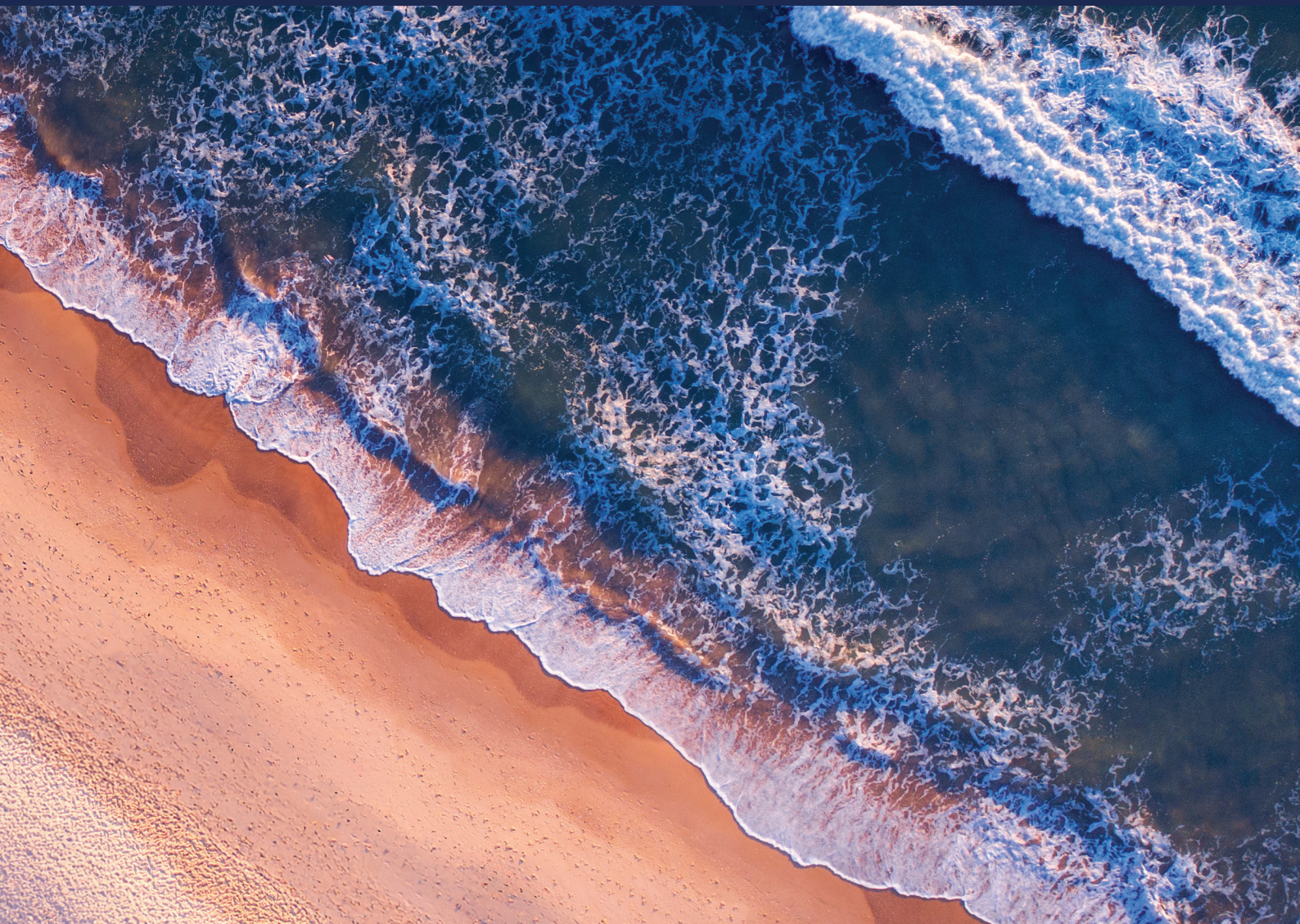


Auditor-General's Report 7 of 2026

Annual report

for the year ended 30 June 2026

Part B: Controls opinion



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Annual report

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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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1 Executive summary

Controls opinion

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, are sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.

Agencies included

53 public authorities were included across various areas of our controls opinion audit program. We focused on agencies whose financial transactions were material to the whole of government in 2025-26.

Key areas of review

Our 2025-26 control reviews focused on several areas of financial management and transaction processing, particularly:

- asset management, including the Across Government Facilities Management Arrangements (AGFMA)
- contract management
- salaries, wages and human resource-related matters
- procurement
- expenditure, including delegations and approvals
- information technology general controls.

Key outcomes

The broad nature of my controls opinion under the *Public Finance and Audit Act 1987* (PFAA) means that issues would need to be very significant or fundamental for me to modify my opinion. We identified issues and common themes, some that were significant or recurring. However, we did not find any systemic weaknesses in controls across the SA Government, so my opinion is unmodified.

Some of our findings have broader implications for public financial administration. Although identified at specific agencies, all public sector agencies should consider them to strengthen their financial management control.

I again draw attention to the significant number of asset management and contract management issues we find in agencies. Some of these issues have existed for a number of years and pose significant risks for government.

Public authorities rely on major outsourcing arrangements with private sector providers to deliver a range of services. Agencies responsible for these arrangements must clearly define their frameworks and expectations for contract management and invest in the staff skills and IT resources needed to effectively support them.

Outsourcing services does not remove the risks for public authorities and may introduce new ones. Ineffective contract management may expose the State to higher costs, financial loss or reduced services.

We also continue to find gaps in key controls for payroll and employment processes. These controls are fundamental to ensuring the right people are hired and paid the correct amount for the work they do.

Key findings

We found that:

- large infrastructure agencies need to strengthen their asset management processes, including asset management planning and oversight of assets managed under contract arrangements
- the AGFMA is still not operating as intended and in line with the contract, with a significant number of issues affecting many agencies across government
- contract management processes need to be strengthened to ensure contracts are managed effectively, contract risks are appropriately monitored, and contractor performance is assessed against agreed expectations and outcomes
- several agencies need to strengthen their employment screening, ongoing monitoring and employment commencement processes to ensure compliance with legislative requirements and support effective workforce management
- key payroll processing controls still need to be strengthened to support the accurate, complete and properly authorised processing of payroll transactions
- procurement processes need to be strengthened, with instances of inadequate or missing documentation for key procurement decisions or to evidence compliance with requirements and promote accountability.

2 Outcomes of our controls testing in 2025-26

In forming the controls opinion, we identify the most significant areas of SA Government activity and the agencies that contribute to them, and the controls they have implemented for these activities. We perform audit work over selected key controls at those agencies to assess whether the controls are operating effectively and find any weaknesses or gaps.

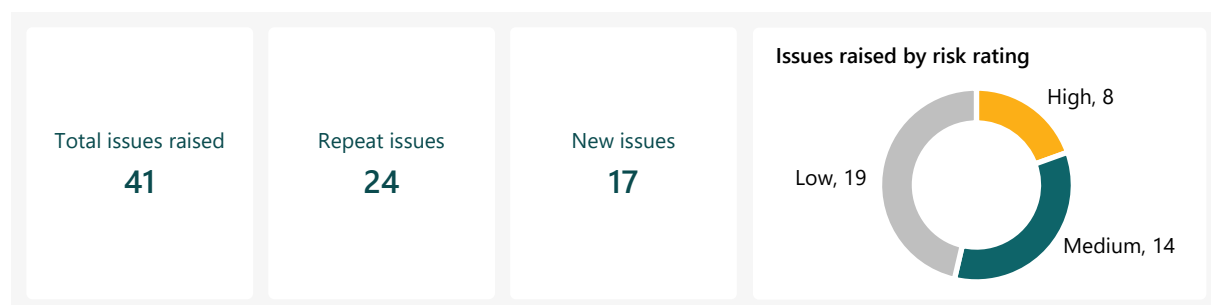
In 2025-26, we assessed key controls over:

- revenue collection, including tax revenue, grant revenue and sales revenue
- expenditure, including spending on supplies and services, salaries and wages, interest, grants and maintenance
- assets, including the management of land, buildings and infrastructure (including asset management), heritage collections, investment funds, loans, inventories and capital projects
- liabilities, including borrowings, superannuation liabilities, outstanding insurance claim liabilities and employee benefits
- information technology general controls, including user access and password management, audit logging, data backup and restoration, change and patch management, job scheduling and monitoring.

