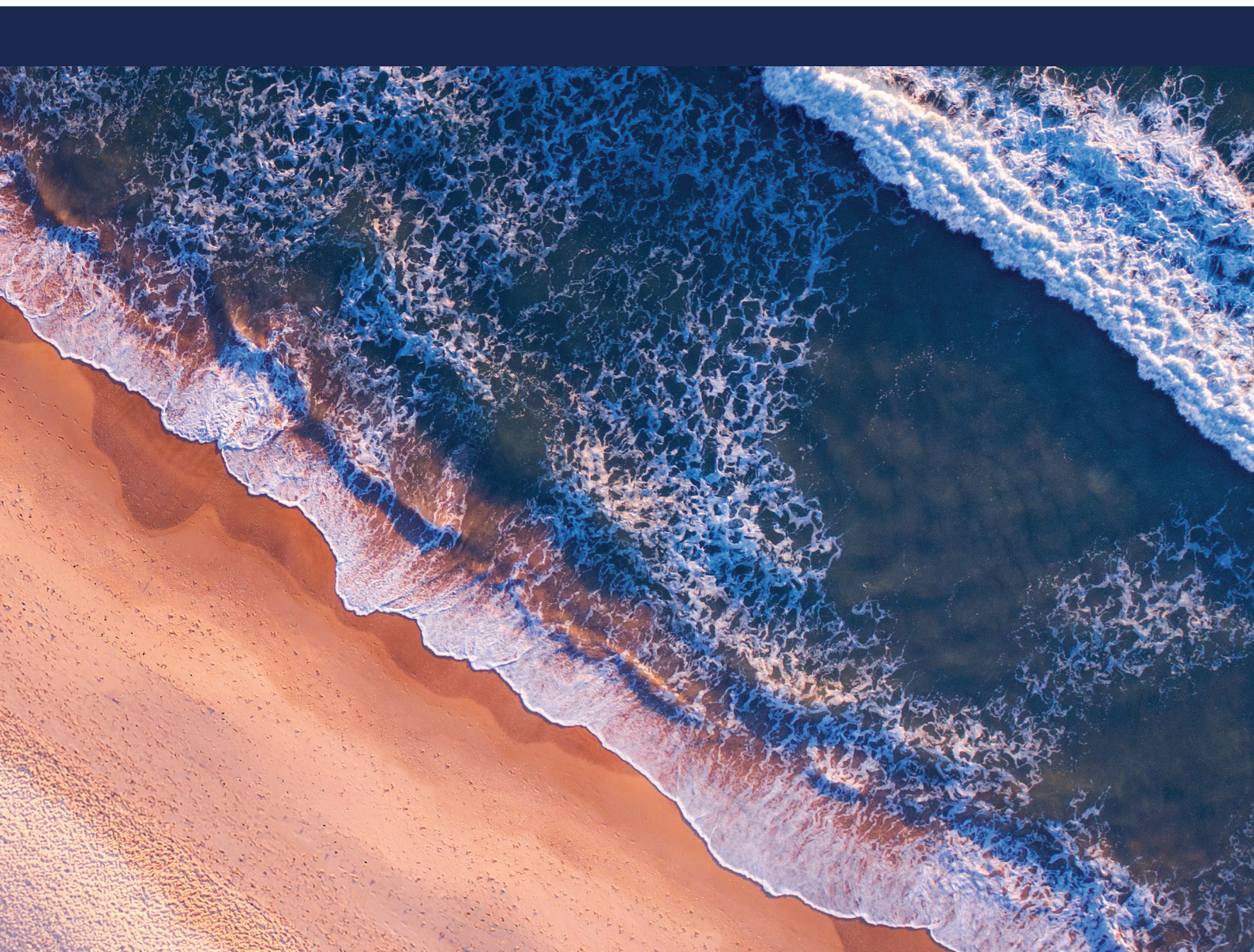


Auditor-General's Report 7 of 2026

Annual report

for the year ended 30 June 2026

Part A: Executive summary



Auditor-General's Report 7 of 2026

Annual report

for the year ended 30 June 2026

Part A: Executive summary

Tabled in the House of Assembly and ordered to be published, 13 October 2026

First Session, Fifty-Sixth Parliament

By authority: T. Foresto, Government Printer, South Australia

*The Audit Office of South Australia acknowledges and respects
Aboriginal people as the State's first people and nations, and
recognises Aboriginal people as traditional owners and occupants
of South Australian land and waters.*



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30 September 2026

President
Legislative Council
Parliament House
ADELAIDE SA 5000

Speaker
House of Assembly
Parliament House
ADELAIDE SA 5000

Dear President and Speaker

Auditor-General's Report 7 of 2026 *Annual report for the year ended 30 June 2026*

Under the *Public Finance and Audit Act 1987* (PFAA), I present to you my 2026 annual report. This report is in three parts – Part A, Part B and Part C.

Part A: Executive summary contains this letter of transmittal, which provides the opinions I am required to give under section 36 of the PFAA and identifies any examinations I have performed under section 32. It also summarises the key matters that should, in my opinion, be brought to the attention of the Parliament and the SA Government from our 2025-26 audits of public sector agencies. This includes significant financial outcomes, events and control matters communicated to agencies.

Part B: Controls opinion reports the outcomes from our 2025-26 controls work and explains our approach to this work.

Part C: Agency audit outcomes is a summary of the 2025-26 audit outcomes for each agency included in this report. It has more detailed commentary on many of the matters in Parts A and B.

Audited financial statements of all public authorities

The PFAA requires me to publish on a website the audited financial statements of all public authorities. This is a significant accountability measure that ensures they will all be available centrally. The PFAA also allows me to publish other documents on that website, including the financial statements of agencies that are not public authorities.

Under section 36(1)(4) of the PFAA, I will publish the financial statements of the agencies listed in the Annexure to Part C of this report on the Audit Office of South Australia's website (www.audit.sa.gov.au) as their audits are completed.

Agency financial reports not included in this report

Not every public sector agency I am required to audit is included in this report. I reported on seven agencies in Report 4 of 2026 *Agency audit outcomes* for more timely reporting on their activities. Some audits are ongoing at the time of preparing this report, and some I have used my discretion to exclude. I give priority to areas I assess as important enough to be published in this main report.

To maintain accountability for their activities, I prepare another report to Parliament annually that summarises the audit outcomes for the agencies not included in this annual report, with a particular focus on agencies with:

- a modified Independent Auditor's Report
- significant matters raised through the audit
- other matters that, in my opinion, need to be brought to the attention of the Parliament and the SA Government.

We expect to complete this update to the annual report early in 2027.

In addition, as noted above, all financial reports of the entities we audit are published on the Audit Office of South Australia's website.

Auditor-General's opinions

Section 36(1)(a) of the PFAA sets out three opinions I must state in my annual report. I deal with each of them in this section.

In my opinion, the Treasurer's statements reflect the financial transactions of the Treasurer as shown in the accounts and records of the Treasurer for the preceding financial year.

The Treasurer's statements for the year ended 30 June 2026 will be published on the Audit Office of South Australia's website after this report is tabled in Parliament.

In my opinion, the financial statements of each public authority reflect the financial position of the authority at the end of the preceding financial year and the results of its operations and cash flows for that financial year.

I give this opinion for each of the public sector agencies included in this report.

Without modifying my opinion on the financial reports of the Lifetime Support Authority of South Australia and the Return to Work Corporation of South Australia, I drew attention to the inherent uncertainty in certain liabilities reported for those entities at 30 June 2026.

In all cases where a modified opinion is given, or I draw attention to something like an inherent uncertainty, the Independent Auditor's Report explains my reason(s). This is also explained in the commentary on each of those agencies in Part C of this report.

In my opinion, the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.

Part B reports our approach to the controls opinion and the outcomes from this work. Part C explains any controls opinion findings made at individual agencies.

We identified issues and common themes, some that were significant or recurring. However, we did not find any systemic weaknesses in the controls across the SA Government, so my opinion is unmodified.

Section 31 examinations

Section 36(1)(b) of the PFAA requires me to report on any section 31 examinations completed during the year and briefly describe the outcome. In 2025-26, we reviewed how the Eastern Health Authority and the City of Tea Tree Gully maintain effective regulatory and other activities that enable food businesses to provide safe and suitable food to the community.

The Eastern Health Authority and the City of Tea Tree Gully had a range of effective food safety management activities that enable food businesses to provide safe and suitable food to the community. Key activities included conducting systematic, risk based inspections and audits of food businesses, and performing comprehensive and timely complaint investigations. We identified some areas where the Eastern Health Authority and the City of Tea Tree Gully needed to improve the effectiveness of their governance arrangements, such as evaluating and reporting on their performance against set performance indicators.

We reported on it in Report 2 of 2026 *Managing food safety in council areas* (published on 19 May 2026).

Acknowledgments

I acknowledge and thank my executive and staff for their dedication, professionalism and commitment during what has been a challenging year. Their efforts have enabled us to fulfil our responsibilities in 2025-26 and are reflected in the timely delivery and high quality of this annual report and our other reports to Parliament.

I also acknowledge the valuable contribution of the contractors who supported this year's audit program, and I thank all public sector agencies for their cooperation during the year. I extend my appreciation to the staff of Government Publishing SA for their assistance in producing this report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Blaskett', with a stylized flourish at the end.

Andrew Blaskett
Auditor-General

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1 Introduction

This annual report presents the results from the main part of our 2025-26 audits. It meets the Auditor-General's annual reporting requirement in the *Public Finance and Audit Act 1987* (PFAA). Part A is the overview of our 2025-26 work and emerging issues of interest. It covers:

- the key matters from our work (Chapter 2)
- the outcomes of our reviews of government assistance programs and major projects (Chapter 3)
- an update on the status of a number of projects we have previously reported on (Chapter 4)
- the key insights from our controls opinion and extended controls work (Chapter 5)
- other matters of public interest (Chapter 6).

Part B reports on the approach and outcomes for our controls opinion work, and we report on individual agency audits in Part C.

2 Key matters

2.1 SA Government employees working in multiple roles for multiple agencies

Some SA Government employees legitimately work for multiple SA Government agencies. This is common, for example, where medical staff work for multiple local health networks (LHNs).

We became aware through our routine audit work, however, that there were also staff working concurrently for multiple SA Government agencies in different roles that were not necessarily related. To understand the extent of this, we analysed CHRIS21 payroll data to identify staff (other than casuals) working in ongoing full-time or part-time roles for multiple agencies.

2.1.1 We found about 140 staff working more than the equivalent of a full-time position across multiple concurrent roles

Our analysis of CHRIS21 data identified around 450 employees who appeared to hold concurrent roles with multiple SA Government agencies. About 140 of them appeared to be working more than a full-time equivalent work load across their concurrent employment arrangements. This included instances where it appeared employees:

- had three active employee numbers and associated roles
- were concurrently working for up to three agencies
- worked up to the equivalent of the hours associated with two full-time roles, when combining the hours for their multiple positions.

We selected a small sample of these 140 employees and confirmed that they were paid for multiple roles in the same pay period. All of their payroll arrangements were supported by employment contracts, timesheets and leave records.

We did not assess whether the concurrent employment arrangements were justified, appropriately approved, complied with relevant policies or suitable having regard to employee workload and wellbeing.

2.1.2 There are risks if employees work excessive hours, and current systems don't help agencies to manage this area

There are circumstances where employees can safely work in multiple roles for multiple agencies. They might hold a part-time position with one agency in a regional town and have a second part-time role with another agency, for example. There are, however, risks if employees have multiple roles and agencies are not aware of the total number of hours their employees are working.

Where staff are working in multiple roles, public sector rules require them to advise their agency of their other employment arrangements. This exists for a number of reasons, including managing conflicts of interest and the need to be aware of the total number of hours staff are working so that work health and safety risks can be identified and managed.

If an agency is not aware that their employee is also working in another role, there may be increased safety risks such as fatigue. An agency that is not aware of the risks cannot effectively manage them.

Existing payroll controls and systems do not help agencies to easily identify and manage risks in this area. SA Government employees do not have a single, unique, identifier for all of their roles within the SA Government. If all roles were linked to a single employee number, it would be easier to identify, report on and monitor employees working in multiple concurrent roles. We note, however, that access to employee records is restricted across agencies.

At present, agencies rely on employee declarations about other employment arrangements to manage this risk. If an employee does not disclose information about their other employment, there is no direct control or process that would bring the existence of multiple employment arrangements to an agency's attention.

2.1.3 The data we analysed includes many employees, but many others are paid through different systems

We only analysed CHRIS21 payroll data that was immediately available to us. This covers the staff paid through CHRIS21 across many public sector agencies, but not all of them.

We did not include employees of the Department for Education in our analysis as they are paid through a separate payroll system. The Department for Education employs around 26,000 FTEs. Other public sector employees paid through other payroll systems at agencies such as the South Australian Water Corporation (SA Water) and the Courts Administration Authority were also not included.

This means that there may be more employees working in multiple roles for multiple agencies than the ones we identified.

2.1.4 The Department of Treasury and Finance will analyse more data

We initially raised what we found with Shared Services SA (SSSA), the part of the Department of Treasury and Finance (DTF) responsible for paying staff through the CHRIS21 payroll system. SSSA advised us that individual agencies have the primary responsibility for managing employment arrangements and should have controls to manage the associated risks, such as employment declarations about other employment arrangements.

