and Local Government agencies initiated and undertaken by the Auditor-General under the PFAA. During the year the Department spent \$17.6 million (\$17.5 million) on this activity. The main component of work relates to the annual statutory audit of State public sector agencies.

Special investigations

Under the PFAA, the Parliament, Treasurer, a Minister or the Independent Commissioner Against Corruption can require the Auditor-General to undertake certain examinations and report these to Parliament. In 2019-20 the Department spent \$189 000 (\$77 000) on special investigations.

Administered

We also administer certain activities on behalf of the SA Government but do not control the related income, expenses, assets or liabilities. These comprise the following two activities:

Receiving and passing on auditing fees

We charge fees for our audits as permitted by section 39 of the PFAA, but do not retain these fees. We transfer audit fees, less GST, into the SA Government's Consolidated Account as they are received.

Administering special acts

Section 24(4) of the PFAA provides that the salary and allowances of the Auditor-General, as determined by the Governor, will be paid from the SA Government's Consolidated Account. The Auditor-General's remuneration, and recoveries from the Consolidated Account for it, are reported as administered items.

2. Employee expenses	2020	2019
	\$'000	\$'000
Employee benefits:		
Salaries	10 874	10 132
Annual leave	1 037	933
Long service leave	81	696
Skills and experience retention leave	63	50
Total employee benefits	12 055	11 811
Employee on-costs:		
Superannuation	1 251	1 184
Payroll tax	679	657
Total employee on-costs	1 930	1 841
Workers compensation	15	5
Total employee expenses	14 000	13 657

2.1 <i>Remuneration of employees</i>	Executive		Staff	
	2020 Number	2019 Number	2020 Number	2019 Number
The number of employees whose normal remuneration is equal to or greater than the base executive remuneration level during the year are grouped within the following bands:				
\$151 001 - \$154 000	n/a	n/a	n/a	1
\$154 001 - \$174 000	-	-	1	-
\$174 001 - \$194 000	-	2	-	-
\$194 001 - \$214 000	4	2	-	-
\$214 001 - \$234 000	-	-	-	-
\$234 001 - \$254 000	1	1	-	-
\$254 001 - \$274 000	1	1	-	-
\$394 001 - \$414 000	1	1	-	-
Total	7	7	1	-

The table includes all employees whose normal remuneration is equal to or greater than the base executive remuneration level. Total remuneration received or receivable by these employees was \$1.89 million (\$1.82 million).

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

2.2 *Key management personnel*

The key management personnel of the Department are the Auditor-General, the Deputy Auditor-General and the five Assistant Auditors-General.

Total compensation for the Department's key management personnel was \$1.73 million (\$1.67 million). This includes compensation recorded in both the Department's financial statements and in the administered financial statements.

3. Employee benefits liability	2020	2019
Current:	\$'000	\$'000
Salaries	310	210
Annual leave	1 411	1 200
Long service leave	265	200
Skills and experience retention leave	76	0
Total current	2 062	1 710
Non-current:		
Long service leave	3 940	3 900
Total non-current	3 940	3 900
Total employee benefits	6 002	5 610

Salaries

Liabilities for unpaid salaries for service prior to the reporting date are measured at current pay rates.

Annual leave and skills and experience retention leave

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. The salary inflation rate decreased to 2% in 2020.

Sick leave

No liability is recognised, as all sick leave is non-vesting and the average sick leave taken is estimated to be less than the annual entitlement for sick leave.

Long service leave

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. An actuarial assessment of long service leave liability has been undertaken by the Department of Treasury and Finance. The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data for SA Government entities. Expected future payments are discounted using government bonds rates with durations that align with estimated future cash flows.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds decreased to 0.75% at 30 June 2020. The actuarial assessment by the Department of Treasury and Finance decreased the salary inflation rate from 4% to 2.5% for long service leave.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of \$308 000 and employee benefit expense of \$308 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The long service leave expected to be taken in the 12 months to 30 June 2021 (current long service leave), has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

4. Provision for workers compensation	2020	2019
Current:	\$'000	\$'000
Provision for workers compensation	20	20
Total current	20	20
Non-current:		
Provision for workers compensation	41	31
Total non-current	41	31
Total provision	61	51
Carrying amount at 1 July	51	49
Increase (Decrease) in provision	10	2
Carrying amount at 30 June	61	51

The Department is responsible for the payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment.