This chapter details the most significant outcomes from our 2025-26 controls opinion work. Chapter 3 provides further information on the controls opinion requirement under the PFAA and the key factors we consider in planning our work each year. Appendix 1 provides an overview of the specific areas we focused on in 2025-26.

Further details of key audit findings and my commentary on individual agencies are included in Part C of this annual report.

2.1 Asset management – infrastructure, buildings, and improvements and heritage assets



2.1.1 Summary of findings and recommendations

What we found

We found areas of asset management at agencies that manage significant infrastructure portfolios and heritage assets that need to improve, including:

- continued opportunities to develop or improve asset management plans and frameworks
- asset data not being updated, maintained or consolidated in a fit-for-purpose system
- continued work needed to occur to clear a significant backlog of maintenance tasks being managed under contract
- an asset management plan that was not consistent with contract requirements
- asset management assessments not being performed
- reporting to governance on asset management KPIs and a comprehensive asset maintenance backlog has not occurred
- key asset management controls that were not documented, including reconciliations and system user access controls
- data migration methodology, procedures and approval controls that were not documented and no evidence of the process being maintained
- opportunities to improve on separate asset assurance activities performed by the agency and tracking of outcomes from this activity.

For agencies who participate in the AGFMA, our asset management audit focus was the operation of the AGFMA arrangements and this is discussed in section 2.2.

What public authorities should do

Large infrastructure agencies and significant asset management entities should:

review and update their asset management plans and frameworks

for procuring supplies, services and assets to clearly document and communicate them to staff and ensure that staff follow them

clearly communicate roles and responsibilities

for asset management to staff and provide them with adequate training to build their asset management capability

monitor controls

for all assets, including for assets managed under contracts

regularly report on risks

to ensure risks are identified, appropriately managed and regularly reported to governance

identify, measure and report service levels and performance measures for assets that are agreed to and reported against to ensure contractors deliver on service expectations

Agencies that use the AGFMA should:

develop asset management policies, plans, procedures and frameworks based on reliable data

to ensure they are adequate for the size, complexity and nature of the assets they own. Plans should be based on reliable and updated data that is regularly reviewed

liaise with Ventia and the Department for Infrastructure and Transport

to clarify the roles and responsibilities of all parties in the AGFMA

clearly communicate roles and responsibilities

for asset management to staff and provide them with adequate training to build their asset management capability

2.1.2 Background

Asset management remains a key focus of our controls opinion work as it is vital to the effective management of billions of dollars' worth of SA Government assets. It involves the systematic and coordinated management of assets throughout their lifecycle, including their acquisition, maintenance, renewal and disposal. Effective asset management demonstrates an agency's ability to balance costs, risks and opportunities to maximise asset value and performance while meeting current and future service requirements and stakeholder expectations.

Unlike some other Australian jurisdictions, there is no mandatory asset management framework for assets owned by the SA Government. Therefore, we evaluate agency asset management practices using the Department for Infrastructure and Transport's (DIT's)

strategic asset management framework as a guide. It was developed to support the AGFMA and aligns to the recognised best practice approach – ISO 55001 *Asset management – Management systems – Requirements*. However, it is limited to building assets and does not cover other types of assets, and agencies are not mandated to comply with it. We also use the Institute of Public Works Australasia *International Infrastructure Management Manual* as a reference for the application of the ISO 55000 series. We consider each agency's size, operations and complexity when reviewing their practices against these guidelines.

We review agencies that manage their own asset maintenance and have extensive infrastructure portfolios, such as the South Australian Water Corporation, DIT, the South Australian Housing Trust and the Urban Renewal Authority. We also include the Art Gallery Board as it manages \$838 million of heritage assets.

We review asset management activities at agencies that participate in the AGFMA and spend significant amounts on maintenance expenditure under these arrangements, including the Department for Education, SA Health, TAFE SA, the Department for Correctional Services and the Office for Recreation, Sport and Racing – see section 2.2.

Where our asset management findings relate to significant infrastructure assets maintained under contract, we discuss related contract management issues in section 2.3.

2.1.3 Governance arrangements still need to improve

Documented asset management policies and plans are critical to ensuring asset management activities and asset outcomes align with agency objectives. Agencies need to clearly set their asset management objectives to make properly informed strategic decisions about acquiring, operating, maintaining and disposing of their assets.

DIT's strategic asset management framework provides guidance on the asset management planning policies and procedures that agencies should have. They should cover:

- the principles the agency intends to apply to asset management to achieve its organisational objectives (asset management policy)
- the agency's asset management objectives, practices and action plans for asset management improvement (asset management strategy)
- the agency's approach to implementing its asset management strategies (asset management plan).

Not having documented asset management policies and plans increases the risk of an agency failing to cost-effectively manage its assets or deliver planned services.

For a number of years, we have reported on opportunities for large infrastructure agencies to improve their documented asset management plans and frameworks. This year we continued to find that agencies could improve by:

- finalising asset management frameworks, plans and supporting documents
- documenting methodologies for key asset management activities such as data migration and user access management

- improving compliance with contract requirements and performance for some asset types.

2.1.4 Opportunities to further improve service level and performance measurement and reporting

Defining, measuring and reporting service levels and performance measures is important for asset management planning, prioritising resources and decision-making. It should provide an understanding of:

- the levels of service customers require and what they are willing to pay
- the technical levels of service required
- actual asset performance and capability to deliver those levels of service.

Deficiencies in the process for defining desired service levels and monitoring actual asset performance against targets may result in the planned/actual services delivered by an agency not meeting key stakeholder expectations. An agency's ability to effectively allocate resources to prioritise asset maintenance and renewal is negatively impacted by the absence of performance measure reporting.

We found opportunities to improve the assessment of performance measures at agencies that manage large infrastructure assets. Agencies should ensure that asset management plans define desired levels of service for all assets, and that performance is assessed and regularly reported on to governance groups.

2.1.5 Asset data should be regularly updated, maintained, consolidated and reported to governance groups

Maintaining complete, accurate and up-to-date asset data is essential to effective asset management. Reliable information helps inform decisions about future maintenance requirements, infrastructure expenditure and long-term asset management planning. Without it, agencies face an increased risk that assets are not fully captured, asset condition is inaccurate, and planning and resource allocation decisions are based on incomplete or inaccurate information. This can result in inefficient maintenance planning and decision-making, reduced confidence in asset data, accelerated asset deterioration and declining service levels of those assets.

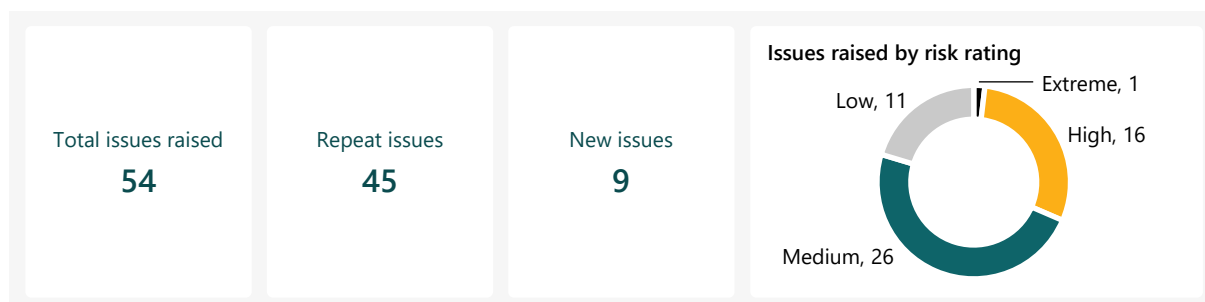
Not knowing if asset information is complete and accurate and then not properly responding through adequate maintenance and renewal activities may increase safety risks to users, decrease the life of the asset and increase maintenance costs.