While we agree that agencies have the primary responsibility, we also noted that they do not have access to any data, other than what an employee may share, to help them identify staff performing multiple concurrent roles at different agencies.

SSSA advised us that it is working to strengthen this oversight through better cross-agency reporting, policy review and consideration of a whole-of-life employee identifier to improve visibility of concurrent employment arrangements across the public sector. SSSA noted, however, that it would take up to 18 months to deliver these changes.

SSSA has also engaged with the Office of the Commissioner for Public Sector Employment (OCPSE) to:

- use OCPSE's public sector data warehouse to develop reporting to identify employees engaged concurrently for more than one FTE worth of hours across two or more agencies
- review the existing policy framework and agency guidance to reduce the risk of employees being engaged at more than one FTE.

We will consider the outcomes of SSSA's analysis of OCPSE data in our 2026-27 audit.

2.2 North Adelaide Public Golf Course redevelopment

2.2.1 Background to the project

The North Adelaide Public Golf Course (NAPGC) redevelopment project is an SA Government initiative being managed and delivered by the Department of the Premier and Cabinet (DPC). The project aims to redevelop the existing North Adelaide public golf course to deliver an 18-hole championship course, driving range, practice facilities and associated infrastructure within the Adelaide Park Lands. The intent is to be able to host significant golf tournaments, including the Australian Men's and Women's Opens and the LIV Golf 2028 event, and provide broader community, sporting and economic benefits.

In July 2025, the South Australian Parliament passed the *North Adelaide Public Golf Course Act 2025* (NAPGC Act), which established the legislative framework for redeveloping the golf course and operating it in future. The NAPGC Act transferred control of the project site from the Adelaide City Council to the SA Government by vesting the land in the designated Minister and assigning responsibility for its care, control, management and use for redevelopment purposes.

The redevelopment has proceeded under a staged delivery model so that work could start on designing and delivering the golf course required for the LIV Golf 2028 event while the detailed business case, operational modelling, project scope and cost estimates for the future stages of the project were developed. In December 2025, the SA Government approved a \$45 million budget for Stage 1 works. DPC advised us that the detailed business and operating model will be submitted to Cabinet as part of the Stage 2 approval process, which had not occurred at the time of our review in August 2026.

Government agencies are generally required to comply with applicable Treasurer's Instructions, Premier and Cabinet Circulars and other whole-of-government requirements when planning and delivering major public sector projects. For the NAPGC redevelopment,

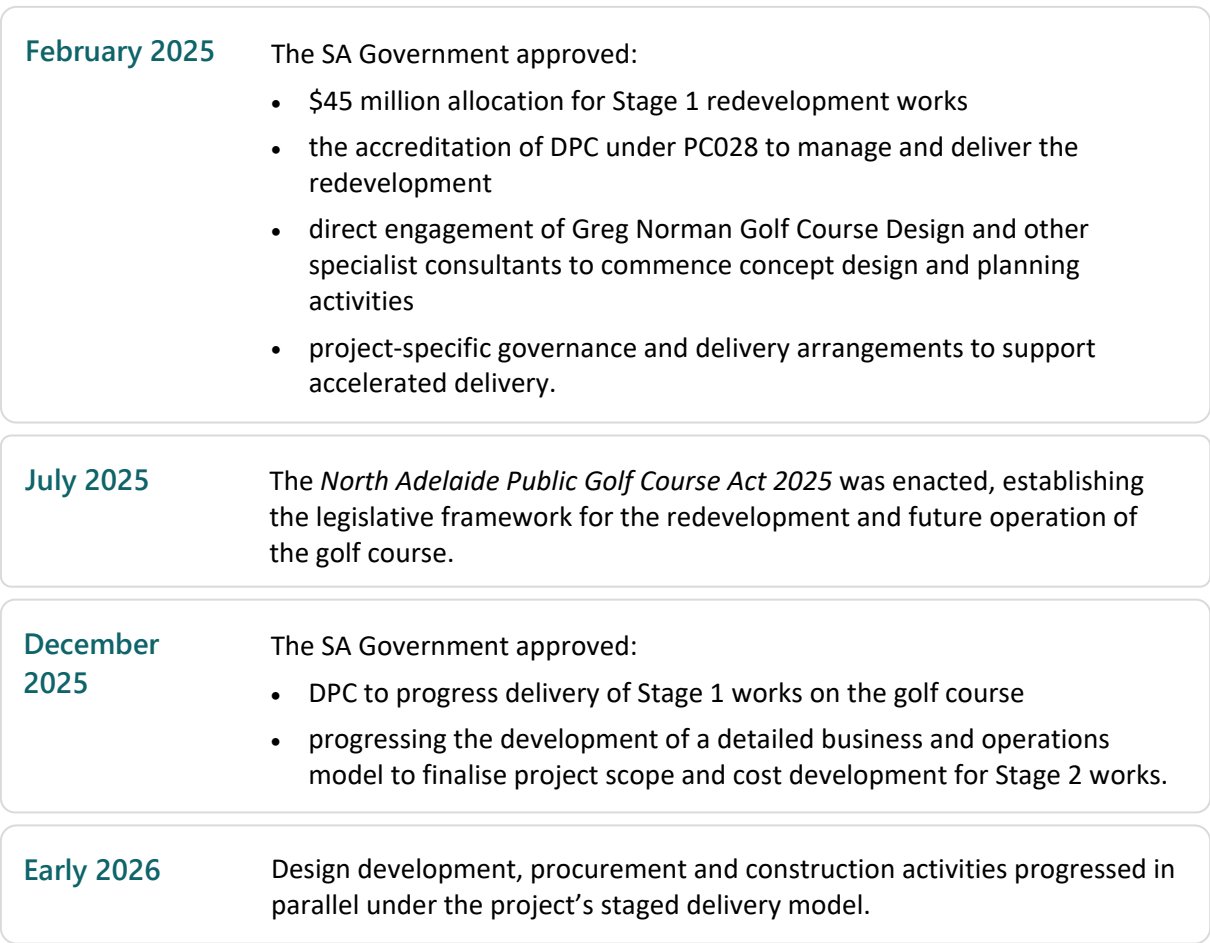
the SA Government approved project-specific governance and delivery arrangements that changed some of the usual requirements. This included accrediting DPC under Premier and Cabinet Circular PC028 *Construction Procurement Policy Project Implementation Process* to manage and deliver the redevelopment and exempting the project from some Industry Participation Policy requirements.

The NAPGC Act also modifies some approval, consent and procedural requirements that would otherwise apply under other State laws in relation to the redevelopment project. This includes removing the requirement to refer the project to the Public Works Committee.

Although these revised arrangements were approved by the SA Government to increase the pace of the redevelopment and meet project time frames, they also increase project risks and place greater reliance on governance, oversight and project management mechanisms. To assist in managing these risks, DPC established a project governance structure, project delivery model and a project management plan to guide the redevelopment.

Figure 2.1 provides a timeline of key events in the NAPGC redevelopment project.

Figure 2.1: Timeline of key events in the NAPGC redevelopment project



April 2026

The project site vested in the Minister for Recreation, Sport and Racing under the *North Adelaide Public Golf Course Act 2025*, transferring responsibility for the ownership, care, control and management of the land from the Adelaide City Council to the SA Government.

Stage 1 works started.

An Early Works Agreement was used to start construction activities.

July 2026

Principal construction contract was executed.

Delivery of Stage 1 works continued.

Detailed business and operations model and Stage 2 planning activities progressed.

2.2.2 Procurement approach

In line with the SA Government approval, DPC undertook a direct procurement approach for the initial phase of the NAPGC redevelopment project, telling us this approach was in response to a compressed delivery time frame. The SA Government approved the direct engagement of professional services consultant Greg Norman Golf Course Design (GNGCD) and other consultants to provide specialist advice and concept designs, to meet the target completion date for the LIV Golf 2028 event. In total DPC engaged 14 specialist consultants under standard contracts, each valued at \$55,000. Under DPC's procurement policy, these engagements did not require acquisition plans and purchase recommendations because they were not over \$55,000.

DPC extended the initial project phase in order, it advised, to provide more time to finalise the design, with a focus on minimising the impact on the existing trees, while maintaining progress. DPC advised the SA Government that retaining the same specialist consultants through the extended design phase would provide continuity and help manage delivery risks associated with the project. This resulted in a number of contract variations and extensions to the original consultant engagements, including adding substantial additional services that significantly increased the value of some contracts beyond their initial values.

When the initial contracts expired, DPC entered into 11 new contracts with the original consultants, each one this time valued at over \$55,000. While these extensions were in line with the SA Government approval and approved by appropriate delegates, DPC did not prepare the acquisition plans and purchase recommendations that are required by its procurement policy. There is therefore less assurance that the scrutiny, documentation and challenge ordinarily applied to DPC's procurement processes were applied to these engagements. DPC advised us that it considered these extensions to the existing service arrangements were not new acquisitions, and that informed its approach.

DPC used an Early Works Agreement, including two subsequent extensions, to start construction activities while negotiating the terms of the principal construction contract, which was executed about 11 weeks later.

In line with SA Government approvals, DPC prioritised timely project delivery through the direct engagement of consultants and subsequent contract variations to address project requirements. DPC advised us that it selected the consultants for 'their expertise, capability, capacity and experience'. DPC also advised that the consultants used had 'unique' experience necessary for the project.

We note that this approach limited the opportunity to obtain the benefits of competitive procurement, including market testing, competitive tension and stronger evidence of value for money. Under a direct negotiation approach, value for money relies more on management's assessment and negotiation of supplier proposals than on comparison with competing market offers. DPC engaged cost consultants to review proposed fees and support supplier negotiations. While the cost reviews provided some assurance over the reasonableness of the proposed costs, they could not fully replicate the benefits of a competitive procurement process, where suppliers compete on price, service delivery and commercial terms.

DPC undertook a more comprehensive procurement process for the ongoing golf course design and construction works after the initial planning and concept phase. Although it was a direct negotiation with GNGCD for design works and their nominated Australian delivery partner, Atlas Golf Services (Atlas), for construction works, the process was more structured and complied with key policy requirements, including preparing an acquisition plan, evaluation plan and purchase recommendation. DPC advised us that, despite its exemption from the industry participation requirements for GNGCD and Atlas, it consulted with the Office of the Industry Advocate, GNGCD and Atlas to support local industry participation and maximise opportunities for South Australian businesses where possible.

2.2.3 Our review of the project in 2025-26

We reviewed the governance and delivery arrangements supporting the NAPGC redevelopment project. We considered project approvals, compliance with relevant government requirements, procurement activities and the arrangements established to support delivery of the project within the specified time frame.

The redevelopment has the characteristics of a public sector initiative, as it involves the significant redevelopment of a public asset, substantial expenditure of public resources and the achievement of strategic and community outcomes. There is therefore a risk that significant public sector investment decisions were made without the required analysis of costs, benefits, risks and value for money, reducing transparency and accountability and increasing the risk of inefficient use of public resources.

As part of our review, we considered whether the requirements of Treasurer's Instruction 17 *Public Sector Initiatives* (TI 17) had been followed for Stage 1 of this project. We were unable to conclude whether they had been met as DPC advised us that documentation about these requirements was contained in a Cabinet Submission for the project. While we have been provided with evidence of Cabinet approvals for this project, we have not been provided the full discussion of TI 17 requirements. We will request that information and make that assessment as part of our 2026-27 audit.

DPC has advised us that it considers the information provided to Cabinet to support the approvals was appropriate for the scope of the Stage 1 works.

DPC also advised us that a detailed business and operating model, including further assessment of project costs, benefits and operating arrangements, is being developed to support the SA Government's consideration of Stage 2. DPC advised that it adopted a staged delivery approach due to the compressed delivery time frame to host the LIV Golf 2028 event, which required works to begin while the full project scope and budget were still under consideration.

We reviewed a sample of three procurements and found they were consistent with the approved procurement strategy for the project. However, we found that DPC did not formally execute a major design services contract until after work had started, reducing assurance that contractual arrangements for services already performed had been agreed by all parties. DPC advised that all parties had agreed to this approach and this mitigated this risk.

In addition, DPC did not retain sufficient evidence of its value-for-money assessments for key supplier engagements for its initial planning and design contracts and extensions (originally contracted for less than \$55,000), limiting its ability to demonstrate how procurement decisions and pricing arrangements were evaluated and justified. While this did not adversely affect project delivery outcomes, it reduced the evidence that all aspects of DPC's procurement framework had been consistently applied.

DPC did undertake and retain value-for-money assessment for later, more significant, contracts.

These matters were raised with DPC management.

DPC provided the following response:

In the case of the North Adelaide Public Golf Course Redevelopment (NAPGC), this project was initiated as a policy of the Government to achieve particular objectives and approved by Cabinet before it proceeded. The Cabinet submission prepared on behalf of the Premier of South Australia contained the necessary justification, setting out the implications of the project with respect to financial performance and the State Budget. The evaluation principles that were applied and documented in the Cabinet submission were appropriate for this project. Having regard to the estimated cost, magnitude and sensitivity of this project, sufficient scope and details were included to enable Cabinet to make a decision to proceed on an informed basis. Cabinet was also sufficiently informed where further scope and details would be developed, and the strategy to inform and justify future decision making.