5. Other supplies and services	2020	2019
	\$'000	\$'000
Computing and network processing costs	442	395
Staff recruitment, development and training	197	250
Other expenses	169	168
Motor vehicles	96	142
Shared Services SA charges	64	73
Fringe benefits tax	64	61
Staff travel, accommodation and allowances	42	48
Total other supplies and services	1 074	1 137
6. Appropriation and contingency provision		
Appropriations to the Department in 2019-20 amounted to \$18.154 million (\$17.618 million) and there was a contingency provision grant of \$7000 (\$0).		
7. Resources received free of charge		
Services received free of charge – Shared Services SA	63	73
Total resources received free of charge	63	73

The Department is only charged for non-standard services received.

8. Cash and cash equivalents	2020	2019
Deposits with the Treasurer:	\$'000	\$'000
Auditor-General's Department Operating Account	4 858	4 343
Accrual Appropriation Excess Funds	2 449	2 242
Total cash and cash equivalents	<u>7 307</u>	<u>6 585</u>

9. Receivables		
Current:		
Goods and services tax	124	140
Other	-	5
Total current	<u>124</u>	<u>145</u>

Assets that are sold, consumed or realised as part of the normal operating cycle have been classified as current.

10. Non-current assets	2020	2019
10.1 Classes of assets	\$'000	\$'000
Computing and office equipment – at cost	870	862
Accumulated depreciation	778	(703)
	<u>92</u>	<u>159</u>
Laptop computer equipment – at cost	651	430
Accumulated depreciation	411	(275)
	<u>240</u>	<u>155</u>
Right of use plant and equipment	79	-
Accumulated depreciation	29	-
	<u>50</u>	<u>-</u>
Leasehold improvements – at cost	786	786
Accumulated depreciation	786	786
	<u>-</u>	<u>-</u>
Intangible assets – Computer software – at cost	520	520
Accumulated amortisation	514	(510)
	<u>6</u>	<u>10</u>
	<u>388</u>	<u>324</u>

10.2 Reconciliation of carrying amount	Carrying amount			Depreciation/	Carrying amount
	01.07.19	Additions	Disposals	Amortisation/	30.06.20
	\$'000	\$'000	\$'000	\$'000	\$'000
Computing and office equipment	159	9	-	76	92
Laptop computer equipment	155	221	-	136	240
Right of use plant and equipment	-	*87	1	36	50
Leasehold improvements	-	-	-	-	-
Computer software	10	-	-	4	6
Total computing and office facilities	<u>324</u>	<u>317</u>	<u>1</u>	<u>252</u>	<u>388</u>

*Includes \$47,000 for existing leases at 30 June 2019 recognised as Right of use assets on initial adoption of AASB 16 *Leases*.

Computing and office facilities are held at fair value as required by the Accounting Policy Statements. We use cost less accumulated depreciation to determine fair value. Intangible assets are held at cost less accumulated amortisation. We only capitalise items greater than \$2000. There are no indications of impairment of our assets.

We depreciate/amortise all assets over three years except laptops which we depreciate over two years. Depreciation and amortisation is on a straight-line basis. All computing and office facilities are classified as level 3 as a key input is management's assessment of the useful life and condition.

The department has motor vehicle leases with the South Australian Government Financing Authority (SAFA), through their agent LeasePlan Australia. Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Lease terms are three years (60 000 km). The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period and are reviewed annually. No contingent rental provision exist with the lease agreements and no options exist to renew the leases at the end of their term.

11. Payables	2020	2019
Current:	\$'000	\$'000
Employee on-costs	381	324
Creditors	60	150
Accrued expenses	50	(1)
Paid Parental Leave Scheme payable	-	16
Total current	491	489
Non-current:		
Employee on-costs	392	395
Total non-current	392	395
Total payables	883	884

Employment on-costs

Include payroll tax and superannuation contributions. Superannuation contributions are paid to the South Australian Superannuation Board. The Department does not have any liability for payments to beneficiaries as these have been assumed by the respective superannuation schemes. The superannuation liabilities reported reflect amounts to be paid to the South Australian Superannuation Board.

Other payables

Payables are normally settled within 30 days from the date of the invoice or date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables approximates fair value.