We found opportunities to improve asset data quality at agencies with large infrastructure asset portfolios, including:

- ensuring the conditions of assets under contract arrangements are documented, validated and comprehensively reported to governance groups
- ensuring condition assessment data is consolidated, reviewed, updated and based on complete asset information.

2.2 Across Government Facilities Management Arrangements

2.2.1 Summary of findings and recommendations



What we found

We again found that the AGFMA was not operating as intended or in line with key contract requirements, and that intended contract outcomes have still not been achieved. This increases risks to service quality, value for money and the effective management of asset-related risks for agencies using the AGFMA arrangement, which is most SA Government entities. We have reported these matters consistently since the 2021 commencement of the current contract.

The AGFMA is a complex arrangement involving shared responsibilities between DIT, participating agencies and the SA Government's facilities management service provider, Ventia Australia Pty Ltd (Ventia).

DIT continues to work extensively with Ventia, to improve the way the arrangements work. Despite this, we continue to identify areas of significant risk where internal controls need to be stronger, including:

- no evidence that Ventia's software contains the minimum data required by Premier and Cabinet Circular PC 114 *Government Real Property Management*
- no assurance that Ventia's systems, processes and controls were operating effectively
- key plans for asset inspection and data audits not being prepared for 2025-26, with no evidence of any condition monitoring activity that occurred
- significant deficiencies in Ventia's compliance with work, health and safety requirements and industry best practice, which was identified in an external review
- gaps in DIT's risk management processes for the AGFMA, with the risk register incomplete and missing risks in areas such as cyber security, trade ceiling rates and data management
- significant issues around risks and recommendations for emergency and high-risk assets not being resolved
- no assurance that user access controls in Ventia's Panorama system are effective

- Ventia not procuring trade-based services in line with the SA Government's procurement policies, evidenced by external auditors engaged by DIT
- KPIs reports not being provided in 2025-26 and DIT not being able to verify KPIs due to a disagreement with Ventia about calculating them
- Ventia's compliance with contractual obligations not being assessed
- opportunities to improve how contract breach notices and deficiencies are managed
- required governance forums that have not occurred
- risks and findings reported in recent and previous external independent reviews not being resolved.

We also identified several areas where Ventia was not operating in line with the contract, including:

- no evidence of Ventia completing the data validation process to ensure that complete and accurate data is recorded for assets being managed
- evidence that subcontractors engaged by Ventia were charging for some work at rates higher than the maximum trade rates allowed
- instances where subcontractors used by Ventia did not hold all required qualifications, licences or certificates for the work performed
- annual inspections and data audit plans not being in place, with no evidence of inspections occurring provided to DIT
- preventative maintenance and maintenance required by legislation not being completed within agreed time frames
- breakdown maintenance response and resolution times set in the contract not being met
- Ventia's AGFMA business continuity plan not being finalised.

Agencies using the AGFMA must also have their own asset management controls, which we review as part of our audit. In some of the more significant agencies, we found that:

- asset management plans, policies and frameworks needed to effectively manage buildings and improvements were incomplete or out of date
- annual site inspections, asset data and condition assessments were not provided, performed, complete or maintained
- service delivery plans were not prepared
- some procurement of services through the AGFMA was not in line with SA Government procurement policies
- risk management processes could improve, including risk monitoring and recording
- there were gaps in performance management, including documented governance, activity and monitoring of issues, reporting and risks under the AGFMA
- an asset information strategy and standards guide was not developed

- there were opportunities to improve the alignment of financial authorisations in the AGFMA maintenance system with agency-approved financial authorisations and Treasurer’s Instruction 8 *Financial Authorisations* (TI 8)
- user access reviews for Ventia systems, including role-based access controls, were not performed.

What public authorities should do

Effective operation of the AGFMA requires all stakeholders to have a clear understanding of their responsibilities, supported by effective processes, active oversight of Ventia’s service delivery and sound management of asset information. DIT is the State contract manager for the AGFMA, working in conjunction with participating agencies. DIT has proposed actions in response to our findings, which are detailed in Part C of this report under ‘Department for Infrastructure and Transport’.

Agencies participating in the AGFMA should continue to:

monitor and enhance their asset management controls

to ensure the facilities management services they receive are effective for their assets

clearly document and communicate roles and responsibilities

to their staff and provide adequate training and documentation to support this

actively work with DIT and Ventia

to ensure they are clear about their roles and responsibilities under the AGFMA

2.2.2 Background

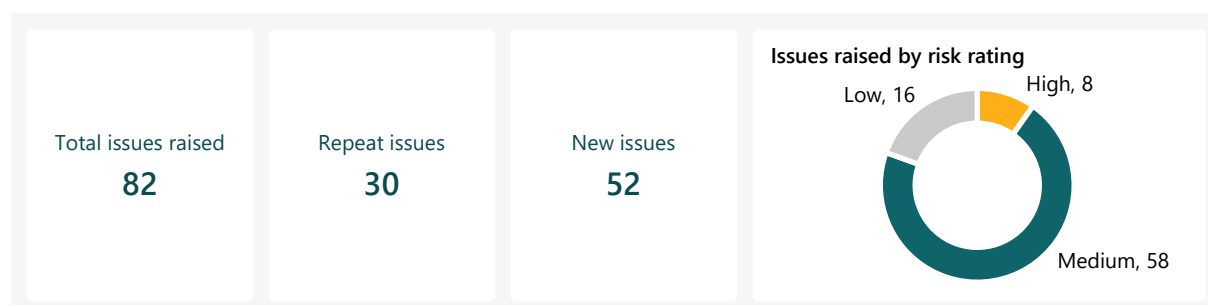
The AGFMA is an integral part of the SA Government’s approach to maintaining, managing and improving building assets (including building fabric, plant and equipment). The arrangements provide a structured framework for identifying required building works, procuring services, managing associated risks and maintaining records of completed works. Up to 50 agencies currently use the AGFMA.

We include the AGFMA in our controls opinion work due to its significance to the management of government assets, the scale of maintenance expenditure involved and the large number of agencies that rely on these arrangements.

In June 2020, the SA Government approved a fully outsourced service delivery model for the AGFMA. The contract was awarded to Ventia in July 2021, with service delivery commencing in December 2021. While services are delivered through this outsourced model, DIT, as the SA Government contract manager, and the participating agencies retain key governance and oversight responsibilities under these arrangements.

2.3 Contract management

2.3.1 Summary of findings and recommendations



What we found

We reviewed a sample of significant contracts and found that the agencies responsible for them need to improve their contract management practices. We found:

- instances where contract management plans were not finalised, were outdated or incomplete, did not reflect contract management activity and performance measures being performed, did not address all key areas or were not approved before the contract began
- contract management plans did not always include complexity assessment, and some contracts were incorrectly classified or their classification did not reflect contract risk and significance
- contract management practices did not always meet key contract and legislative requirements, including those for approving contract variations, and legislative reviews were not being performed or were delayed
- not all contract management practices were documented
- no, or inadequate, controls to support effective contract management practices, such as reconciliations
- contract management processes did not always demonstrate a clear understanding of the risks to an agency, how they were managed and whether the risk responses were effective, documented and monitored
- contract management practices did not always assess all aspects of the arrangements by properly measuring and reporting KPIs and reviewing contractor performance annually
- instances of inadequate verification of KPIs
- instances where contract meetings with suppliers were not held, were delayed, were held with no documented outcomes or did not align with contract requirements
- instances where the agency's application of contract management differed from Procurement SA's recommended or best practice approach

- key documents required for contract management were not always promptly prepared, reviewed or submitted to those charged with governance of the project
- tracking and monitoring services ordered under contracts could be improved
- contract deliverable registers were not used at one agency
- instances of contract extensions not adequately documenting the assessment of the contractor's performance, exceeding TI 8 approval requirements, not evidencing proper approval, and giving insufficient notice of extensions or finalising them after the existing arrangements expired
- annual contract reviews did not always occur or were incomplete
- instances where there was no evidence of contract managers meeting mandatory contract management training requirements, the role of contract manager was not assigned or key contract management activities were not performed
- an instance of a contractor's performance against some KPIs not being reliably measured
- contract details were not accurately reported on the procurement contract management system used by SA Health and related agencies
- contract services commenced before the execution and approval of the contract
- instances where agencies were not properly approving contract expenditure or could not provide evidence to support the approval of the contract.