The project met the requirements of TI 17 at the time of inception and continues to progress in accordance with all statutory requirements. Notwithstanding the contract is in the process of being updated, the requirement to evidence agreement and document the correct commencement date will be communicated to the project team.

As previously advised by DPC, and evidenced in documentation provided, extensive effort has been applied to achieve value-for-money outcomes through procurement and contract strategy development and project delivery. Procurement planning, documentation and evaluation methodology have considered and involved extensive assessments and negotiations having regard to the timing, magnitude and sensitivity of the specific procurements. While value-for-money assessment at project inception was limited by the conceptual nature of the project information at that point in time, the continued focus and achievement of value-for-money throughout project development has resulted in the final agreed contract sum being considerably less than the initial offers, whilst also increasing South Australian business participation and direct engagement in project delivery.

2.2.4 Status of the project in 2025-26

The NAPGC redevelopment project remains in Stage 1. Key developments in 2025-26 included:

- completion of concept design and project planning
- engagement of specialist consultants and advisers
- commencement of construction activities under an Early Works Agreement
- establishment of governance, procurement and project delivery arrangements to support the accelerated delivery model
- development of a detailed business and operating model to support SA Government consideration of future stages of the redevelopment.

At the time of reporting, Stage 1 works were underway and planning and approvals for subsequent stages of the redevelopment were in progress.

2.2.5 Costs recognised at 30 June 2026

The NAPGC is located within the Adelaide Park Lands. At 30 June 2026, DPC recognised administered assets associated with the NAPGC of \$48.9 million. This comprises assets valued at \$35.9 million transferred from the City of Adelaide and capital work in progress of \$13 million.

At 30 June 2026, DPC had executed contracts and approved variations with a combined value of \$38.6 million. This expenditure was within the \$45 million budget approved for Stage 1 of the project.

2.3 New Women's and Children's Hospital

The new Women's and Children's Hospital (nWCH) is a significant construction project for the State. The approved budget is \$3.2 billion. The project team advises us that the project is expected to be completed by 2031.

The Master Plan released in May 2023 states that the nWCH will provide 414 beds (56 more overnight beds than the current Women's and Children's Hospital) and capacity for a further 20 beds in the future, and the approved concept design includes provision for a helipad and an integrated four-bed ICU to enable women requiring critical care to remain at the nWCH.

The nWCH is located on the former Thebarton Police Barracks site.

2.3.1 Governance arrangements for the project

A project team within the Department for Health and Wellbeing (DHW) manages the nWCH project. This differs from the normal practice of the Department for Infrastructure and Transport (DIT) leading the delivery of significant SA Government construction projects. DHW has support from DIT in the form of some seconded DIT staff and broader consultation.

In 2025-26, DIT took responsibility for leading the delivery of the elements of the project associated with ongoing site access once complete – the 'outside the gate' portion of the works. DIT's progress is reported to the project governance committees regularly.

The project is overseen by an Executive Steering Committee, with members from several government agencies. It is supported by the Executive Leadership Team, Project Control Group and various workgroups. These groups receive regular updates on project progress.

The Women's and Children's Health Network Incorporated (WCHN) also has a key role, with representatives on the project governance committees providing advice on the health service needs.

2.3.2 Our review of the project in 2025-26

We reviewed the following aspects of the nWCH project in 2025-26:

- status of works performed to date and their timing, to inform our current and future audit work programs
- project management activities, including governance arrangements
- contract management activities relating to the early contractor arrangement with Lendlease.

Our review found the project team had established several management plans that outline expectations around project processes and controls. We found that plans relating to governance, risk and quality management were not always consistent with current work practices. This increases the risk of non-compliance, weak governance and poor project outcomes. The project team is reviewing the plans and addressing the inconsistencies.

We reviewed contract management processes for the Lendlease early contractor involvement arrangement. The original contract with Lendlease for early works started in 2022 for a value of around \$7 million following an approach to market. Since then, it has grown significantly in scope and value, through multiple contract extensions and variations to deliver further early works, construct the car park, and deliver piling works for the main hospital. This has increased the value of the contract to over \$400 million.

We found the project team had a draft contract management plan, but it did not reflect all current processes or clearly set out how contract deliverables, performance issues and escalations should be managed. This increases the risk of unclear expectations, inconsistent practices and delayed action on issues. The project team advised us that it is finalising the plan.

We also found that the project team had not completed the formal contract performance review required by the draft contract management plan. This increases the risk that issues, changes in obligations and value for money concerns are not identified or managed early. The project team advised us that an annual review is underway and regular reviews will occur.

We will continue to monitor the status of the nWCH project and review project management, procurement and contract management in 2026-27.

2.3.3 Status of the project in 2025-26

The nWCH project is still in the design phase. The schematic design for the main hospital is expected to be finalised in late 2026, with ongoing detailed design continuing into 2027. Construction activity for the main hospital remains focused on early works to prepare the site for construction.

Significant events in 2025-26 include:

- the approval of the design concept for stage 2, including the main hospital
- progressing schematic design, including consulting with stakeholders to inform the location of services within the main hospital
- continuing construction of the eight-storey car park, which is expected to be completed in 2027
- continuing early works, including utilities and preparatory groundwork for the main hospital.

The project team continues to monitor and look for ways to manage costs, reporting on these measures to its governance committees. The project team advised us that ongoing project costing reviews are occurring, including a national cost benchmarking exercise performed by the project team's independent project management office to assess estimated costing for the main construction contract.

I see activities such as this as critical to the assessment of value for money, given the limited traditional market-based procurement for this project to date.

The schematic design will be finalised in 2026-27. Construction will also commence, with piling for the main hospital commencing in August 2026. SA Health have advised us they also expect to finalise the contract for the construction of the main hospital in 2027.

2.3.4 Costs recognised at 30 June 2026

The amount capitalised for the nWCH project is reported in WCHN's financial report and consolidated into SA Health's financial report at 30 June 2026.

WCHN recognised \$442 million of capital works in progress for the nWCH project, including around \$188 million of additions, in 2025-26. This mainly comprises around \$200 million in enabling and early construction work costs (including the construction of the car park and early contractor fees) and around \$130 million in professional services fees (including design). Other costs relate to the management of the project, authority works, other contractual arrangements and relocation fees. It does not include \$46 million written off in 2022-23 for design costs associated with the previous site immediately adjacent to the Royal Adelaide Hospital.

We reviewed transactions associated with the project as part of our 2025-26 audits of SA Health and WCHN. Information on their financial reports is provided in Part C of this report.

2.4 Regional helipads

In 2025-26, we became aware of community concerns about a \$23.4 million safety upgrade to 13 regional hospital helipads.¹ Some of these helipads were not operational after an upgrade, due to safety concerns and potential risks to people and properties.

To understand the status of the helipads and the nature of the issues involved, we examined documentation and spoke with stakeholders to understand the safety upgrade project and the issues affecting the operation of these landing sites.

2.4.1 Regional helipads are both important and high-risk

Hospital helipads and the areas around them needed for safe take-off and landing are important infrastructure for healthcare. Having a helipad means a hospital can provide faster emergency care by making it possible to transport patients quickly from emergency sites to hospitals, which is especially important in regional areas. Not having an operational onsite helipad could put patient safety at risk due to delays in getting them to hospital or in transferring them to the most appropriate hospital. Helicopters are often able to land somewhere else, but the additional risks, transfers and resources must then be managed. This places extra pressure on emergency services and regional volunteers.

Landing a helicopter at a helipad is a high-risk activity with consequences for public safety if risks are not effectively managed. Safe operations depend on clear roles, strong collaboration and compliance with complex aviation rules and safety requirements. The hospital's helipad operator is mainly responsible for site management, while the helicopter operator is mainly responsible for flight operational risk management. Ultimately, the decision to land at a site rests with the helicopter operator, based on the conditions and risks at the time. However, these responsibilities are all closely connected.

¹ Technically the sites are known as helicopter landing sites, but for simplicity we refer to them here as helipads.

2.4.2 The safety upgrade project

As early as 2019, stakeholders identified that upgrades to regional hospital helipads were needed due to ageing infrastructure and changing Civil Aviation Safety Authority (CASA) compliance requirements. SA Health was also advised likely impending changes to the helicopters used for the State Rescue Helicopter Service (SRHS) could impact the existing use of the helipads. The helipads were all in use at that time. In 2020, DHW engaged a consultant to audit hospital helipad sites and identify any upgrades needed to enable their safe use. The audit was finalised in 2021 and identified upgrades that informed a business case for funding for 13 of the sites. Funding to upgrade these 13 sites was provided in the 2023-24 Mid-Year Budget Review.

The 13 helipads continued to operate until they closed for construction works progressively in 2024 and 2025. After construction, in 2025, Babcock Mission Critical Services (Babcock), the SRHS operator, performed risk assessments of the upgraded helipads, identifying six of them as non-compliant. This was mainly due to concerns about the upgrades and safety risks to people and property from rotor wash when a helicopter lands or takes off. This conclusion was primarily a result of the reassessment of risks prompted by changed CASA requirements and advice from the Australian Transport Safety Bureau (ATSB), but also issues specific to the upgraded infrastructure for some sites.

While work was progressively undertaken to address the concerns identified in Babcock’s risk assessments, three of the upgraded helipads remained closed at 30 June 2026. One of them, in Clare, was opened for flight operations in August 2026.

At the time of this report two upgraded helipads, Victor Harbor and Murray Bridge, remain closed. Victor Harbor, in particular, has significant ongoing challenges due to its close proximity to property and people.

The timeline of key events that occurred after the safety audits, shown in figure 2.2, has been developed based on information provided by officials involved in the project.

Figure 2.2: Timeline of key events from 2020 to 2026

2020	SA Health engaged an aviation consultant to review all existing LHN helipads.
2021	The LHN helipad review was finalised and reported to stakeholders. SA Health engaged a design team to start work on the upgrade of priority helipads.
2022	Concept designs were completed for priority helipad upgrades. Attorney-General’s Department started the tender process for the SRHS contract and replacement aircraft.

2023

Design work started for the remaining helipads.

Babcock received a four-year SRHS contract extension and began using Bell 412 helicopters.

In September, the ATSB issued safety advice about rotor wash and risks to pedestrians. In December, CASA issued guidance around the design and operations of helipads, which included clearer requirements for rotor wash impacts.

The Mid-Year budget included \$23.4 million for the regional helipad compliance upgrade.

2024

In March, CASA released further guidance for helicopter operators to consider risks associated with rotor wash when landing at sites, like the regional helipads.

Across 2024 designs for the remaining helipads were completed and construction at sites commenced.

2025

Babcock completed a test flight in February. In March, SA Health was advised of several concerns with the upgrade.

In March, Toll was awarded the SRHS contract. The contract starts in 2027 and will use AW139 helicopters.

From March to September, key stakeholders discussed whether several upgraded helipads were suitable for landing. The main issues were fixing upgrade concerns and managing helipads in congested areas.

In October, the SRHS contractor provided a report on the six remaining non-operational helipads. The report sets out the issues and controls needed before they could be used by Babcock.

Construction was completed across 2025, and the helipads were handed over to SA Health. The final handover occurred in November.

2026

During the first half of 2026, the upgraded helipads progressively started operating with controls in place to mitigate risks.

At 30 June 2026, three helipads were not operating: Clare, Murray Bridge and Victor Harbor.

Alongside the physical site upgrades, additional work was needed to allow the operation of regional helipads, including work required to meet changed aviation requirements. The 11 operational sites only operate with specific safety controls in place, such as:

- removing nearby hazards
- limiting operations to certain times, days or flight paths
- using trained people to keep the area safe during arrivals and departures.

If those controls fail or if conditions are such that a safe landing is not possible, helicopters will use alternative landing sites.

Ongoing strong governance will be needed to oversee risks associated with regional helipad operations and keep users and nearby people and property safe.

2.4.3 Several agencies with different responsibilities were involved in the upgrade project

The regional helipad safety upgrade was a complex project involving several government agencies and a private contractor with different roles, perspectives and responsibilities for managing, upgrading and using the sites.

SA Health, which incorporates DHW and the regional LHNs, is responsible for maintaining the assets it controls. DHW provides support to LHNs in maintaining and upgrading their assets. The helipads covered by the upgrade project are controlled and managed by several regional LHNs. SA Health led the initial assessment of the sites and the design of the upgraded sites, and sponsored the project to upgrade them.

The SRHS provides critical emergency response across the state for South Australia Police (SAPOL) law enforcement and SA Ambulance Service (SAAS) emergency medical services. Babcock is contracted to provide the SRHS and works closely with SAPOL and SAAS to deliver it. The Attorney-General's Department manages the contract with Babcock. A tender for new SRHS arrangements was conducted by the Attorney-General's Department over a similar time frame to the safety upgrade project. Toll Aviation was chosen to replace Babcock as the contractor delivering the SRHS in 2027.

DIT managed the delivery of the construction works for the safety upgrade project. An Executive Steering Committee oversaw these works. The committee had members from DHW, several regional LHNs, SAAS, the Attorney-General's Department and DIT. Babcock was not directly involved in this Committee.