12. Commitments**Expenditure Commitments****Office accommodation**

The department has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memorandum of Administrative Arrangement (MoAA) issued in accordance with government-wide accommodation policies. The tenancy term expired on 30 June 2020, but in accordance with the agreement the arrangement is to continue on a month to month basis.

In 2018-19 the department had an operating lease commitment of \$580 000 for office accommodation and \$45 000 for fleet vehicles.

Other contractual commitments

At the reporting date the Department had the following obligations under non-cancellable contracts for audit services (these obligations have not been recognised as liabilities):	2020	2019
	\$'000	\$'000
Not later than one year	1 344	930
Later than one year but not later than five years	1 210	336
Total contractual commitments as lessee	2 554	1 266

13. Significant accounting policies**(a) Basis of preparation**

The financial statements are general purpose financial statements, prepared in line with applicable Australian Accounting Standards – Reduced Disclosure Requirements, and Treasurer’s Instructions (Accounting Policy Statements) issued under the PFAA. The Accounting Policy Statements require certain disclosures in addition to Australian Accounting Standards.

We have not early-adopted any Australian Accounting Standards or Australian interpretations issued by the Australian Accounting Standards Board.

The Department is a not-for-profit entity for financial reporting purposes.

The historical cost convention is used, unless otherwise stated. This means that assets are recorded at their initial cost and liabilities are valued at the amount initially received in exchange for the obligation.

The administered financial statements have been prepared applying the same accounting policies as for items controlled by the Auditor-General’s Department.

(b) Taxation

The Department is liable for payroll tax, fringe benefits tax and goods and services tax (GST) but not income tax. Income, expenses and assets are recognised net of the amount of GST except:

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

Operating cash flows in the Statement of Cash Flows include GST. The GST on investing and financing cash flows are included as operating cash flows.

(c) **Appropriation and Contingency Provision**

We are funded by Parliamentary appropriations, paid into a special deposit account titled 'Auditor-General's Department Operating Account'. We are also appropriated for some expenses that will not require a cash payment, such as depreciation. Some appropriations are deposited into a special deposit account at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. Although we control this money, its use must be separately approved by the Treasurer. We do not earn interest on either of these special deposit accounts.

The appropriation for special acts reported in the administered financial statements relates to recoveries from the SA Government for the Auditor-General's salary.

Other significant accounting policies are described under related notes.

14. Changes in accounting policy

AASB 16 Leases

Applying AASB16 *Leases* results in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position. Under the former standard AASB117 *Leases*, operating lease payments were recognised as an expense under supplies and services. AASB 16 replaces this with depreciation expenses that represent the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

The department has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memorandum of Administrative Arrangement (MoAA) issued in line with government-wide accommodation policies.

The MoAA does not meet the definition of a lease set out either in AASB 16 or in the former standard AASB 117 *Leases*. In 2018-19 the department disclosed office accommodation as an operating lease commitment. This is now disclosed as an expenditure commitment, refer Note 12 – Commitments.

For fleet vehicles, a right-of-use asset and lease liability has been recognised on the balance sheet on the implementation of AASB 16 and leased vehicles will no longer be disclosed as an operating lease commitment.

In 2018-19 an operating lease commitment of \$625 000 was disclosed in note 12 for office accommodation (\$580 000) and fleet vehicles (\$45 000).

Presentation of the Financial Statements

The Treasurer's Instructions (Accounting Policy Statements) have removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the department.

15. Financial instruments

	Carrying amount	
	2020	2019
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	7 307	6 585
Receivables*	-	5
Financial liabilities		
Payables	109	149

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

16. Budgetary reporting and explanations of major variances

The following provides details of the 2019-20 original budget, actual amounts and the associated variances. No explanations are provided as the variances do not exceed the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

Statement of Comprehensive Income	Original budget	Actual	Variance
Expenses:	\$'000	\$'000	\$'000
Employee expenses	13 853	14 000	147
Supplies and services:			
Contractors	1 805	1 394	(411)
Office accommodation and service costs	787	721	(66)
Consultancies	152	380	228
Other supplies and services	1 195	1 074	(121)
Depreciation and amortisation	225	252	27
Total expenses	<u>18 017</u>	<u>17 821</u>	<u>(196)</u>
Income:			
Appropriations and contingency provision grant	18 018	18 161	143
Services received free of charge	-	63	63
Other income	1	1	-
Total income	<u>18 019</u>	<u>18 225</u>	<u>206</u>
Net result and total comprehensive result	<u>2</u>	<u>404</u>	<u>402</u>
Investing expenditure summary:			
Minor capital works and equipment	233	230	(3)
Total annual programs	<u>233</u>	<u>230</u>	<u>(3)</u>