Some of these findings represent non-compliance with Treasurer's Instruction 18 *Procurement* (TI 18) and Procurement SA's policies and procedures.

What public authorities should do

Regardless of the nature of the contract, agencies should be proactive in improving their contract management practices by:

having comprehensive frameworks, policies and procedures

that are communicated to staff, reflect contract management processes specific to the agency and meet the SA Government's framework requirements and other rules and guidelines

implementing contract management plans

that accurately reflect the contract's requirements, are implemented before the contract starts and meet the SA Government's framework requirements and other rules and guidelines

identifying responsible contract managers

clearly setting expectations for their roles and providing support and training to them

actively managing contracts

to ensure deliverables occur as contracted and KPIs or targets are effectively monitored

having access to updated contract price schedules

so that staff who are responsible for approving charges under contract arrangements can verify that the agency is paying the correct amount

having evidence to support their contract management activities

such as minutes of meetings, copies of correspondence and supporting documentation

having and maintaining contract registers

to understand all contracts the agency is a party to

2.3.2 Background

Contracting by the SA Government has many forms and can include ongoing purchasing arrangements, outsourced service delivery, managing assets and ongoing maintenance arrangements (for assets, software, buildings or plant and equipment).

Agency contract management practices should reflect public sector rules such as those established by the PFAA, *Public Sector Act 2009*, Procurement SA and Treasurer's Instructions.

TI 18 applies specifically to procurement and contract management practices, with limited exceptions. It establishes a policy framework that includes policies for governance, procurement planning, sourcing and contract management. Public authorities are responsible for having systems, processes and procedures that comply with this framework.

Treasurer's Instruction 28 *Financial Management Compliance Program* also requires chief executives to ensure:

- that the agency regularly monitors and reviews contractor/supplier performance against orders, contracts, service level agreements (including outsourced services and public private partnership contracts) or equivalent to ensure services are received and payments are made in line with what was approved
- reductions in payments (abatements) are promptly applied in line with contract arrangements where a failure that attracts an abatement occurs.

Significant outsourcing arrangements increase the need for agencies to establish clear contract management frameworks, define expected outcomes and maintain the capability and resources required to oversee service delivery. While services may be outsourced, responsibility for associated risks stays with the responsible agency. In some cases, outsourcing can introduce new risks or increase existing ones. If risks are not effectively managed through robust contract management practices, agencies may face increased costs, service disruption or reduced service quality.

Our more significant contract management findings are discussed below.

2.3.3 Contract management plans were not finalised, were outdated or were incomplete for some significant contracts

We reviewed agency plans to effectively oversee and manage several significant contracts.

A contract management plan is a key tool for managing a significant contract. TI 18 requires all complex and strategic contracts to have a contract management plan approved by the contract owner no later than the contract commencement date. It should describe how the contract will be managed over its life to achieve intended outcomes and value for money. It should be maintained as a current working document and, where needed, be supported by other plans covering areas such as risk management, transition, probity, fraud control, security, supply chain risks and contract disposal activity.

Where contract obligations, performance and risk are not effectively managed and monitored, there is an increased risk that contracted services will not be delivered in line with agreed specifications, regulations and laws. For contracts involving asset maintenance, this may result in reduced service levels, accelerated asset deterioration, shortened asset life and increased maintenance costs.

We continue to find instances where contract management plans are incomplete, outdated or not finalised, do not reflect current contract management activity and performance monitoring activities, fail to address key contract management requirements, or are not approved before the contract commences.

2.3.4 Monitoring compliance and performance measures in contracts needs to improve

We reviewed how selected agencies monitored contractor compliance and performance in delivering contracted services. Doing this effectively helps agencies identify and manage risks, assess whether expected outcomes are being achieved and address issues as they arise. Without it, there is an increased risk that contract objectives and intended service outcomes will not be achieved.

Common performance measures include service targets, key milestones, service delivery metrics and technical performance indicators. They can vary according to the objectives, requirements and risks of each contract, and are sometimes linked to financial penalties if agreed performance standards are not achieved.

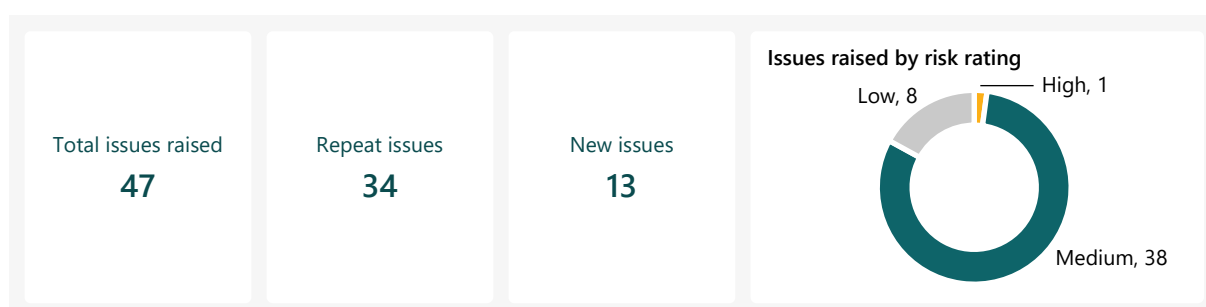
Contracts often require contractors to report on their performance against agreed contract measures. Public authorities should not solely rely on contractor-reported information and should review it to ensure it is accurate, evidence-based and verifiable. The SA Government procurement framework requires performance information used to assess suppliers to be accurate, fair and capable of verification, particularly where it influences payments or contractual penalties. For complex contracts, independent assessments or validation activities may be required to provide assurance that performance metrics have been met.

Some contracts relate to maintaining agency -owned assets. Without active monitoring of these services, there is an increased risk to the safety of agency staff, as well as the risk of inefficient or ineffective use of public funds and reduced value for money.

In the contracts we reviewed in 2025-26, we again found instances where monitoring contract performance needed to improve, including:

- opportunities to strengthen documentation of processes for recording, monitoring and reporting on contract obligations and performance
- regular reporting on contract plans, progress, reviews and performance that was not provided, not followed up, not adequate or not verified by the agency
- instances where agencies only relied on information provided by the contractor to support the achievement of KPIs and other delivery plans, with no process to validate the claims or ability to assess the adequacy of this information
- instances where contract obligations were not performed, monitored or documented.

2.4 Salaries and wages expenditure



2.4.1 Summary of findings and recommendations

What we found

Our audits of controls over salaries and wages expenditure at agencies identified opportunities to improve:

- the monitoring and reporting of employees working concurrently for more than one public sector employer for total hours exceeding one FTE
- employment screening practices, with instances of agency staff not holding valid clearances, such as working with children and aged care clearances, while working or potentially working with these vulnerable groups
- hiring processes, with instances of new staff starting work with no employment contract in place, and incomplete documentation or reviews of key pre-employment documentation
- compliance with immunisation policy requirements, as staff continued to work without evidence of the required immunisations

- performance management processes, as job plans for some senior roles did not exist, lacked evidence of completion or were not performed on time
- workforce planning and strategy, including resource plans and job plans
- rostering practices, with inconsistent practices applied to medical staff
- monitoring of mandatory training to ensure staff do the training required for their roles
- the recording and management of leave and workplace attendance
- one agency's process for managing outstanding payroll overpayments
- key payroll processing controls such as approvals, reviews and retention of supporting documentation.