2.4.4 There is a complex regulatory system for helipads

CASA regulates civil aviation safety in Australia through a detailed legal framework involving legislation, regulations, Civil Aviation Orders, standards and other legal instruments. CASA also publishes advisory material to explain the laws and how to comply with them.

During the safety upgrade, CASA released prescriptive guidance on how the design and operation of helipads should consider the impacts of rotor wash on people and property around them. CASA also released expanded guidance on how helicopter operators, including those flying to the upgraded regional helipads, should assess risks associated with the impacts of rotor wash when flying in and out of helipads and identify controls to mitigate them.

The CASA guidance followed safety advice issued by the Australian Transport Safety Bureau in 2023 that strongly encouraged hospital helipad operators and medical transport helicopter operators to 'work together to review the adequacy of existing risk controls to ensure pedestrians are adequately protected from the increased rotor wash associated with larger helicopters'.² CASA's guidance also highlighted the importance of the helipad operator and helicopter operator continuously working together to make sure helipads remain suitable for the helicopters and procedures being used.

² ATSB Transport Safety Report AD-2022-001 – Safety risks from rotor wash at hospital helicopter landing sites – 27 September 2023 and ATSB Safety Advisory Notice AD-2022-001-SAN-001.

Ultimately, the decision to use a helipad at any time resides with the helicopter operator, the SRHS, as they have ultimate responsibility for the safety of flight operations.

The regional helipad safety upgrade project was impacted by ongoing changes to aviation requirements throughout the design and construction phases. These changes impacted the ability of several helipads to operate as intended after their upgrades, without increased controls to manage the risks identified. The changing requirements also highlighted the need for strong communication of risk assessments by the helipad operator and the helicopter operator.

2.4.5 Status of regional helipads at 30 June 2026

By 30 June 2026, the safety upgrade of 13 regional hospital helipads had been largely completed at a cost of about \$20 million. Ten sites were operational, with Clare then becoming operational in August 2026.

SA Health advised us that controls are being implemented to address the remaining risks identified by the helicopter operator for Murray Bridge, with the expectation that the helipad will be regularly used in the future. This would leave Victor Harbor as the remaining non-operational helipad.

The Attorney-General's Department advised us that Toll Aviation, the incoming operator of the SRHS, is visiting the sites and conducting risk assessments to confirm whether it can land its helicopters on these helipads when it starts SRHS operations in 2027.

Revised risk assessments are needed for sites when different aircraft are used. Under the new arrangements, Toll will use AW139 helicopters, which are newer and more powerful than the Bell 412 helicopters currently used by Babcock. The change in aircraft means the risk profile for flight operations changes as the performance of the aircraft, and associated risks, differs.

The Attorney-General's Department advised us that while Toll is still undertaking its assessments, it has not identified any significant concerns with the 11 operational regional helipads.

SA Health advised us that it is strengthening its governance for helipad management. This includes recently establishing an SA Health Governance Committee and management committees at each LHN. The committees will include key stakeholders involved in managing and using the helipads. Their role will be to provide ongoing oversight of safety, compliance and the strategic direction for the use of SA Health helipads.

2.4.6 Recommendations for future works on helipads

We observed that all parties involved in the upgrade of the helipads wanted to work together to achieve good, safe and compliant outcomes. While we only performed a high-level review of the regional helipad safety upgrade project, we made some observations that are relevant to future projects of this nature:

- The site at Victor Harbor is physically constrained and there will be challenges in operating it regularly in the future. In future processes, it would be useful to critically

consider the placement of, and restrictions related to, a helipad before commencing upgrade works. The ability of a site to meet all requirements in its current location should be considered before any works commence – noting the interaction with changing CASA requirements complicated these considerations for this upgrade of regional helipads.

- The operator of the SRHS should be included in key governance groups as a technical expert throughout the process. While the operator is a contractor to government, their role in operating the helipads is essential and they have obligations as the party responsible for operating the aircraft. Seeking their detailed input early on and throughout any upgrade works, particularly if there are changes to CASA requirements, should be considered in future processes.

Victor Harbor is unlikely to be regularly used for SRHS operations due to the nature of its location, although we understand it may be used in certain situations, with appropriate controls in place. Therefore, all sites upgraded in the project will likely be used by the SRHS in future, just to a lesser extent than initially intended.

Importantly, our discussions with the Attorney-General's Department, SAAS and Babcock have confirmed that there are alternative arrangements in place for these locations such that SRHS operations continue to provide valuable critical care in conjunction with SAAS and the local LHNs.

2.5 Festival Plaza Tower 2

In May 2016, the SA Government signed a development agreement with the Walker Corporation (Walker) for the integrated development of the Festival Plaza. The development included:

- a mixed-use development by Walker, comprising a five-level car park, 29-storey office tower, three-storey retail building and surrounding public realm (delivered by Walker)
- upgrades to the Adelaide Festival Centre and civic spaces (delivered by the State)
- an upgrade to the northern entrance of the Adelaide Railway Station (delivered by the State)
- elements of the public realm (delivered by the State).

In November 2021, the Premier executed a Second Deed and further agreement with Walker. Among other things, this Second Deed granted Walker an additional lease of airspace above the retail development land, with Walker to pay \$1.2 million as a lease premium for the grant of this lease.

The Second Deed did not grant Walker development rights within the additional lease area.

In December 2022, Walker submitted a proposal to the SA Government seeking the State's approval for additional development rights on Festival Plaza in the airspace above the approved three-storey retail building. The Urban Renewal Authority (URA) recognised \$19.3 million in sales revenue in 2025-26, representing the present value of most future cash flows associated with

the Tower 2 development lease (full details of all payments are included in the footnotes to figure 2.3). The consideration provides Walker with development rights to construct Tower 2 and a ground lease until 2116. This was the outcome of a commercial negotiation between the SA Government and Walker.

The timeline in figure 2.3 summarises the key decisions, approvals and agreements associated with the Festival Plaza Tower 2 development from the initial proposal through to planning approval.

Figure 2.3: Timeline of Festival Plaza Tower 2 development

December 2022 – February 2023	High-level Tower 2 proposals Walker submitted high-level proposals outlining its intent to develop a second tower.
April 2023	Walker submits Tower 2 proposal Formal proposal submitted to construct Tower 2 in lieu of the approved three-storey Festival Plaza retail development.
April – May 2023	Formal evaluation undertaken* The URA conducted a formal assessment process, including requests for additional information and evaluation against defined criteria.
June 2023	Cabinet approval to negotiate Cabinet approved the URA entering negotiations with Walker under agreed parameters and negotiating principles.
July – November 2023	Commercial negotiations The URA and Walker negotiated commercial terms for the proposed Tower 2 development and additional lease area.
December 2023	Cabinet approves commercial offer Cabinet approved Walker’s commercial offer, subject to finalising key commercial terms and resolving value issues. The commercial offer comprised 3,000 square metres of office space for a 40-year term, with no rent payable, cash consideration and in-kind public realm works.
March 2024	Cabinet approves revised proposal Cabinet approved the revised proposal and renegotiation position for key commercial terms, including the following options: Option 1: leased space, cash payments and in-kind public realm works. Option 2: cash payments and in-kind public realm works.
June 2024	Development Deed executed** The URA and Walker executed the Tower 2 Development Deed and associated transaction documents, granting development rights subject to conditions.
December 2024	Cabinet elects preferred commercial option Cabinet selected the State lease-space option (Option 1) within the proposed development.

March 2025	Revised Tower 2 plans submitted Walker submitted substantially revised plans, including a larger tower and expanded public realm.
April – May 2025	URA evaluation of revised plans The URA performed a formal evaluation and concluded the proposal met commercial and public benefit requirements. We did not assess the URA’s evaluation of the proposal, including whether the commercial and public benefit requirements were appropriately applied or satisfied.
June 2025	Cabinet approval of revised plans Cabinet approved the revised Tower 2 plans and associated commercial arrangements.
June 2025	Planning consent granted The State Commission Assessment Panel granted planning consent for Tower 2.
December 2025	Deed of Amendment and Restatement – Tower 2 Development Deed The URA and Walker executed the Deed of Amendment and Restatement – Tower 2 Development Deed and associated transaction documents, granting development rights subject to conditions.
February 2026	Cabinet changes preferred commercial option Cabinet changed its previously accepted approach for the State to utilise 3,000 square metres of office space over 40 years to instead accepting \$17.1 million in lieu of the space. Construction began Walker confirmed substantial commencement of Tower 2 was achieved.
2029	Estimated completion Due for completion in early 2029, Tower 2 will accommodate around 5,000 office workers and 100 retail and hospitality staff.

* In May 2023 the URA conducted a formal evaluation of Walker’s proposal. It was assessed against four criteria – the commercial offer, precinct response, value and community benefit, and project delivery. The evaluation panel formed an opinion that a negotiated outcome may be in the best interests of all South Australians, both financially and in terms of the civic, social and cultural outcomes. This evaluation was informed by two external valuations of the development rights. We did not assess the URA’s evaluation of the proposal, including whether the commercial and public benefit requirements were appropriately applied or satisfied.

** Under the Tower 2 Development Deed, Walker agreed to provide consideration of \$24.5 million and 3,000 square metres of office accommodation over four floors under a 40-year lease, with no rent payable, in exchange for additional development rights. The consideration of \$24.5 million comprised:

- \$5.683 million in non-refundable payments made in respect of the Retail Area and Additional Lease Area under earlier arrangements (Non-Refundable Payments)
- \$12.25 million for practical completion of Tower 2
- \$6.6 million in public realm activation payments and other works (Activation Payments).

In February 2026, the SA Government amended the arrangement and agreed to receive another \$17.1 million instead of the office accommodation.

As the sale consideration is payable over multiple years, the future cash flows were discounted to their net present value, with the URA recognising sales revenue of \$19.3 million in 2025-26. This includes the present value of the additional \$17.1 million received in lieu of office accommodation, but excludes the Non-Refundable Payments and Activation Payments. The Non-Refundable Payments were received and recognised in a previous reporting period. The public realm Activation Payments will be recognised as income when they are received and are expected to occur in instalments until 2038.

3 Significant government programs and projects

3.1 Government assistance programs

3.1.1 Whyalla Steelworks assistance

The Whyalla Steelworks plays an important role in Australia's industrial capability and South Australia's regional economy, providing critical infrastructure materials and supporting thousands of jobs. The plant produces 75% of Australia's structural steel needs.

OneSteel Manufacturing Pty Ltd (OneSteel), part of the GFG corporate group, owned and operated the Whyalla Steelworks and its associated mines from 2017, after the previous owners, Arrium, went into administration.

3.1.1.1 Status of the administration and sales process

In February 2025, the SA Government placed OneSteel into administration and appointed KordaMentha to manage the Whyalla Steelworks and related operations.

In February 2025, the Commonwealth and SA Governments announced an assistance package initially worth \$2.4 billion, with \$650 million coming from the SA Government. The package included:

- \$384 million to keep the steelworks operating during administration, including \$192 million from the SA Government
- \$99.2 million for emergency support, including \$63 million from the SA Government
- \$1.9 billion to work with the new owner on upgrades and infrastructure to support the long-term future of the steelworks, including \$395 million from the SA Government.

In July 2025, the sale of the Whyalla Steelworks started. It covers:

- the Whyalla Steelworks
- the associated mines in the Middleback Ranges, near Whyalla
- the Whyalla port facility.

At the time of this report, the sale process was continuing, with two shortlisted proponents remaining. Until it is completed, the Commonwealth and SA Government will continue to fund the administration.

The initial funding arrangement between KordaMentha and the SA Government had a limit of \$400 million. As the sale process has taken longer than expected, so has the administration period and the funding arrangements have therefore had to be varied. By 30 June 2026, the funding limit had increased to \$768 million. It was further increased to \$1 billion in August 2026.

A separate Federation Funding Agreement (FFA) between the Commonwealth and SA Governments outlines the Commonwealth's agreement to share eligible costs associated with the ongoing administration. This has also been varied as the administration continues and the required funding level increases.

The Whyalla Steelworks Industrial Transformation Unit, part of the Department for Energy and Mining (DEM), continues to coordinate the SA Government's response, by engaging with the steelworks administrator, working with the Commonwealth Government and ensuring the State's strategic interests are represented in the transition to new ownership.

A creditors meeting was scheduled for the end of September 2026. Due to the ongoing sale process, the administrators lodged an application with the Federal Court of Australia to extend the convening period to the end of March 2027. The Court granted the application. The outcome of the sale process is expected by the end of the year.

3.1.1.2 Whyalla Steelworks assistance package at 30 June 2026

Most costs associated with supporting the Whyalla Steelworks in 2025-26 related to the ongoing administration of the steelworks. Payments to the administrators totalled \$347 million, with the Commonwealth contributing \$174 million of this. As at 30 June 2026, total payments to the administrator since administration commenced were \$665 million, with the Commonwealth contributing \$336 million.

The Treasurer has indemnified the debts of the Whyalla Steelworks administrators for up to \$768 million at 30 June 2026. The Treasurer's remaining exposure was \$103.5 million at 30 June 2026.