The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2019-20 Budget Paper 4) and the amounts have not been adjusted to reflect revised budgets. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2020**

	2020	2019
	\$'000	\$'000
Expenses:		
Employee expenses	360	343
Audit fees paid/payable to Consolidated Account	15 726	15 170
Total expenses	<u>16 086</u>	<u>15 513</u>
Income:		
Fees for audit services	15 726	15 170
Appropriation – Special Acts	335	331
Total income	<u>16 061</u>	<u>15 501</u>
Net result	<u>(25)</u>	<u>(12)</u>
Total comprehensive result	<u>(25)</u>	<u>(12)</u>

**Statement of Administered Financial Position
as at 30 June 2020**

	Note	2020	2019
		\$'000	\$'000
Current assets:			
Cash and cash equivalents		250	246
Receivables	A1	444	127
Total assets		<u>694</u>	<u>373</u>
Current liabilities:			
Employee benefits		69	55
Audit fees payable to Consolidated Account		403	115
Goods and services tax payable		116	84
Total current liabilities		<u>588</u>	<u>254</u>
Non-current liabilities:			
Employee benefits – long service leave		373	361
Total non-current liabilities		<u>373</u>	<u>361</u>
Total liabilities		<u>961</u>	<u>615</u>
Net assets		<u>(267)</u>	<u>(242)</u>
Equity:			
Retained earnings		(267)	(242)
Total equity		<u>(267)</u>	<u>(242)</u>

**Statement of Administered Cash Flows
for the year ended 30 June 2020**

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities:			
Cash outflows:			
Employee expenses		(335)	(332)
Amounts paid to Consolidated Account		(15 438)	(15 364)
Goods and services tax paid to Australian Taxation Office		(1 540)	(1 526)
Cash inflows:			
Fees for audit services	A1	16 982	16 900
Cash flows from SA Government:			
Appropriations – Special Acts		335	331
Net cash provided by (used in) operating activities		<u>4</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents		<u>4</u>	<u>9</u>
Cash and cash equivalents at 1 July		<u>246</u>	<u>237</u>
Cash and cash equivalents at 30 June		<u><u>250</u></u>	<u><u>246</u></u>

Notes to and forming part of the administered financial statements

A1. Receivables	2020	2019
	\$'000	\$'000
Fees outstanding at 1 July	127	340
Billings	17 299	16 687
	<u>17 426</u>	<u>17 027</u>
Receipts	16 982	16 900
Fees outstanding at 30 June	<u>444</u>	<u>127</u>

In addition, at 30 June, the value of audit work in progress was \$8.49 million (\$7.6 million). We are of the opinion that this amount is recoverable.

A2. Budgetary reporting and explanations of major variances

The following provides details of the 2019-20 original budget, actual amounts and the associated variances. No explanations are provided as the variances do not exceed the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

Statement of Comprehensive Income	Original Budget	Actual	Variance
	\$'000	\$'000	\$'000
Expenses:			
Employee expenses	351	360	9
Amounts paid/payable to Consolidated Account	15 838	15 726	(112)
Total expenses	<u>16 189</u>	<u>16 086</u>	<u>(103)</u>
Income:			
Fees for audit services	15 838	15 726	(112)
Appropriation – Special Acts	339	335	(4)
Total income	<u>16 177</u>	<u>16 061</u>	<u>(116)</u>
Net result and total comprehensive result	<u>(12)</u>	<u>(25)</u>	<u>(13)</u>

The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2019-20 Budget Paper 4) and the amounts have not been adjusted to reflect revised budgets. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

Certification of the Financial Report

We certify that the:

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



Andrew Richardson
Auditor-General

10 September 2020



Megan Stint
Manager, Finance

10 September 2020



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AUSTRALIA

**INDEPENDENT AUDITOR'S REPORT
TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT FOR THE AUDITOR-
GENERAL'S DEPARTMENT**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Auditor-General's Department (the Department), which comprises the statement of financial position and statement of administered financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, the statement of administered comprehensive income and the statement of administered cash flow for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the Certification of the Financial Report.