What public authorities should do

Agencies should:

clearly monitor employment screening checks and controls

by clearly documenting which positions require these checks (such as working with children and aged care clearances) and implementing monitoring controls that ensure these staff hold valid and up-to-date checks

improve their performance management systems

by ensuring all staff have job plans, staff are trained, staff understand their roles and responsibilities and whether they are meeting them, and managers are able to manage staff performance

identify key risks in their payroll processing environment

over the validity, accuracy and completeness of payments and implement effectively designed controls to mitigate them

implement controls to record leave taken and approved

in the system they use and make sure any excessive or negative leave balances are effectively managed

monitor employees working for multiple workplaces concurrently in excess of one FTE and report it to the agencies involved concerned

improve hiring processes

to ensure contracts are in place before employment starts and pre-employment documentation reviews occur and are evidenced

improve documentation

to monitor compliance with required immunisation policy requirements

monitor compliance with mandatory training requirements

to ensure staff are performing mandatory training

implement workforce plans

appropriate to the complexity, scope and nature of their operations and ensure they

2.4.2 Background

Salaries and wages costs are significant for the agencies we audit. Collectively the SA Government employs around 126,000 staff (104,736 FTEs) and pays over \$13.1 billion in salaries and wages each year.

Effective management of salaries and wages expenditure begins with strategic workforce planning and continues through recruitment, remuneration and ongoing personnel administration throughout the employment lifecycle. The number of transactions involved requires robust controls and compliance with applicable legislation, government frameworks and enterprise agreements.

Our more significant salaries and wages findings are discussed below.

2.4.3 Government employees working concurrently for multiple agencies at more than one FTE

Our review identified a number of employees working concurrently at multiple agencies across the SA government. Some employees:

- held up to three active employee numbers and roles
- were concurrently employed in up to three agencies
- worked up to the equivalent of two FTEs in multiple ongoing roles.

Agencies are responsible for approving employment arrangements, managing workloads and ensuring employees perform the duties they are engaged and remunerated for. It is not necessarily inappropriate for an employee to work in multiple roles for multiple agencies, but this needs to be managed in the context of managing work health and safety risks and overall employee wellbeing. The current payroll systems agencies use do not provide a view of an employee's FTE commitments in other agencies.

Limited oversight of employees across agencies can increase the risk that inappropriate employment arrangements, excessive or duplicate payments, payroll anomalies, policy non-compliance, employee fatigue and reduced workforce performance go undetected, which can impact an agency's ability to effectively deliver on its objectives.

2.4.4 Employment screening practices and ongoing monitoring need significant improvement

We review how agencies identify and manage positions that require mandatory clearance checks, including working with children and aged care clearance checks. Effective management of these requirements ensures compliance with legislative obligations and community expectations when recruiting and retaining suitable staff. This is particularly critical for roles involving direct contact with vulnerable members of the community.

Some workers, such as those in health care, also have job-related immunisation requirements. We consider these requirements when reviewing compliance with ongoing employment screening and monitoring.

We continue to find that agencies need to improve their employment screening and monitoring practices. We found:

- instances where staff without current working with children and aged care clearances were working with children or the elderly
- instances where compliance monitoring for vaccination requirements had not been completed
- an instance of criminal history reports not being reviewed before the employee started working in their role.

2.4.5 Performance management elements still need to improve

Performance management is fundamental to ensuring an agency meets community expectations and delivers services effectively and efficiently. Effective performance management systems ensure that staff understand their individual roles and responsibilities, and how they will achieve them. If an agency is paying staff for work that is not being performed or not being performed to the expected level, it is not properly managing its salaries and wages expenditure.

The importance of performance management is recognised in various requirements that reinforce the need for agencies to establish and administer effective performance management and development systems. These include:

- the *Public Sector Act 2009*
- Direction of the Premier: *Performance Management and Development*
- Commissioner for Public Sector Employment guidelines.

We began auditing performance management reviews in 2018-19. We continue to find not only overdue performance reviews or reviews not being performed in some of the agencies we review, but that some roles still do not have a current job plan outlining the role and expectations. We also found that staff in some agencies were not meeting their mandatory training requirements.

2.4.6 Differing levels of workforce planning and strategy maturity

Workforce plans and strategies help to ensure that there is an appropriate workforce to deliver an agency's outcomes. Without the right workforce, an agency might need to hire temporary resources, at a premium cost, to deliver its objectives. This can compromise the effective delivery of outcomes if resources cannot be found in a short time and places heavy reliance on current resources to deliver these outcomes at a premium cost (overtime), resulting in staff burnout and constant fatigue. The effectiveness of an agency's future business planning relies on having a clear understanding of its workforce needs and costs and the workforce input needed to achieve its objectives.

We found that one large agency still had not implemented its workforce plan, which we have been reporting for a number of years.

2.4.7 Some key payroll processing controls need to improve

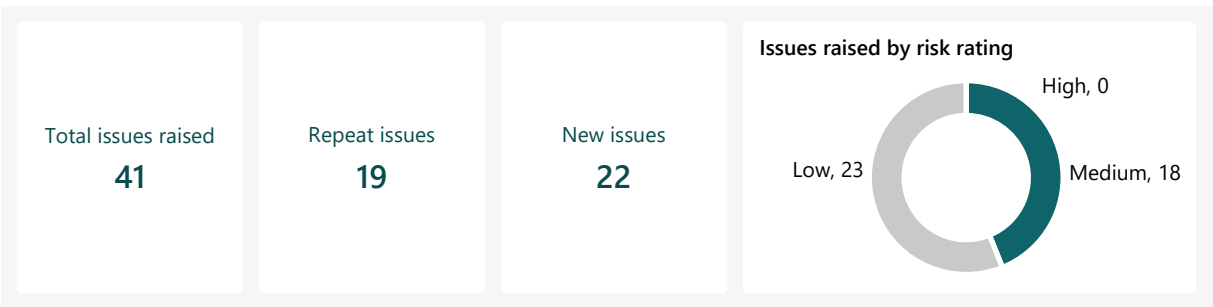
Common payroll processing environments use input checks (such as approval of timesheets, rosters and supporting documents) and output checks (such as bona fide reviews and payroll exception reports) to ensure salaries and wages paid to employees and recorded in financial systems is valid, accurate and complete. The proper design and implementation of these controls is fundamental to ensuring the effective financial management of salaries and wages expenditure.

For a number of years, we have reported instances where these checks were not occurring as designed or where their implementation did not meet management’s expectations. In 2025-26 we again found instances where:

- payment approval was obtained after payments were made
- there was no evidence of key payroll documents and master file changes being independently reviewed
- key payroll reports (bona fides and annual leave returns) were not reviewed or the review was not adequately or promptly performed
- rostering practices were inconsistent
- annual leave monitoring and recording needed to improve
- adequate supporting documents could not be provided for some transactions.

Shared Services SA (SSSA) advised us that it is actively managing \$12.8 million in outstanding overpayments on behalf of agencies, which have mainly resulted from agencies providing information to SSSA too late to be included in the next pay run. Effective payroll controls, including the review of bona fide and leave return reports, help prevent, detect and minimise these issues.