Funding was also provided for assistance to the Whyalla community under an emergency package. The Department of State Development paid \$8.2 million (\$15.5 million) for Whyalla creditor assistance payments and small business support programs in 2025-26.

There have been no payments against the \$1.9 billion committed to work with the new owner to invest in upgrades and infrastructure. These payments are not expected until a new owner has been identified and the sale completed.

We reviewed transactions relating to the Whyalla Steelworks assistance package as part of our 2025-26 audit of DTF. More information on our DTF audit is provided in Part C of this report.

3.1.2 Nyrstar (Port Pirie) support initiatives

Nyrstar Australia owns the Port Pirie lead smelter in South Australia and the Hobart zinc smelter in Tasmania. Both smelters have been important to their local economies for more than 100 years. In Port Pirie, Nyrstar employs or contracts more than 1,000 people. The smelter there processes and refines lead, silver, zinc fume, copper matte and other by-products.

In early 2025, Nyrstar Australia and its parent company, Trafigura, reported that the Port Pirie and Hobart smelters were not financially viable under current market conditions. They said government support was needed to improve the smelters' competitiveness. In March 2025, Nyrstar announced a strategic review of its lead and zinc assets.

In August 2025, the Commonwealth, South Australian and Tasmanian governments announced financial assistance to support Nyrstar’s ongoing operations and plans to modernise, with a focus on producing critical minerals. In early 2026, Port Pirie made its first commercial shipment of antimony under the Commonwealth Government’s critical minerals strategy.

3.1.2.1 The Port Pirie response package

The SA Government provided financial assistance to Nyrstar in 2025-26 to support existing operations while longer term studies into modernisation options and the viability of its smelter continue. Financial assistance will continue into 2026-27.

The components of the financial assistance package are shown in figure 3.1.

Figure 3.1: Port Pire response package components



The financial assistance package is set out in a grant agreement with Nyrstar. The Commonwealth’s share of the Port Pirie funding is provided to the SA Government through an FFA.

SAFA manages the grant agreement on behalf of the Treasurer and is responsible for checking that Nyrstar meets the agreement’s requirements. SAFA representatives meet regularly with Nyrstar and review its spending and progress reports for the funded projects.

In May 2026, after Nyrstar completed the first round of modernisation projects, the grant agreement was varied to provide a second round of funding. A variation to the FFA covering the Commonwealth’s contribution was finalised in August 2026.

In 2025-26, DTF paid \$105 million to Nyrstar under the grant agreement. It received \$37.5 million from the Commonwealth under the FFA. The amount of unpaid committed funding at 30 June 2026 was \$75 million.

We reviewed the Port Pirie response package and related transactions as part of our 2025-26 audit of DTF. More information on our DTF audit is provided in Part C of this report.

3.1.3 Administration of drought assistance package

In February 2026, Cabinet approved establishing the South Australian Drought Loan Scheme. This \$200 million scheme provides low interest loans for primary production businesses that are affected by drought in the Murray Mallee, Riverland and Upper North regions. Applications for the scheme opened in March 2026 and are due to close on 31 December 2026. Applicants must meet eligibility criteria, and loans are to be used for approved purposes, such as paying wages, creditors, rents, fuel and livestock expenses. The loans cannot be used to refinance existing debt or purchase assets.

Cabinet also approved the Queensland Rural and Industry Development Authority (QRIDA) administering the scheme on behalf of the SA Government, and the SA Government entered into a Memorandum of Understanding with QRIDA in February 2026.

The Department of Primary Industries and Regions (PIRSA) is responsible for the overall management and oversight of the scheme, including approving guidelines and monitoring scheme performance. The State retains responsibility for funding the loans and bears the financial risks associated with the scheme. QRIDA receives and assesses applications, determines eligibility, approves or rejects applications in line with the scheme guidelines, prepares loan documentation, disburses approved funds, manages loan repayments and undertakes ongoing loan administration.

We reviewed the governance and oversight arrangements for the scheme and found:

- QRIDA's authority to approve loans, execute loan agreements and disburse funds needed to be established
- there were no provisions in the Memorandum of Understanding for the Auditor-General to access information held by QRIDA, with this access needed to ensure our ability to complete our statutory audit of PIRSA
- risks associated with the scheme being administered under a Memorandum of Understanding, which documents broad intentions, principles and agreements but no legally enforceable obligations between the parties.

We recommended that PIRSA obtain legal advice on the arrangements with QRIDA and strengthen the governance arrangements to support effective oversight, accountability and protection of public funds. Further details are provided in Part C of this report under 'Department of Primary Industries and Regions'.

3.1.4 Algal bloom response expenditure

In 2025-26, three SA Government agencies spent a combined \$62.2 million in response to the algal bloom. This included payments of \$43 million in grant funding, intra-government transfers and voucher initiatives. We tested a sample of grants and vouchers issued by each agency as part of our 2025-26 audits, and found no issues. This section summarises what was spent by each agency.

Department of the Premier and Cabinet

DPC's Algal Bloom Coordination Unit coordinated the SA Government's response to the algal bloom and oversaw related policy, communications and funding initiatives. In 2025-26, DPC spent \$26 million on response activities. This included \$2.7 million for Unit operations, \$3.7 million for communication and advertising campaigns, and \$7.5 million for the coastal remediation program.

DPC also issued \$12.1 million in grants and intra-government transfers through the:

- Community Fund (\$7.1 million) to support community, industry and environmental recovery initiatives, of which \$4.4 million was transferred to other SA Government agencies
- Local Government Grant Fund (\$4 million) to fund coastal councils for their local response and recovery activities
- Coastal Infrastructure Grant Fund (\$1 million) for community and not-for-profit organisations, councils and other eligible entities to build or improve coastal infrastructure.

South Australian Tourism Commission

The South Australian Tourism Commission supported the SA Government's response to the algal bloom through initiatives aimed at stimulating visitor demand and supporting coastal tourism, hospitality and seafood businesses. The Commonwealth Government contributed funding for the Coast is Calling and Summer Plan Dining Cashback initiatives.

The following initiatives were delivered:

- The Coast is Calling Travel Voucher Program released 50,000 vouchers across two rounds for accommodation and tourism experiences in affected coastal areas. The total program cost was \$7.4 million, which included \$4.4 million for redeemed vouchers and \$2.1 million for marketing activity.
- The Summer Plan Dining Cashback program offered up to 300,000 spending cashbacks between November 2025 and March 2026. The scheme was designed to support coastal hospitality businesses and South Australian seafood retailers affected by local algal blooms.

More than 204,000 cashbacks were redeemed. The total scheme cost was \$10.5 million, with \$9.4 million of this for redeemed cashbacks.

- The Algal Bloom Event Support Fund provided grants for coastal events to support marketing, event delivery and enhanced programming between December 2025 and March 2026. Grants totalling \$870,000 were issued.

Department of State Development

The Department of State Development spent \$17.4 million on response activities, including issuing \$16.2 million in grants to support the viability of small businesses impacted by the algal bloom event.

3.1.5 Bedford support funding

Bedford Group and its related entities, referred to as Bedford, provided disability support services in South Australia, including skills training and supported employment. Bedford was a registered NDIS provider. It employed more than 1,000 people, including supported and non-supported employees, across metropolitan and regional sites in South Australia. It also supported about 40 people living in supported independent living accommodation at the Balyana site in Clapham.

3.1.5.1 Administration and sale process

In July 2025, Bedford announced that it would need to enter voluntary administration. The SA Government responded by announcing initial support for Bedford to continue to meet its financial obligations while its finances and structure were reviewed. Bedford entered voluntary administration in November 2025.

In February 2026, The Disability Trust took ownership of Bedford Services and Advisory Ltd and the assets of Green Inc Enterprises after a sales process. These entities were part of Bedford. The assets and several other Bedford-related entities were also sold in 2025-26. The sale process for Bedford's remaining assets was still underway in September 2026.

After the change in ownership, Bedford continues to provide disability services in South Australia under the parent brand Meridia.

3.1.5.2 The 2025-26 financial assistance package for Bedford

The SA Government provided the following support in 2025-26 to help Bedford move to new ownership, as reported in the 2025-26 Mid-Year Budget Review:

- a \$15 million concessional loan for Bedford's operations, including the Balyana property transfer and leaseback arrangement.

In July 2025, the SA Government approved a \$15 million secured concessional loan for Bedford. The loan was for approved purposes including employee entitlements, approved liabilities and adviser costs. Bedford drew down the full loan by October 2025. In September 2025, the SA Government agreed to purchase Bedford's Balyana property for \$12 million, with the proceeds used to repay part of the loan. Bedford leased the property back for \$1 while residents moved to other accommodation, with the final resident relocating in August 2026. At 30 June 2026, DTF recognised a \$3 million loan receivable from Bedford and advised that recovery of the remaining amount is still likely through the liquidation process. DTF also recognised the Balyana property as a \$12 million asset. The property is expected to be sold in 2026-27

- Crown land at Panorama valued at \$6 million, transferred to The Disability Trust for no payment.

In early 2026, the SA Government transferred Crown land at Panorama to The Disability Trust for no payment as part of the Bedford sale. The land was valued at \$6 million and can only be used to support people with disability, subject to conditions. The Department for Environment and Water recognised the disposal in its 2025-26 financial statements

- other related funding.

The SA Government paid Bedford \$17.6 million in grants from the Commonwealth in October and November 2025. This was used to pay supported employees and help residents continue receiving supported independent living services during the sale process and transition from Balyana to alternative accommodation. DTF recognised the payments to Bedford and the related Commonwealth receipts in its 2025-26 administered statements.

We reviewed the Bedford assistance package as part of our 2025-26 audits of DTF and the Department for Environment and Water. More information on these audits is provided in Part C of this report.

3.2 Major projects

3.2.1 North-South Corridor River Torrens to Darlington (T2D)

In August 2026, I presented Report 5 of 2026 *T2D project risk and issue management* to Parliament. It included background information on the T2D project, including the project timeline shown in figure 3.2.

Figure 3.2: T2D project timeline

April 2019	The Commonwealth and South Australian Governments jointly committed \$2.7 billion each for the River Torrens to Darlington section of the North-South Corridor.
November 2020	Estimated project cost of \$8.9 billion included in the 2020-21 State Budget.
August 2020	Early works started.
June 2021	Estimated project cost increased to \$9.9 billion in the 2021-22 State Budget due to revised project scope.
February 2022	The Commonwealth Government confirmed an additional \$2.26 billion in project funding.
March 2022	The SA Government requested that DIT undertake a review of the project.

December 2022	DIT's review of the project was completed, and a revised new design was released for the project. \$850 million of additional network and amenity upgrades along and around the final 10.5-kilometre section of the North-South Corridor were included in the project scope. These upgrades were required to ensure the motorway and broader network function effectively, during construction and on completion. Project budget increased by \$5.45 billion to \$15.4 billion in the 2022-23 mid-year budget review to reflect the updated design and construction changes. Project completion date revised from 2030 to 2031.
November 2023	The Commonwealth Government confirmed an additional \$2.7 billion project funding.
September 2024	Alliance contracts for main works awarded.
May 2025	Main works construction commenced.
July 2026	Excavation of the southern tunnels commenced.
Second half of 2026	Excavation of the northern tunnels planned to commence.
December 2031	Estimated project completion.

The T2D project achieved some key milestones in 2025-26, including:

- July 2025 – commencement of construction in the Central North Precinct
- August 2025 – construction began for the Raglan Avenue, Edward Street and South Road network upgrade
- October 2025 – tunnel boring machine (TBM) TBM1 Mary first components arrived in Adelaide
- November 2025 – TBM Mary cutterhead fully assembled
- December 2025 – TBM2 Catherine first components arrived in Adelaide
- February 2026 – TBM3 Elizabeth cutterhead arrived in Adelaide
- March 2026 – James Congdon Drive and Sir Donald Bradman Drive intersection upgrade completed
- April 2026 – delivery of all TBM3 components to Adelaide completed
- May 2026 – TBM3 cutterhead craned into place at Central North Precinct
- June 2026 – cross passage TBM arrived in Adelaide.

Since 30 June 2026, all three large-scale TBMs have commenced tunnelling.

As at July 2026, DIT advised us that the forecast cost associated with Alliance works remains within the overall budget.

DIT spent \$2.26 billion on the T2D project in 2025-26 compared to 2025-26 budgeted expenditure of \$2.15 billion. This included the cost of activity for the South and Central surface works in preparation for the launch of the TBMs, precast facility and ongoing design.

Total expenditure on the project to 30 June 2026 was \$4.8 billion.

As at 30 June 2026, there have been two items identified for consideration and assessment by DIT, that may require a draw down from the main works contingency.

Given the complexity of the T2D project, there will continue to be challenges including impacts from the Middle East conflict, including the increased cost of inputs such as fuel, and the availability and costs of the workforce required to deliver the project, particularly the specialised skillsets associated with tunnelling.

3.2.1.1 Our review of the project in 2025-26

In addition to the review we reported on in Report 5 of 2026, in 2025-26 we:

- improved our understanding of the T2D project's expenditure and procurement frameworks
- improved our understanding of the asset management activity for the project and any specific frameworks supporting it
- reviewed key contract management activities for the Project Alliance Agreement
- confirmed whether any changes had occurred to the project management and governance arrangements for the project.