In our opinion the accompanying financial report of the Auditor-General's Department, is in accordance with the *Public Finance and Audit Act 1987*, including:

- (i) the financial report presents fairly, in all material respects, the financial position of the Department as at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 10987* and the Australian Accounting Standards - Reduced Disclosure Requirements
- (ii) the financial report also complies with the accounts and records of the Department

We have obtained all of the information and explanations required from the Department.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other matter

The financial report of the Department, for the year ended 30 June 2019 was audited by another auditor who expressed an unmodified opinion on that report on 12 September 2019.



Auditor General's responsibility for the financial report

The Auditor General is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the *Public Finance and Audit Act 1987* and the Australian Accounting Standards - Reduced Disclosure Requirements and for such internal control as the Auditor-General determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Auditor-General is responsible for assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

A handwritten version of the BDO logo in blue ink, with the letters 'BDO' in a stylized, cursive font.

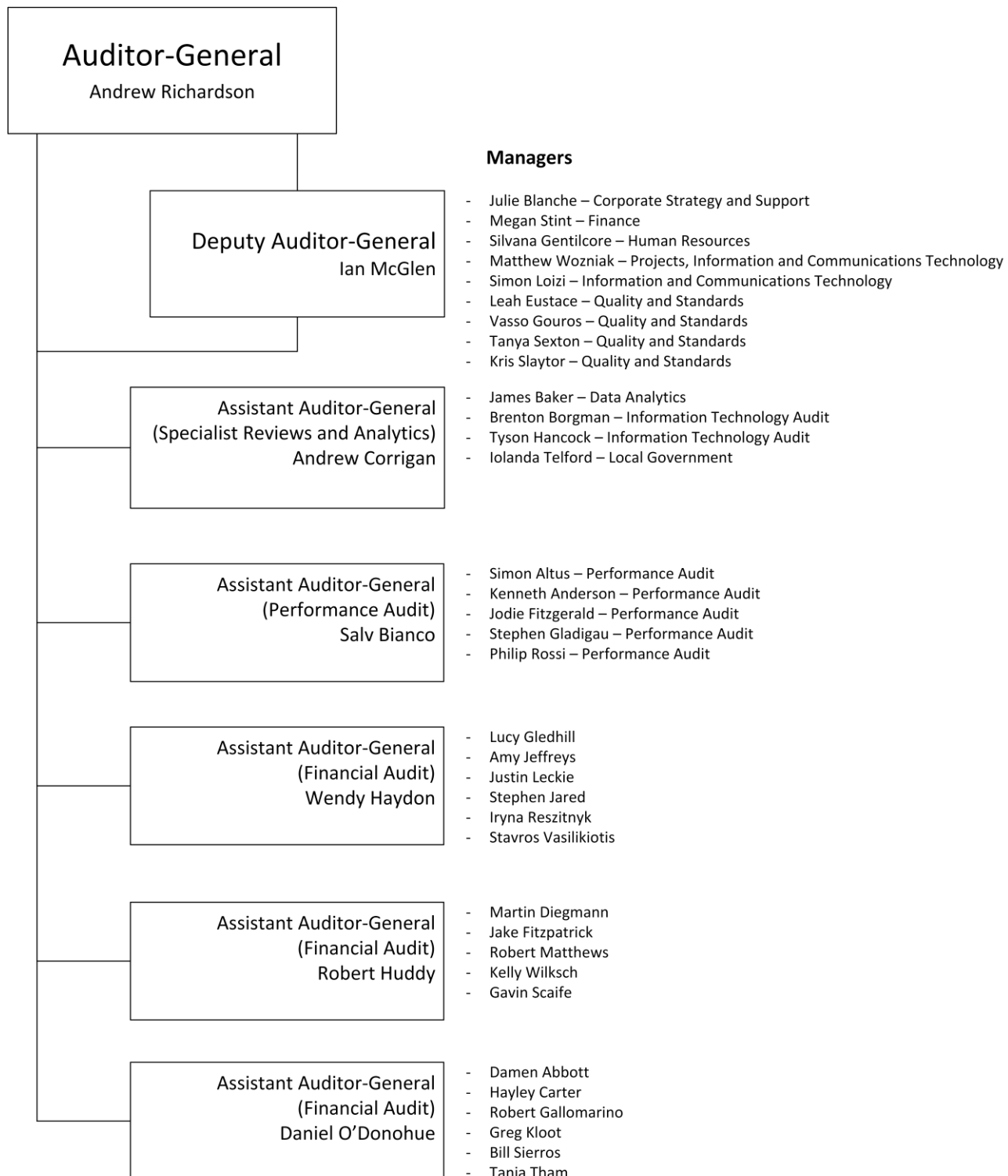
BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Andrew Tickle'.