2.5 Procurement



2.5.1 Summary of findings and recommendations

What we found

Our audit of a sample of goods, services and asset procurements found that, while public authorities were progressively improving their procurement planning and evaluation processes, further improvement was still needed. We found instances where:

- agencies did not comply with the key reporting and review requirements of Treasurer's Instructions or Procurement SA, including not performing post-sourcing reviews, not documenting negotiation plans, and not documenting a capability assessment in the acquisition plan
- key records were missing, incomplete or inadequate, including evaluations of quotes, risk assessments, minimum insurance coverage limits, assessment of providers against the buyer's guide (for secondary procurements)
- key procurement documents were inconsistent because evaluation criteria differed between the request for quote and acquisition plan
- conflict of interest declarations were incomplete, policies and procedures were inconsistent with Procurement SA requirements or actions to address declared conflicts were not documented
- purchase recommendations were not properly approved or not approved by all required parties.

Some of these findings represented non-compliance with TI 18 and Procurement SA's policies and procedures.

What public authorities should do

Agencies should:

ensure conflict of interest declarations

are completed by all relevant parties and are consistent with governing frameworks, and document and actions taken

identify and respond to procurement risks

and ensure adequate recordkeeping so that evidence of risks, key decisions and approvals are documented and retained

ensure key procurement decisions are documented and consistently applied

including key plans, evaluation criteria, reports and changes in approach, so that these decisions are adequately supported

obtain complete and proper approvals during each stage of the procurement process

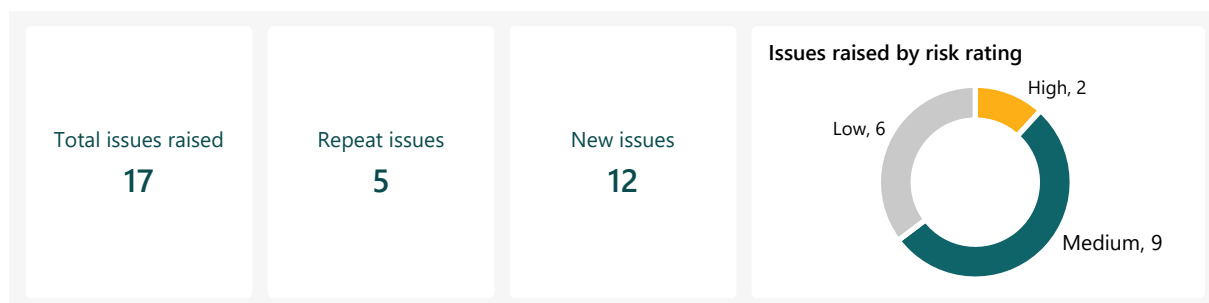
from all parties in line with framework requirements and agency policies, procedures and delegations

2.5.2 Background

Each year, public authorities procure billions of dollars of goods, services and assets. Their procurement activities should be conducted in line with the PFAA, *Public Sector Act 2009*, Procurement SA requirements and Treasurer's Instructions, with TI 18 being the State's primary procurement framework. Complying with these requirements helps public authorities to achieve value for money, effective service delivery and accountability. If procurement practices are not effective, there is an increased risk of unnecessary costs, poorer outcomes and reduced public confidence.

2.6 Accounts payable and approvals

2.6.1 Summary of findings and recommendations



What we found

Our audits of controls over accounts payable and approvals found:

- opportunities to improve segregation of duties in an expenditure system
- user access not being reviewed as often as required by agency policy
- no controls to ensure gazetted unit limits for particular categories of expenses were not exceeded
- user delegation limits in one expenditure system were out of date or missing
- an instance of expenses being recorded in the incorrect accounting period with no evidence of being corrected
- a payment that exceeded the approved work order value and was not supported by an approved variation
- instances where agencies were not properly approving maintenance expenditure, including late certification of the payment and payments before certification of work performed.

Two significant agencies had not performed the annual review of their financial authorisation limits in 2025-26. This is a requirement of TI 8, which requires financial authorisations and delegations to be reviewed by the chief executive at least annually. One of these agencies advised us that its 2025-26 review was approved by the Chief Executive on 30 June 2026, while the other advised that its review is complete and due to be approved by 30 September 2026.

What public authorities should do

Agencies should:

perform frequent system user access reviews

for key expenditure systems, and action any issues promptly

ensure segregation of duties exists in expenditure systems

to reduce the risk of fraud and errors from the inappropriate concentration of responsibilities in expenditure transactions.

ensure financial delegations are reviewed and approved annually, and accurately reflected in expenditure systems

to comply with TI 8 and ensure expenditure is approved in line with financial delegations

ensure reviews of processed transactions occur

to ensure completeness and accuracy, with any issues promptly actioned

2.6.2 Background

Millions of invoices are processed by public authorities every year. SSSA alone processed 3.2 million payments in 2025-26. Having a high number of suppliers inherently increases the risk of fraud as there is less familiarity with suppliers. To minimise this risk, public authorities need to assess their processing environments, including those at SSSA where applicable, and ensure they have appropriate controls. This is a requirement of the Treasurer's Instructions.

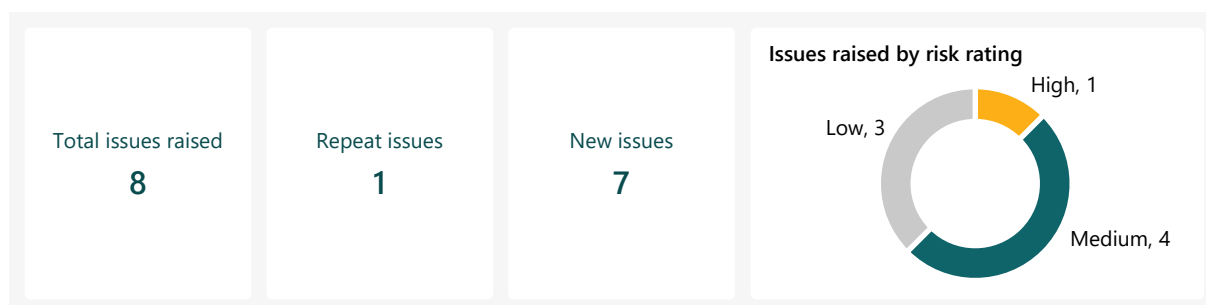
Billions of dollars of public funds are spent each year through invoices approved by public sector employees exercising delegated authority on behalf of public authorities. Financial delegation frameworks need to be effective to ensure approvals are only made in line with applicable legislation and policy, including the PFAA, *Public Sector Act 2009* and Treasurer's Instructions. Weaknesses in delegated authority may have significant consequences for individuals and public authorities, and undermine public confidence in public sector financial management.

Raising timely purchase orders, reconciling invoices to them and confirming that goods and services have been received before payments are processed are important controls in the accounts payable process. They support effective expenditure management and oversight of agency commitments. Without them, there is a risk of paying for goods and services that were not required, not received or that did not provide value for money.

Public authorities routinely engage with a wide range of suppliers to provide goods and services. Where expenditure is significant or recurring, contract arrangements provide certainty about pricing, conditions and expected outcomes. These arrangements can support informed financial decision-making for agencies to better understand and manage costs, while also helping suppliers to plan for and meet demand. A contract establishes clear expectations and provides public authorities with a framework for assessing supplier performance against the delivery of agreed goods and services.

The findings in section 2.6.1 identify areas where agencies could improve their accounts payable processes. Those relating to financial limits established in systems where expenditure is incurred highlight the importance of ensuring those limits reflect chief executive-approved authorisation limits and comply with TI 8, to ensure that only appropriate expenditure is incurred by the agency.

2.7 Capital projects – delivering and managing construction projects



Every year, agencies we audit deliver significant construction projects. For most of these agencies, this is a core activity. The SA Government's infrastructure agency, DIT, is responsible for managing construction projects in the civil and building (commercial) construction sectors. South Australian Water Corporation, South Australian Housing Trust and the Urban Renewal Authority are the other primary infrastructure agencies of the government, as they also have the specialised expertise to deliver significant construction projects.