We found that DIT's contract management plan for the Project Alliance Agreement (PAA) primarily addressed DIT's obligations as the Principal but did not fully document the obligations of the Alliance. DIT advised the contract management plan was ancillary to the PAA and that it would undertake a review to identify areas related to DIT's management of the obligations of the Alliance, which could be further expanded or amended.

Further detail on this finding is provided in Part C of this report under the 'Department for Infrastructure and Transport'.

The T2D project is required to comply with Infrastructure SA's assurance framework and TI 17. The project is subject to gateway reviews, health checks and deep-dive reviews undertaken by Infrastructure SA, designed to provide assurance throughout the project. Infrastructure SA has completed a number of these reviews to date in line with its Assurance Review Guide and will continue to perform them as the project progresses.

The T2D project remains South Australia's largest and most complex infrastructure project. The project will significantly impact state finances now and beyond the forward estimates. The Audit Office expects to provide independent oversight and will enable transparency for the Parliament as the project progresses.

3.2.2 Northern Water Project

The Northern Water Project involves the construction of a desalination plant on the Eyre Peninsula and a water transfer pipeline to the far north of the State, along with supporting infrastructure such as pumping stations, control stations and utilities. The aim is to provide a sustainable water source to mining and industrial users in the State's North and Far North.

The project is in a procurement and pre-delivery phase, which will inform a final investment decision about the feasibility of the project and whether it should proceed to a design and construction phase. At the time of releasing the initial business case in 2024, the final investment decision was expected in 2026. Progression beyond the procurement and pre-delivery phase is dependent on the outcome of that decision and subsequent funding and delivery decisions by the SA Government and project partners.

The procurement and pre-delivery phase has a budget of \$220.3 million, funded through contributions from the Commonwealth Government, the SA Government and industry participants.

3.2.2.1 Responsibility for the project

The Department for Energy and Mining (DEM) and a DIT project delivery office are responsible for delivering the project in line with a Memorandum of Administrative Agreement. DEM's role is to secure funding and financing for the project, including the finalisation of commercial terms with water users. DIT is responsible for procuring major contractors, the engineering design of the desalination plant and transfer pipeline, and several other pre-delivery activities. The overall project budget is reported within DEM, and it transfers funding to DIT for its pre-delivery and procurement activities.

DEM and DIT report to the South Australian Copper Task Force, which is the project's principal decision-making body.

3.2.2.2 Status of the project in 2025-26

The project is still in the procurement and pre-delivery phase. Activities in this phase include:

- finalising commercial terms with water users
- environmental and geotechnical investigations
- initial design and costings for the desalination plant and transfer pipeline
- regulatory approvals
- land access agreements
- a completed construction tender process.

These activities will inform the final investment decision, which is now expected to be made in 2027. The viability of the project proceeding to construction depends on having a sufficient market for the purchase of the water produced and transported by the desalination plant and transfer pipeline.

Significant events in 2025-26 were:

- the announcement of Mullaquana Station as the preferred site for a large-scale desalination plant and associated water transfer infrastructure
- the introduction of the Northern Water Project (Land and Infrastructure) Bill 2026 to Parliament to support acquisition and management of land required for the project. This Bill passed in September 2026.

The multi-stage procurement process to engage contractors to build, design, operate and maintain the desalination plant and transfer pipeline also continues. Two shortlisted proponents participated in a request for proposal process, with non-price submissions received in June 2026 and evaluation underway. Selection of the preferred proponent and execution of associated contracts is scheduled for 2027. Execution of the contracts is contingent on the final investment decision. We will then review the procurement process.

3.2.2.3 Costs recognised at 30 June 2026

DEM recognised \$142 million of capitalised costs for the project at 30 June 2026, which includes costs incurred by DIT. It also includes \$61.4 million of additions in 2025-26, related to pre-construction activities including enabling and integration works, engineering and design management, and project management costs.

DEM recognised an impairment expense of \$7.6 million in 2025-26 after Mullaquana Station was announced as the preferred site, for costs associated with site investigation and design costs directly attributed to the non-preferred Cape Hardy site.

In 2025-26 the SA Government received \$21.3 million in funding from the projects' industry participants. DEM may need to return these funds if certain conditions are not met, and has recognised a contingent liability for this possibility. The timing of future revenue from the Commonwealth and industry participants will depend on the project meeting key milestones defined in the individual funding arrangements.

We reviewed transactions associated with the project as part of our 2025-26 audits of DEM and DIT. We comment on DEM's and DIT's financial reports in Part C of this report.

3.2.3 Housing supply and projects

In July 2024, the SA Government established a dedicated housing portfolio and created the Department for Housing and Urban Development (DHUD) to coordinate and accelerate housing outcomes across government and industry. The housing portfolio brings together responsibility for housing supply, housing infrastructure, urban development and planning, and includes oversight of key delivery agencies including the South Australian Housing Trust, the URA and SA Water.

DHUD supports the Minister in overseeing the SA Government's housing agenda and implementing the More Homes for South Australians Housing Roadmap. The Housing Roadmap identifies a range of initiatives intended to increase housing supply, including major land release projects, rezoning programs, urban renewal projects, public housing initiatives and significant investment in enabling infrastructure.

The SA Government established the Housing Roadmap Oversight Committee, which oversees Housing Roadmap initiatives. It monitors progress against housing supply and infrastructure delivery objectives, oversees key investments required to unlock growth areas, coordinates activity across participating agencies and resolves issues that may impact delivery. Meeting monthly, the Committee has members from government agencies and industry.

The SA Government also established the State Housing Delivery Group (SHDG) for cross-agency coordination. The SHDG seeks to ensure that programs with inter-agency housing and infrastructure dependencies are aligned with SA Government objectives and delivered efficiently and effectively. Its membership includes representatives from DHUD, DIT, the URA, SA Water, the South Australian Housing Trust and the Northern Parklands Trust.

The SHDG provides a mechanism for participating agencies to coordinate delivery activities, monitor interdependent programs and infrastructure investments, address emerging delivery issues, and support the achievement of Housing Roadmap objectives. Unlike the Housing Roadmap Oversight Committee, which has industry participation and provides broader strategic oversight, the SHDG operates as a government coordination forum focused on aligning agency activities and resolving operational and delivery challenges across the housing portfolio.

DHUD was able to advise that most initiatives included in the Housing Roadmap were completed or tracking to schedule. In 2026-27, we will consider DHUD's monitoring arrangements and how it liaises with delivery agencies to manage emerging risks.

DHUD's governance arrangements are complemented by agency-level project delivery and contract management arrangements. We have separately reviewed aspects of the project, procurement and contract management controls exercised by the South Australian Housing Trust, the URA and SA Water, with the results of that work reported in Part C of this report.

3.2.4 Finance Reform Program

I have been reporting on the SA Government's Finance Reform Program (FRP) since 2023-24. Approved in December 2022, it will deliver a replacement financial management system for a large number of agencies at an estimated cost of \$99.5 million over five years from 2022-23. Oracle will replace the Masterpiece system which has been used for many years. There are three main components: a financial management system, an integration platform and the system integration partner (SIP). Oracle was chosen as the financial management system, Mulesoft for the integration platform and KPMG as the primary SIP to assist with the SA Government implementation of Oracle.

3.2.4.1 Current status of the project

The pilot agency, the Department for Correctional Services, started using Oracle in December 2025, with the FRP team providing additional support to the Department until February 2026. This additional support was provided to stabilise the system and monitor it in a controlled environment, address early defects, support users as they adjust to new processes and minimise key business function disruption where possible.

The project is proceeding in groups to manage the transition of so many agencies. The second and third groups of agencies started using Oracle in April 2026 and July 2026, respectively. The main agencies in these groups were DTF, the Department of Human Services, the South Australian Housing Trust and the Department of State Development.

DTF spent \$29.8 million on the FRP in 2025-26, mainly for outsourced contractor services (\$15.5 million) and software licences (\$5.6 million).

Financial statements for a number of agencies, including the Department for Correctional Services and DTF, were prepared based on information from Oracle in 2025-26. We did not identify any material issues with these statements.

3.2.4.2 Our review of the project in 2025-26

In 2025-26, we reviewed contract management and governance processes for the SIP contract and found:

- the contract management plan was out of date
- the annual review of the contract was not performed
- the contract manager had not completed mandatory procurement training.

We also reviewed Oracle general ledger and information technology controls and found:

- the responsibilities for financial accounting processes following the Oracle transition are not formally defined
- some general ledger reconciliations were not complete or were delayed
- weaknesses in user access management, with privileged user logs not being reviewed for unusual or inappropriate activities
- weaknesses in user offboarding processes.

3.2.4.3 External reviews of the project in 2025-26

SSSA also engaged external experts to conduct security reviews of the new system. In July and August 2026, the consultant reviewed information security for the Oracle platform. A preliminary report on the findings has been provided to the project team, which is working through the matters identified. Broadly, there were opportunities to strengthen processes for:

- cyber security
- risk management
- identity management
- user authentication
- privileged users and secure administration
- emergency access to the system if standard account access fails.

SSSA also engaged KPMG to review the tailored approach to user security in the new financial management system, which differs from the standard Oracle approach. SSSA wanted to verify that the access and functionality of the tailored approach was appropriate. This review was still ongoing at the time of reporting, with no significant issues identified at that point.

3.2.4.4 Forward plan for the project

As the FRP project enters its final year, the four remaining groups of agencies (19 agencies in total) will progressively start use of Oracle in 2027.

The FRP remains on schedule for completion by the end of 2027. Given its significance to the financial operations of SA Government agencies, and the ongoing transition of agencies from Masterpiece to Oracle, we will continue to review implementation progress and key system controls as part of our 2026-27 audit program.

4 Updates on previously reported matters

4.1 Remaining assets from the deferred Whyalla hydrogen plant

The Hydrogen Jobs Plan was a project to build a hydrogen power plant, electrolyser and storage facility near Whyalla at a cost of \$593 million over four years. In February 2025, the SA Government deferred the project as part of its move to deliver the Whyalla Steelworks package. The Office of Hydrogen Power SA (OHPSA), which was responsible for the project, was abolished in May 2025, and its remaining operations and assets were transferred to DEM.

Before the project was deferred and OHPSA was abolished, OHPSA had entered into several arrangements with third parties to deliver the project. Two significant arrangements were:

- the purchase of four 50-megawatt hydrogen-capable gas turbines
- construction of additional electricity infrastructure to support the plant and storage facility and provide for future growth options.

4.1.1 Status of the gas turbines

DEM started an open market process to sell the turbines in August 2025. DEM advised us that the stated objectives of the sale were to recoup the original purchase price and ensure the turbines were installed in South Australia to provide additional generation capacity and system reliability. The sales process continues to be active.

DEM received significant components of the turbines throughout 2025-26. The remaining parts are scheduled to arrive by early 2027. DEM has an arrangement with a private contractor to receive, store and maintain the turbines while the sale process continues. DEM manages this contract through regular meetings with the contractor and by reviewing progress reports. In 2025-26, DEM paid \$1.8 million in storage and maintenance costs for the turbines.

At 30 June 2026, DEM recognised over \$180 million in capital works in progress for the ongoing purchase of components of the turbines. This included \$61.6 million in additions in 2025-26. DEM also recorded a contractual commitment for the remaining purchase cost. We reviewed the contract for storing and maintaining the turbines and the financial transactions related to their purchase as part of our 2025-26 audit of DEM. Part C of this report provides more information about this audit.

DEM advised us that it continues to actively pursue the sale of the turbines and is confident that market conditions support a positive outcome.

4.1.2 Status of the constructed electricity infrastructure

In 2023-24, OHPSA entered an arrangement with ElectraNet to build electricity infrastructure in Whyalla. Under the arrangement, the SA Government will pay a yearly tariff to ElectraNet once the infrastructure is built. The fee payable will depend on the final cost of construction

works and whether any other third parties use the infrastructure and contribute to its costs. Although construction is complete, a supply agreement has not been finalised. The arrangement transferred to DEM when OHPSA was abolished. As a result, DEM recognised an estimated contingent liability of \$121 million in its financial statements at 30 June 2026.

4.2 Proton therapy project – Australian Bragg Centre

In my 2025 annual report, I said that I would continue to monitor progress on the Australian Bragg Centre proton therapy project. The aim of the project was to establish Australia's first proton therapy unit in Adelaide. The project was managed by the South Australian Health and Medical Research Institute (SAHMRI) and it included:

- developing a building (the Australian Bragg Centre Building) that would house a proton therapy system, provide dry lab research and clinical trial facilities for SAHMRI and other commercial space for dry lab, clinical or office use
- purchasing a proton therapy system
- developing and operating a proton therapy unit.

In June 2025, I reported to the Parliament on the progress of the proton therapy project and noted that a proton therapy unit was not established, and that establishing and operating one in South Australia will require significant additional public (State and/or Commonwealth) funding. I also noted that the State has ongoing risk exposures and significant financial commitments associated with the project, and that the SA Government was actively working with the Commonwealth Government to develop an alternative national proton therapy project.