Andrew Tickle
Director

Adelaide, 10 September 2020

Our organisation structure



Our workforce profile

The Department has an approved staffing establishment of 124.2 full-time equivalents (FTEs) including the Auditor-General. On 30 June 2020 we employed 135 people (compared with 134 last year). The average employee FTE level for 2019-20 was 128.9 (compared with 125.2 last year).

The following tables profile our workforce.

Gender

Employees by gender (as at 30 June 2020)

	People	FTEs
Female %	49.6	47.1
Male %	50.4	52.9

Age profile

Employees by age (as at 30 June 2020)

Age brackets	Number of employees	% of workforce
15-19	0	0
20-24	8	5.9
25-29	29	21
30-34	21	16
35-39	17	13
40-44	17	13
45-49	7	5
50-54	16	12
55-59	13	10
60-64	6	4
65+	1	1
Total	135	100

Disability

Employees who have a declared disability (as at 30 June 2020)

Number of employees	2
% of workforce	1.5

Aboriginal and Torres Strait Islander

Aboriginal and Torres Strait Islander employees (as at 30 June 2020)

Number of employees	2
% of workforce	1.5

Cultural and linguistic diversity

Employees who have cultural and linguistic diversity (as at 30 June 2020)

	Number of employees	% of workforce
Born overseas	37	27.4
Speak a language/s other than English	43	31.9

Part-time work

Employees who work on a part-time basis (as at 30 June 2020)

Number of employees	25
% of workforce	18.5

Executive employment

Executive employment over the past five years

Classification level	2015-16	2016-17	2017-18	2018-19	2019-20
CEO	1	1	1	1	1
SAES Level 1	5	5	6	6	6
Exec B	1	1	0	0	0
Total	7	7	7	7	7

Graduate employment

Number	2015-16	2016-17	2017-18	2018-19	2019-20
	9	12	15	11	7

Employee turnover

	2015-16	2016-17	2017-18	2018-19	2019-20
	9%	9%	8%	12%	6%

Further workforce information is available from the Office for the Public Sector at the following link: <https://www.publicsector.sa.gov.au/about/Our-Work/Reporting/Workforce-Information>

Specific disclosures

Financial performance

Financial performance for the three years to 30 June 2020				
	Budget	Actual		
	2019-20 \$'000	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000
Net cost of providing services	18 016	17 757	17 518	16 828
Total audit fees raised	15 838	15 726	15 170	14 847
Total assets	6 307	7 819	7 054	5 980
Total liabilities	5 984	6 996	6 635	5 661

Consultants

Consultants are sometimes used to provide expert advice on matters associated with an audit, special investigation or a particular aspect of the Department's operations. The following is a summary of external consultants that were engaged, the nature of work undertaken and the total cost. Consultancy expenses were \$380 000 in 2019-20 (\$279 000 in 2018-19).

Consultancies in 2018-19	Number	\$'000
Under \$10 000	4	16
\$10 000 - \$50 000	5	143
Above \$50 000:	3	221
Lipman Karas – <i>Legal services</i>		57
Ernst and Young – <i>Actuarial services</i>		81
KPMG – <i>Actuarial services</i>		83
Total	12	380

Fraud management

We aim for a workplace that is free of fraud, and internal controls are in place to either prevent or detect it. Staff are bound by the Employee Conduct Standards of the *Public Sector Act 2009* and the Code of Ethics for the South Australian public sector. We have policies on ethical conduct in the workplace and our fraud management policy aligns with the South Australian public sector fraud and corruption control policy. We are not aware of any actual, suspected or alleged fraudulent activity affecting the Department in 2019-20.

Public Disclosure Act 2018

We have nominated responsible officers to receive and action disclosures under the *Public Disclosure Act 2018*. All complaints under this Act are investigated in line with the Department's policy.

All instances of disclosure of public interest information to a responsible officer of the Department under the *Public Disclosure Act 2018* were either referred to the appropriate agency or reviewed as part of the audit process.