Construction projects should comply with public sector rules such as those established by the PFAA, Procurement SA, Premier and Cabinet Circulars and Treasurer's Instructions. Under Premier and Cabinet Circular PC 049 *Infrastructure SA Major Project Assurance Process* and Treasurer's Instruction 17 *Public Sector Initiatives*, Infrastructure SA must be consulted by SA Government agencies before any Cabinet submission for infrastructure expenditure of \$50 million or more. In 2025, Infrastructure SA reissued an updated independent assurance framework to improve the planning, prioritisation, operation and implementation of major SA Government infrastructure projects.

In 2025-26 we reviewed specific controls over infrastructure planning and investment, project delivery and management. We found instances where agencies could improve their controls, including:

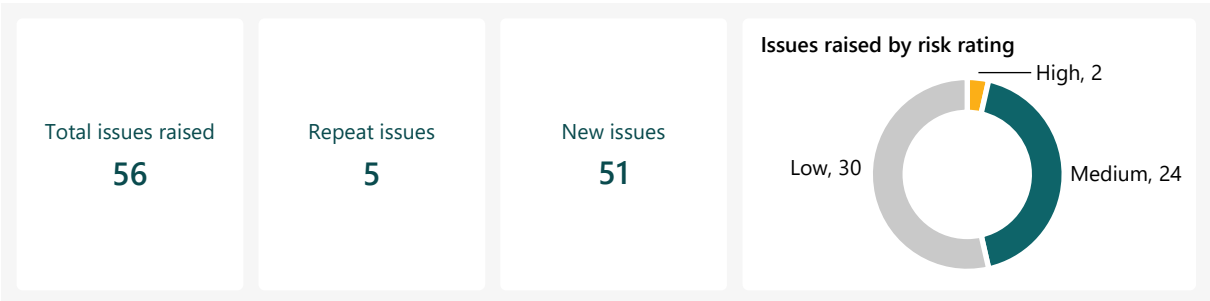
- one agency's Project Control Group meetings were not consistently held over the year as required by the contract
- project management plans that were either not in place, not properly approved or inconsistent with actual work practices
- the project management governance framework at one agency needing to be consolidated and clarified.

Our review of one significant project found that spending was approved without an adequate and documented analysis of benefits, costs, risks and value for money. This increased the risk of poor investment decisions, inefficient use of public resources, and reduced transparency and accountability.

We also raised a number of matters relating to procurement and contract management for the projects we reviewed. These findings are reflected in the contract management issues in section 2.3 and the procurement issues we discuss in section 2.5.

2.8 Information technology general controls

2.8.1 Summary of findings and recommendations



What we found

Our 2025-26 information technology general control (ITGC) reviews covered 13 key financial systems across seven agencies. We identified 56 findings, comprising two high-risk, 24 medium-risk and 30 low-risk findings.

34 findings (61% of the total) related to user access management, which included two high-risk findings relating to weaknesses in user offboarding and privileged user access management.

The medium-risk findings related to weaknesses in audit logging and monitoring processes, change management, backup management and patch management.

These control weaknesses increase the risk of inappropriate access, unauthorised system changes, and delays in detecting and responding to security and operational incidents.

What public authorities should do

Agencies should:

user access management

conduct regular user access reviews, promptly remove inappropriate user access and ensure user access requests are appropriately approved

password management

strengthen password configuration settings and related policies and procedures, and ensure regular reviews are performed over password

audit logging

implement processes to retain and monitor audit logs, and improve policies and procedures

change management

establish and maintain segregation of duties between developers, testers and migrators throughout the change management process (where possible), and retain documented evidence of change approvals and post-implementation testing

data backup and restoration

review backup and restoration policies and procedures and conduct regular testing of backup and restoration practices

patch management

ensure security patches are promptly applied to systems

job scheduling and monitoring

develop and maintain detailed job scheduling and monitoring procedures to support current operational processes

2.8.2 Background

We review ITGCs for key agency financial systems every year. Our testing considers the requirements of the SA Government's Cyber Security Management Framework and associated agency IT security guidelines.

Our reviews typically cover password management, privileged user access, user onboarding and offboarding, user access reviews, audit logging, change management, patch management, backup management, disaster recovery management, incident management and job scheduling and monitoring. We also assess the actions taken by agencies to address issues we have raised in previous reviews.

3 Background

Public Finance and Audit Act 1987

36–Auditor-General’s annual report

- (1) The Auditor-General must prepare an annual report that–
 - (a) states whether, in the Auditor-General’s opinion–
 - (iii) 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

Every year I am required to issue an opinion on whether the controls exercised by the Treasurer and public authorities in relation to a range of financial transactions are sufficient to provide reasonable assurance that those transactions have been conducted properly and in accordance with law. This is a key responsibility of the Auditor-General under section 36 of the PFAA.

The PFAA empowers the Auditor-General to decide how to carry out functions and exercise powers under the PFAA, and the priority they give to any matter. In 2025-26, I continued to find significant gaps in the whole-of-government control environment, particularly for asset management, contract management, payroll, procurement, expenditure and information technology general controls.

Through our controls opinion audit program, financial statement audits, extended reviews and some performance audits, we have comprehensively reviewed individual agency controls.

In this chapter I explain my controls opinion responsibilities under the PFAA and our approach for 2025-26. Chapter 2 contains the summary of the most significant control findings this year. Appendix 1 explains our controls opinion coverage.

We prepare our reports for the South Australian Parliament. They provide a reference for all public sector agencies to consider our findings and recommendations, so that agencies can make changes to their own control environments where required. Our goal is for our work to result in financial transactions being processed with a greater level of accountability and integrity across the public sector.

3.1 Overview

3.1.1 Controls are important

The SA Government collects and spends billions of dollars every year. This is managed by the Treasurer and public authorities to deliver core services to South Australians. Maintaining public trust requires these funds be managed legally, properly and for their intended purpose.

Public sector managers are responsible for managing costs, financial resources, operations and risks effectively, while complying with applicable legislation, regulations and instructions. An effective control framework underpins an agency's ability to be effective in their operations and report reliable, accurate and timely information.

If controls exercised by the Treasurer and public authorities not effective, there are increased risks to financial probity, propriety and delivering fit-for-purpose services to the public.

3.1.2 Auditor-General must express an opinion on controls

The Auditor-General has a statutory responsibility to express an annual opinion on whether controls are sufficient to reasonably assure that financial transactions of the Treasurer and public authorities were conducted properly and in accordance with law.

We define 'properly' as conforming to established standards of financial management practice. We define 'in accordance with law' as complying with relevant Acts, regulations and Treasurer's Instructions.

When performing our audit work for this opinion, we use relevant criteria to assess whether controls are consistent with established standards of financial management practice and behaviour. The main sources for these criteria include laws, regulations, instructions (such as Treasurer's Instructions) and agency policies. Outside of these sources, we also consider generally accepted standards of financial management practice and behaviour, especially where other Australian jurisdictions have issued authoritative guidance.

Assessing what is reasonable is a matter of judgement and circumstance that considers facts, evolving practices, expectations and behaviours. Fundamental principles that underpin our audits of controls include public accountability, integrity, financial probity and propriety, discharging responsibilities within the letter and spirit of the law, and value for money. They are inherent values that rarely change over time. However, there is a considerable degree of judgement required, and auditors and management will sometimes disagree.

A key outcome of our audits is to communicate significant audit findings to those charged with governance, which may be a board chair or chief executive or the Parliament. This is an obligation under the PFAA and a professional responsibility under Australian Auditing Standards.

3.1.3 What does the opinion mean

The controls opinion is an independent opinion on whether the public can be reasonably assured that the government of the day is operating in their best interests when conducting financial transactions. This extends beyond the accuracy of financial reporting.

Our controls work focuses on the propriety of transactions – that they lawfully occurred and were properly administered to an appropriate standard for the transaction type, scale and effect.