We sought an update from DTF on the current status of the project and it provided the following information:

- In December 2025, the SA Government entered into an agreement with Dexu (the owner of the Australian Bragg Centre building) to progress the potential future delivery of proton therapy services at the Australian Bragg Centre. The SA Government has a range of financial commitments and exposures under this agreement, including leasing a further six floors in the Australian Bragg Centre and extending the leases for the five floors it already occupies, on normal government terms. This agreement means that the SA Government now holds the lease on all of the above-ground floors.
- The SA Government is still advocating to secure Commonwealth funding for an alternative national proton therapy project in the Australian Bragg Centre. The timing of a Commonwealth funding decision remains unclear.
- The Treasurer has entered into an agreement with SAHMRI to become the sole member of the Australian Bragg Centre for Proton Therapy and Research (ABCPTR), from 1 October 2026. ABCPTR has significant lease commitments related to the Australian Bragg Centre building. The Commonwealth has agreed to fund ABCPTR's operating and lease costs until 30 June 2027, while it considers whether it will fund a new national proton therapy project in the Australian Bragg Centre.

- On 28 August 2026, the Treasurer publicly announced the SAHMRI Financial and Governance Reform whereby Adelaide University would become the sole member of SAHMRI after the resignation of Flinders University and State members.

The SA Government has significant financial exposures and commitments under the above arrangements, some of which are not yet fully resolved. Because of this, I will continue to monitor progress on the proton therapy project.

4.3 Across Government Facilities Management Arrangements contract status and future arrangements

The Across Government Facilities Management Arrangements (AGFMA) provide a whole-of-government mechanism for asset maintenance. Ventia Australia Pty Ltd (Ventia) currently provides these services to the SA Government. The arrangements cover billions of dollars of government assets, including schools, hospitals, TAFE SA sites, entertainment and sporting facilities, prisons and courts involving substantial annual expenditure. The AGFMA is a fundamental component of the SA Government's asset management framework for managing, maintaining and undertaking works on State assets.

Over several years, we have reported findings relating to the effectiveness of the AGFMA arrangements, DIT's management of the AGFMA and Ventia's compliance with contractual requirements.

Our overall assessment for 2025-26 is that the AGFMA continues to not operate as intended. Contract objectives are still not being fully achieved, and longstanding issues are unresolved. We found that DIT needs to strengthen its controls over AGFMA governance, risk management, asset management and contract management. This year, we also identified a new issue relating to significant deficiencies in Ventia's work health and safety systems. DIT advised us that the fundamental issues with Ventia's obligations not being fulfilled within the current AGFMA model, constrains DIT's achievements of intended risk management and contracted performance outcomes.

The initial term of the contract with Ventia expires on 30 June 2027, with extension options available under the contract. With less than a year remaining, it is important that DIT and the SA Government consider whether the current arrangements are the best option for achieving intended objectives and managing key asset management and service delivery risks. In considering future options, any arrangement should include an effective approach to resolving data reliability and management issues so agencies can optimise asset performance, achieve value for money, effectively manage operational and safety risks and deliver sustainable service outcomes.

The AGFMA is a complex arrangement involving shared responsibilities between DIT, participating agencies and Ventia. Further commentary on the AGFMA is included in Part B of this report, with specific agency commentary included in Part C where relevant.

4.4 Previous modifications to opinions for procurement reporting disclosures

In 2023-24 and 2024-25, I modified the audit opinions of several agencies where financial statement disclosures required under the Treasurer's Instructions (Accounting Policy Statements) about their procurements with SA and non-SA businesses were either not provided or not supported by complete and accurate information.

In June 2026, the Treasurer amended the Treasurer's Instructions (Accounting Policy Statements) to remove the requirement for agencies to include this procurement information in their financial statements. Instead, Premier and Cabinet Circular PC013 *Annual Reports* was amended to require information about committed expenditure with SA and non-SA businesses to be published in agency annual reports.

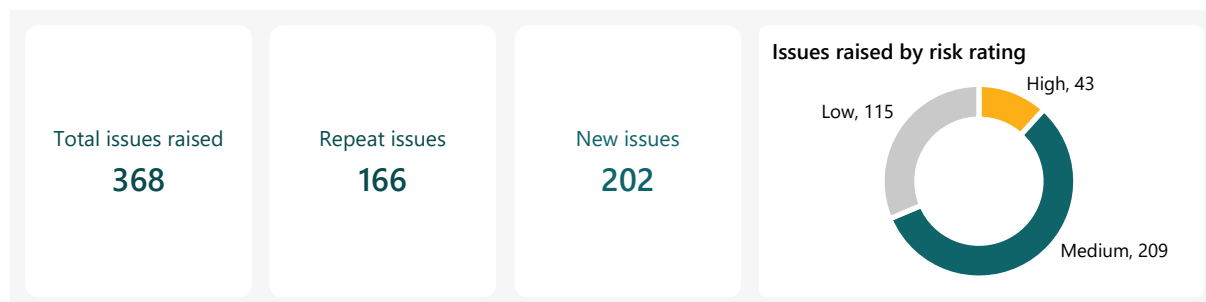
As a result of this change, the information is no longer included in agency financial statements and is not considered as part of my financial statement audits.

5 Insights from our controls work

5.1 Controls opinion findings

Part B of this report provides a high-level summary of our more significant control findings this year, with further details about individual agency findings provided in Part C. Figure 5.1 shows how many controls opinion findings we raised this year.

Figure 5.1: 2025-26 controls opinion findings



This section summarises the significant themes from our control findings in 2025-26.

5.1.1 Asset management

The agencies we audit hold assets worth about \$145 billion in infrastructure, buildings and improvements. Our audits continue to identify opportunities to strengthen asset management practices and improve on the governance, planning and oversight arrangements over these assets.

A large portion of government building and infrastructure assets are managed through the AGFMA, including significant asset holdings at the Department for Education, SA Health, TAFE SA, the Department for Correctional Services and the Office for Recreation, Sport and Racing. Large infrastructure agencies, such as DIT, SA Water and the URA also manage substantial asset portfolios and maintenance programs directly.

Asset management continues to require improvement. Our audits identified weaknesses in governance, asset planning, asset data quality, maintenance oversight, contract compliance and performance reporting. Addressing these issues will support sound and informed decision-making, effective risk management and the long-term sustainability of public assets.

Overall, 73% of the issues we raised for asset management were repeat findings.

We also found a further decline in AGFMA asset management controls in 2025-26. With less than a year remaining in the initial contract term, significant uncertainty remains about whether the current arrangements will achieve their intended objectives and deliver the expected outcomes.

There is further comment on the AGFMA in section 4.3.

5.1.2 Contract management

The SA Government has extensive outsourcing arrangements with the private sector, ranging from small service contracts to large and complex long-term arrangements. Effective contract management is critical to achieving intended outcomes, managing risks and delivering value for money. Our audits continue to identify weaknesses and opportunities to strengthen contract management practices across agencies.

Regardless of the contract involved, it is essential that agencies:

- have comprehensive frameworks, policies and procedures for contract management
- assign contract management responsibilities to suitably trained staff
- have access to current contract pricing schedules and supporting documentation
- implement and regularly review contract management plans
- actively monitor and manage contract performance and obligations
- maintain accurate and complete contract registers
- document and retain sufficient evidence of contract management activities.

About 40% of the contract management issues we raised were repeat findings. While they apply to the specific contracts we reviewed, the principles apply to all contract arrangements.

5.1.3 Workforce management

The public sector spends around \$13.1 billion annually on paying employees. Data from the OCPSE indicates that this expenditure supports a workforce of around 126,000 employees across a wide range of government agencies.

For a number of years we have focussed on workforce planning, recruitment, employment screening, performance management and payroll processing controls. Collectively, these areas cover the main controls for employee-related expenditure.

In 2025-26 we continued to identify opportunities to improve controls in this area, recommending that agencies:

- clearly monitor their employment screening checks and controls
- improve their performance management systems
- identify key risks in their payroll processing environments
- implement controls to record leave approved and taken
- monitor staff compliance with mandatory training requirements
- monitor and report on employees working for multiple agencies concurrently for more than the equivalent of a full-time role (discussed further in section 2.1).

The issues we identified in 2025-26 were largely repeat findings, with more than 70% raised in prior years.

5.1.4 Expenditure and procurement

Public authorities procure billions of dollars of goods, services and asset each year. The agencies we audit spent approximately \$37 billion in 2025-26, with SSSA processing 3.1 million invoices on their behalf.

Procurement activities should comply with the requirements of the PFAA, the *Public Sector Act 2009*, Procurement SA policies and Treasurer's Instructions to achieve value for money and maintain accountability for spending public funds. Treasurer's Instruction 18 *Procurement* sets out the rules for procurement across the SA Government and is applicable to all public authorities.

We continued to identify opportunities to improve procurement controls in 2025-26. We recommended that agencies:

- ensure conflicts of interest declarations are completed, actioned and consistent with governing frameworks
- consistently document, communicate and apply their policies and procedures
- obtain complete and appropriate approvals at each stage of the procurement process
- proactively identify and respond to procurement risks
- ensure expenditure systems enforce segregation of duties when processing transactions
- perform frequent system user access reviews
- review all processed transactions
- ensure financial delegations are reviewed, approved and accurately reflected in expenditure systems.

41% of the issues we identified in 2025-26 were repeat findings.

We also found that the approaches to some procurements were inconsistent with the intent of the procurement frameworks currently in place – see section 6.2.

5.2 Management of appropriations under the Appropriation Act

Appropriations provided to SA Government agencies are central to the funding of government activity each year. On the whole, DTF manages the payment of appropriations to agencies well.

In recent years, however, there have been two instances where, due to changes in agency cash requirements, agencies have been asked to repay amounts to the Consolidated Account. In both cases, those repayments should have been made before 30 June of the financial year in which they were received, to align with the Appropriation Act specific to that year, but they were not.

In June 2023, DTF identified that the Department for Education needed to repay \$142.5 million in excess appropriation to the Consolidated Account before 30 June of that year. The Department for Education did not make the repayment until July 2023. At the time, we identified this as an opportunity for DTF to strengthen its processes for working with agencies to ensure any required repayments of appropriation to the Consolidated Account occurred before the end of the financial year.

In June 2026, DTF identified around \$42 million that needed to be returned to the Consolidated Account by the Office for Recreation, Sport and Racing by 30 June 2026. The repayment was not made until July 2026.

These instances again highlight the opportunity to strengthen controls over the management of agency cash requirements in line with the requirements of the Appropriation Act and the PFAA, to ensure that amounts are only distributed in a way that aligns with the approvals in place and that changes to the approved amounts only occur in line with legislative requirements.

5.3 Legacy ICT system risks

In 2025-26, we reviewed the extent of the legacy ICT systems operating across SA Government agencies and the risks they create for service delivery, security, performance and long-term sustainability. We communicated the outcomes of our review in Auditor-General’s Report 3 of 2026 *Review of legacy ICT systems*.

Our review involved surveying 18 agencies for high-level information about the legacy systems in their ICT environments. We then reviewed 10 agencies in more detail to see how they manage the operational, security and governance risks of legacy applications, operating systems, hardware devices, database management systems and virtualisation platforms.

Figure 5.2 shows how many of the ICT systems we assessed qualified as legacy systems.

Figure 5.2: ICT systems we assessed and found to be legacy systems

Applications 195 out of 812 (24%)	Databases 168 out of 1,026 (16%)	Operating systems 766 out of 3,181 (24%)
Virtualisation platforms 121 out of 392 (31%)	ICT hardware devices/appliances 5,736 out of 11,602 (49%)	

We concluded that legacy ICT systems remain common across agencies and continue to present significant operational and security challenges. In many cases they remain in use because agencies do not have the funding, resourcing or replacement pathways to modernise them.

There were weaknesses in how some agencies manage their legacy system risks, including incomplete asset inventories, limited formal risk assessments, gaps in risk register documents and inconsistent reporting to governance bodies. These weaknesses reduce the visibility of risks and can delay action to remediate or replace legacy systems.

We concluded that agencies need more structured, risk-based approaches to managing their legacy ICT systems. This includes completing modernisation projects, maintaining better visibility of legacy assets, documenting risks and treatments more clearly, and ensuring governance committees receive regular updates on progress and residual risks.

6 Other matters of public interest

6.1 Artificial intelligence in government

6.1.1 Royal Commission into Artificial Intelligence

In August 2026, the South Australian Premier announced the establishment of a Royal Commission into Artificial Intelligence (AI). The aim is to examine how the State can maximise the benefits of AI while managing the associated risks and unintended consequences. A news release from DPC³ lists the terms of reference as focusing on:

- policy and regulatory settings, at both state and national levels
- impacts and opportunities for education, including schools and higher education
- impacts and opportunities for public services provided by the State, including health
- impacts and opportunities for South Australia's skills and workforce
- opportunities related to AI related infrastructure, including the interrelationship with energy transformation, water usage and associated impacts (such as electricity grid implications).

At the time of writing, the Royal Commission was scheduled to commence on 1 October 2026 and provide its final report to the SA Government by 1 July 2027. The three Royal Commissioners tasked with conducting it are yet to be announced.

6.1.2 How the Audit Office uses artificial intelligence

We use an approved AI tool within our secure environment to support safe innovation and improve how we work. Our staff use this tool for a range of audit and corporate activities, such as:

- summarising and comparing large volumes of documentation and data to identify key themes, inconsistencies, unusual patterns and potential areas for further examination and more targeted audit planning
- drafting and refining audit findings, management letters, interview questions, reports and briefings, to produce clear and consistent writing more efficiently
- researching accounting, auditing, governance, risk management and public sector issues
- preparing for meetings by summarising background material, suggesting discussion topics and developing tailored questions
- analysing spreadsheets and other structured information to support trend analysis, variance explanations, data quality checks and the identification of transactions or balances that warrant further audit attention

³ <https://www.dpc.sa.gov.au/news/royal-commission-into-artificial-intelligence-announced>, viewed 11 August 2026.

- summarising meeting notes, transcripts and lengthy email threads to clarify agreed actions, follow-up matters and key decisions
- drafting internal communications, preparing training material, improving policy and procedure documents, and assisting with planning and administrative tasks.

Before we introduced AI, we implemented a robust AI policy with supporting guidance that aligns with the SA Government's 'Guideline for the use of Generative Artificial Intelligence and Large Language Model Tools', issued by the Office of the Chief Information Officer. Our staff are required to complete training before being assigned an AI tool licence.

We also use an AI-powered financial statement review tool that automates accuracy checks and identifies potential inconsistencies.

Importantly, our staff understand that AI tools can help them in their work but do not replace professional judgement and human oversight. All AI-generated outputs must be reviewed and validated before we rely on them.

6.1.3 Transparency in the use of artificial intelligence

While we are using AI tools for efficiency and productivity, responsibility for professional judgement, oversight and accountability remains firmly with us. AI does not replace the independent assessment, evidence gathering, quality assurance processes or statutory responsibilities that underpin the Auditor-General's work.

As the use of AI increases across the public sector, we feel that transparency about its use is important for good governance. Public authorities should disclose, at least at a high level, how AI tools are being used in delivering public services, administration and decision-making. Annual reports provide an appropriate and accessible mechanism for this disclosure.

Publicly disclosing AI use supports several important public sector principles:

- It promotes accountability by enabling Parliament, oversight bodies and the public to understand where AI is being incorporated into government operations and how responsibility for outcomes is maintained. This helps agencies to demonstrate that they are using AI in a way that is consistent with their legislative obligations, ethical standards and community expectations.
- It helps build public trust. Community confidence is more likely to be maintained if public authorities are open about the technologies they use, the purposes for which they are deployed, and the safeguards that are in place. Openness reduces the risk of perceptions that significant decisions are being made through opaque or poorly understood processes.
- Disclosure encourages better risk management and governance. Where AI use is publicly reported, agencies are more likely to establish clear governance arrangements, document controls, assess risks and monitor outcomes. Public reporting can help drive continuous improvement in areas such as privacy, information security, bias mitigation, human oversight and records management.

- Transparency supports informed public discussion about the opportunities and risks associated with AI in government. The community has a legitimate interest in understanding how emerging technologies are influencing the design and delivery of public services and how government is ensuring those technologies are used responsibly.

As AI adoption increases across the South Australian public sector, annual reports should evolve to include proportionate disclosures about AI use, governance arrangements, and key risks and the controls established to manage them. This would strengthen public accountability and contribute to maintaining confidence in the integrity of public administration.

6.2 Approaches to some procurements are inconsistent with the intent of the current procurement frameworks

The SA Government has invested significant time and resources into establishing a procurement framework with the aim of ensuring that procurements are conducted fairly, ethically and transparently, and that they are supported by appropriate planning and approvals. These principles, designed around the achievement of value for money, are considered appropriate for the expenditure of public money.

The primary procurement framework is established by Treasurer's Instruction 18 *Procurement* and its supporting policies and schedules. The framework was developed by Procurement SA and applies to public authorities.

The procurement framework is principles based and flexible, giving agency chief executives significant authority to vary requirements or approve exemptions, where necessary. This approach is reasonable and prudent, as the framework is designed to apply in all situations and flexibility is required to cater for circumstances where applying all requirements is not possible or appropriate. This includes situations of genuine emergency or significant time pressure.

Procurement principles aimed at ensuring value for the spending of public money typically emphasise competitive processes to maximise the value achieved. The framework's Sourcing Policy generally requires open market approaches for more significant procurements, especially those above \$550,000, although chief executives can approve exemptions to this requirement under circumstances outlined in the Procurement Planning Policy.

In recent years we have noted increasing examples of agencies approving exemptions or amendments to procurement framework requirements for significant procurements. This report includes examples of procurements for the North Adelaide Golf Course redevelopment (see section 2.2), the new Women's and Children's Hospital (see section 2.3), and the Department for Child Protection.

Importantly, we have not noted non-compliance with the approval requirements in these instances. However, the use of variations or exemptions of this nature does have the potential to reduce the effectiveness of processes that are designed to achieve value for money through procurement.

That is not to say that it is not possible to still achieve a value for money outcome, or that the approach taken by agencies in these instances is inappropriate. It is, however, more challenging to demonstrate how some elements of a good procurement process have been achieved where a modified or more limited/direct approach to the procurement process has been taken.

We have been advised by the agencies involved that the approaches they took in these instances were the result of the unique circumstances of the procurements concerned. For example, contracts with existing suppliers may have been extended to minimise disruption to the project or program being undertaken, or urgency might have precluded the full procurement approach that would ordinarily be required by the procurement framework. We were also informed of circumstances where there was only a limited market of providers to support the approach taken.

The existing framework provides the capacity for agencies to modify approaches in this way. In approving such variations, however, it is essential that requirements be put in place to enable robust assessment that value for money is being achieved in the absence of a competitive approach. Failure to do so creates an increased risk that public funds are not being used in the most economic, efficient and effective manner.

The increased use of exemptions based on urgency and limited market availability indicates a need for stronger procurement planning and market analysis. If procurement processes are frequently subject to variations, it may highlight a need to revisit agency practices to ensure procurements are properly planned and, once initial contracts are in place, managed.

We understand that Procurement SA is considering current procurement practices in agencies as part of a review of existing procurement framework requirements.

6.3 The role of the Auditor-General and public referrals

The Auditor-General is an independent statutory officer of the Parliament established under the PFAA. The Auditor-General's primary role is to provide independent assurance to Parliament on the accountability, performance and financial management of public sector entities. This is achieved through financial statement audits, reviews of internal controls, performance audits and examinations of matters within the Auditor-General's legislative mandate. The independence of the Auditor-General is fundamental to public sector accountability and is protected by legislation.

Members of the public and the Parliament periodically contact the Audit Office seeking review of concerns about government entities, public expenditure, governance practices or service delivery. While these matters can assist the Auditor-General in understanding areas of public concern and emerging risks, the Auditor-General is not a general complaints body and does not have a broad statutory role to investigate individual grievances, allegations of misconduct or corruption, or disputes between citizens and government agencies.

During the year the Audit Office received and responded to about 70 communications identifying concerns.

The Audit Office assesses information received from the public to determine whether it is relevant to the Auditor-General's audit mandate. Where appropriate, information may contribute to the identification of audit risks, the development of future performance audit topics, or the planning of financial and controls audit work. However, the receipt of a public referral does not of itself require the Auditor-General to commence an audit or investigation. Decisions about audit activity are made independently and are based on considerations such as legislative authority, significance, public value, risk and the efficient use of audit resources.

Where appropriate matters may be referred to other integrity agencies for their information or consideration. Responses to public referrals will commonly reference alternative resolution options including other integrity agencies.

6.3.1 The Auditor-General's place within the integrity framework

Unlike other SA Government integrity bodies, the Auditor-General does not operate as a public complaints investigation body. Rather, the Auditor-General's role is to provide Parliament with independent assurance regarding the stewardship of public resources and the performance of public sector entities. While information received from the public can inform audit planning, the Auditor-General's focus remains on systemic risks, governance, financial management, economy, efficiency, effectiveness and public accountability.

6.4 Performance audits

We completed a number of reviews during the year, including:

- Report 2 of 2026 *Managing food safety in council areas, Part A: Department for Health and Wellbeing and Part B: Local government*
- Report 5 of 2026 *T2D project risk and issue management*
- Report 6 of 2026 *Status of performance audit recommendations.*

For the coming year, we have started planning a number of performance audits, including:

- child protection – young people transitioning from care to adulthood
- management of investments in training and skills.

We also expect to conduct a review of the probity of the processes leading up to the recent awarding of a regional bus service contract, as required by the *Passenger Transport Act 1994*.

We have a small team for performance audits, so we select a limited number of discretionary matters each year for review during annual planning. This planning considers factors such as significance and risk, potential benefits and impact, auditability and previous audit findings and commentary.

6.5 Local government reviews

Each year, we conduct performance audit work on aspects of local government administration. The State's 68 councils and their related bodies are responsible for appointing independent auditors to audit their financial statements under the *Local Government Act 1999*.

The PFAA provides for the Auditor-General to review the efficiency, economy and effectiveness of local government activities, projects and indemnity schemes. We select areas from across the sector to review and report on, based on criteria aimed at identifying matters of most relevance at a point in time. Our reviews typically focus on two selected councils for each review, with the findings reported to Parliament and shared with councils as a means of supporting improvement across the local government sector.

Our most recent report was Auditor-General's Report 2 of 2026 *Managing food safety in council areas*. We reviewed selected state and local government activities to assess whether food safety is effectively managed in council areas. This included how the:

- Eastern Health Authority and the City of Tea Tree Gully maintain effective regulatory and other activities that enable food businesses to provide safe and suitable food to the community
- Department for Health and Wellbeing oversees and supports councils in managing food safety.

We concluded that:

- the Eastern Health Authority and the City of Tea Tree Gully had a range of effective food safety management activities including conducting systematic, risk-based inspections and audits of food businesses, and performing comprehensive and timely complaint investigations. We also identified areas for improvement of governance arrangements, such as evaluating and reporting on performance against set performance indicators
- the Department for Health and Wellbeing had effective activities to oversee and support councils manage food safety in their council areas. We noted improvement opportunities for the Department to:
 - maximise the strategic value of the data it collects by broadening its analysis of the data and improving its reporting on the performance of food safety activities
 - consider mechanisms to address the absence of a centralised system about food businesses operating in South Australia
 - review the memorandum of understanding between the Minister for Health and Wellbeing and the Local Government Association of South Australia to ensure that it reflects the intentions and current arrangements for all parties.

Our review provided insights that all councils should consider when reviewing their own food safety practices, including:

- developing food safety management plans with clear objectives and strategies to achieve legislative compliance and strengthen food safety practices
- setting SMART performance measures and regularly evaluating and reporting on food safety management performance against these measures
- identifying, assessing and managing risks associated with food safety management
- using business risk classifications, compliance history and complaint trend analysis to plan and prioritise inspections and allocate resources efficiently
- maintaining adequate records to document the outcomes of inspections and audits, follow-up actions, changes in risk classifications and complaint investigations
- documenting policies and procedures that outline the roles, responsibilities and processes for consistent food safety inspections, audits and complaints management practices
- implementing strategies to educate food business owners and food handling staff to achieve and maintain high standards of food safety.

We have recently started planning for our next performance audit, capital planning processes in local government. Areas of coverage for the review include:

- Does the council have a sound framework for planning capital projects
- Do business cases provide complete, accurate and reliable information
- Is the council making informed and responsible decisions on capital projects.

Appendix – Abbreviations and terms used in this report

A number of acronyms and abbreviations are used throughout this report. Most are summarised here.

Abbreviation/Term	Description
ABCPTR	Australian Bragg Centre for Proton Therapy and Research
AGFMA	Across Government Facilities Management Arrangements
AI	Artificial intelligence
ATSB	Australian Transport Safety Bureau
Babcock	Babcock Mission Critical Services
CASA	Civil Aviation Safety Authority
DEM	Department for Energy and Mining
DHUD	Department for Housing and Urban Development
DHW	Department for Health and Wellbeing
DIT	Department for Infrastructure and Transport
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
DEM	Department for Energy and Mining
FFA	Federation Funding Agreement
FRP	Finance Reform Program
LHN	Local health network
NAPGC	North Adelaide Public Golf Course
nWCH	New Women's and Children's Hospital
OCPSE	Office of the Commissioner for Public Sector Employment
OHPSA	Office of Hydrogen Power SA
OneSteel	OneSteel Manufacturing Pty Ltd
PIRSA	Department of Primary Industries and Regions
PFAA	<i>Public Finance and Audit Act 1987</i>
QRIDA	Queensland Rural and Industry Development Authority
SAAS	SA Ambulance Service Inc
SAHMRI	South Australian Health and Medical Research Institute

SAPOL	South Australia Police
SA Water	South Australian Water Corporation
SHDG	State Housing Delivery Group
SIP	System integration partner
SRHS	State Rescue Helicopter Service
SSSA	Shared Services SA
T2D project	North–South Corridor River Torrens to Darlington project
TBM	Tunnel boring machine
TI 17	Treasurer’s Instruction 17 <i>Public Sector Initiatives</i>
URA	Urban Renewal Authority
Ventia	Ventia Australia Pty Ltd
Walker	Walker Corporation
WCHN	Women’s and Children’s Health Network Incorporated