All of our audits include a procedural fairness process that provides opportunity for agencies to review and comment on audit issues we identify, which ensures our findings are accurate, well-founded and fairly presented. This provides an opportunity to discuss the significance of the issues identified, the risks they raise and the practical aspects of implementing our proposed recommendations within appropriate remediation time frames. We consider agency feedback and incorporate it into our final management letters and reports where appropriate.

Generally, our procedural fairness process result in auditors and senior management agreeing on most of our audit findings and recommendations. Ultimately, it is up to agencies to decide whether to adopt our recommendations, which they will consider from the perspective of the risks, costs and benefits to their operations. Occasionally, they put forward reasons for not adopting our recommendations. In most cases, these differences arise when agencies view that their existing practices are adequate to address the risks involved.

Agency responses to current year issues are reviewed in the next year’s audit. If disagreement remains, we raise the issue again for further review.

3.2 Our approach

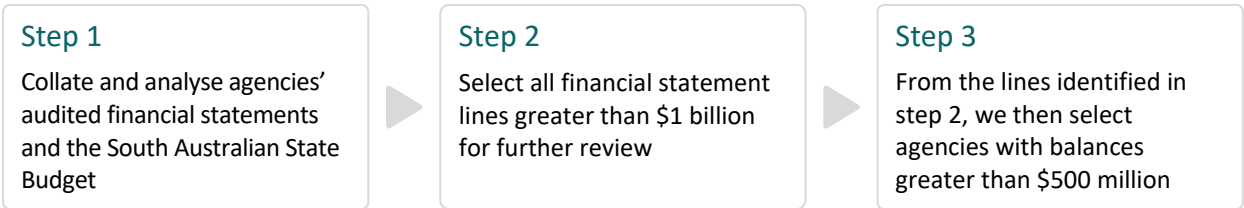
3.2.1 The 2025-26 controls opinion approach

Our 2025-26 approach to forming the controls opinion takes a whole-of-government perspective. The population we use to form our opinion consists of the agencies we are required to audit, which covers the general government sector and public financial and non-financial corporations.

We consider both key quantitative and qualitative factors to compile our controls opinion audit program.



To determine what is quantitatively significant, we perform three main steps.



We then consider qualitative factors to identify any additional areas of focus that may not meet our quantitative thresholds. These qualitative factors are based on our knowledge of agency operations and our audit experience, and are complemented by economic and social considerations, such as:

- public sector governance practices
- new developments
- matters of public interest
- expectations of Parliament
- significant new systems/initiatives
- past significant audit findings.

The agencies and areas we identified formed our 2025-26 controls opinion audit program. The significant findings from our audit work are discussed in Chapter 2.

3.2.2 What controls to audit

We focus our audit work on the controls exercised by the Treasurer and public authorities that most directly influence whether financial transactions are conducted lawfully and properly. Financial transactions progress through a process, from planning activities, such as preparing a business case, to execution activities, such as confirmation of receipt of goods and approval of expenditure. These processes form part of the financial systems through which transactions are managed. Not all controls within these systems hold equal importance, so we focus on the ones that provide the greatest assurance that transactions are conducted lawfully and properly.

We apply a risk-based approach to direct our resources to the areas of most significance. As risks evolve over time, our controls review program also changes, covering different systems and processes. This means that areas we review one year might not be a focus in the next.

Further detail about our approach to planning our 2025-26 audit work and we focused our work in provided in Appendix 1.

Appendix 1 – Controls opinion coverage

This Appendix summaries our approach to forming the 2025-26 controls opinion. It identifies the agencies we audited, the key financial transactions we focused on, and the main control areas we reviewed.

Not all agencies we audit are included in our controls opinion work. However, we review every agency's control environment as part of our financial audit responsibilities. Australian Auditing Standards require us to obtain an understanding of each agency's control environment and, where appropriate, to test the design and operation controls. We report the more significant findings from this work in Part C for the agencies included in this annual report. We will publish our findings for agencies not included in this report separately.

In any year we might also conduct extended reviews that inform the whole-of-government controls opinion. We also conduct performance audits each year, which often involves reviewing controls. We report the outcomes of our performance audits to Parliament in separate reports.

Revenue coverage

The agencies we audit receive around \$35 billion each year. Effective management of these funds, in line with compliance and legislative requirements, is fundamental to supporting the agency's ability to deliver on its objectives.

Grants received and taxation revenue are some of the primary revenue sources of revenue for the State.

We review select revenue controls over areas such as receipting, transaction processing, recording and reporting.

Expenditure coverage

The agencies we audit spend around \$37 billion each year. SSSA processes financial transactions on behalf of a large number of SA Government agencies under service level determinations. In 2025-26, SSSA processed 3.1 million pays and 3.2 million invoices.

Effective management of this expenditure, in line with compliance with legal requirements, underpins an agency's ability to deliver their objectives.

Salaries and wages, supplies and services and interest expenses are some of the primary sources that contribute to this expenditure. The diversity in these types of expenditure results in controls over these areas varying significantly. The controls we review in our expenditure work include workforce planning, performance management processes, hiring processes (including employment screening checks), reviews over key monitoring reports, delegations and approvals and procurement and contract management controls.

Asset coverage

The agencies we audit hold assets worth around \$145 billion. Robust financial management practices for the investment of funds, and the acquisition, use and disposal of assets, while complying with compliance and legislative requirements, are critical for agencies to achieve their objectives.

Investments and land are a significant proportion of assets. Selected controls we review in our assets work include: governance arrangements, appointing and managing external fund managers, approving new investments, managing settlements, monitoring and managing asset allocations, monitoring compliance with specific policies and procedures, asset management planning, approval of acquisitions, use and disposal of land and compliance with applicable legislative requirements.

Effective asset management is essential for South Australia's continued financial sustainability. Understanding asset types, performance, cost and age is crucial for effective decisions being made to renew, maintain and replace these assets, and ensuring government assets support public services and needs.

Capital projects (work in progress)

Each year we review select significant capital projects in progress across the State. Areas we tend to focus on include: business cases, project delivery, procurement (including tender and contract management practices) and project completion, ensuring that appropriate approvals were obtained at key stages of the projects.

Liabilities coverage

The agencies we audit hold around \$121 billion of liabilities. Effective financial management requires liabilities to be incurred and managed in line with legislative requirements.

Borrowings and superannuation fund deposits are a significant proportion of liabilities. Selected controls we review in this area include: controls over client and investment transactions, recalculating unit prices and investments, custodian management, governance of appointment, monitoring and termination of fund managers, liability scheme data is complete and accurate and the reasonableness of actuarial calculations.

Treasurer's Statements

The Treasurer's Statements are prepared each year under section 22 of the PFAA and reflect the transactions recorded in the Treasurer's accounts and records. The principal public accounts comprise the Consolidated Account and the special deposit and deposit accounts established under the PFAA.

We reviewed controls over key areas of these Statements, including receipts to and payments from the Consolidated Account (Statement A), the indebtedness of the Treasurer (Statement I), special deposit accounts (Statement F) and deposit accounts (Statement G).

Our work included reviewing controls over user access, approvals, compliance with the PFAA and Treasurer's Instructions, and the completeness and accuracy of transaction recording.

We also reviewed selected special deposit and deposit accounts at individual agencies. This work assessed whether appropriate controls were in place to ensure accounts were used only for approved purposes and operated in line with the requirements of the PFAA and the Treasurer's Instructions, including the performance of timely reconciliations.

Appendix 2 – Abbreviations used in this report

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

AGFMA	Across Government Facilities Management Arrangements
DIT	Department for Infrastructure and Transport
FTE	Full-time equivalent
ITGC	IT general control
KPI	Key performance indicator
PFAA	<i>Public Finance and Audit Act 1987</i>
SSSA	Shared Services SA
TI 18	Treasurer's Instruction 18 <i>Procurement</i>
TI 8	Treasurer's Instruction 8 <i>Financial Authorisations</i>
Ventia	Ventia Australia Pty Ltd

