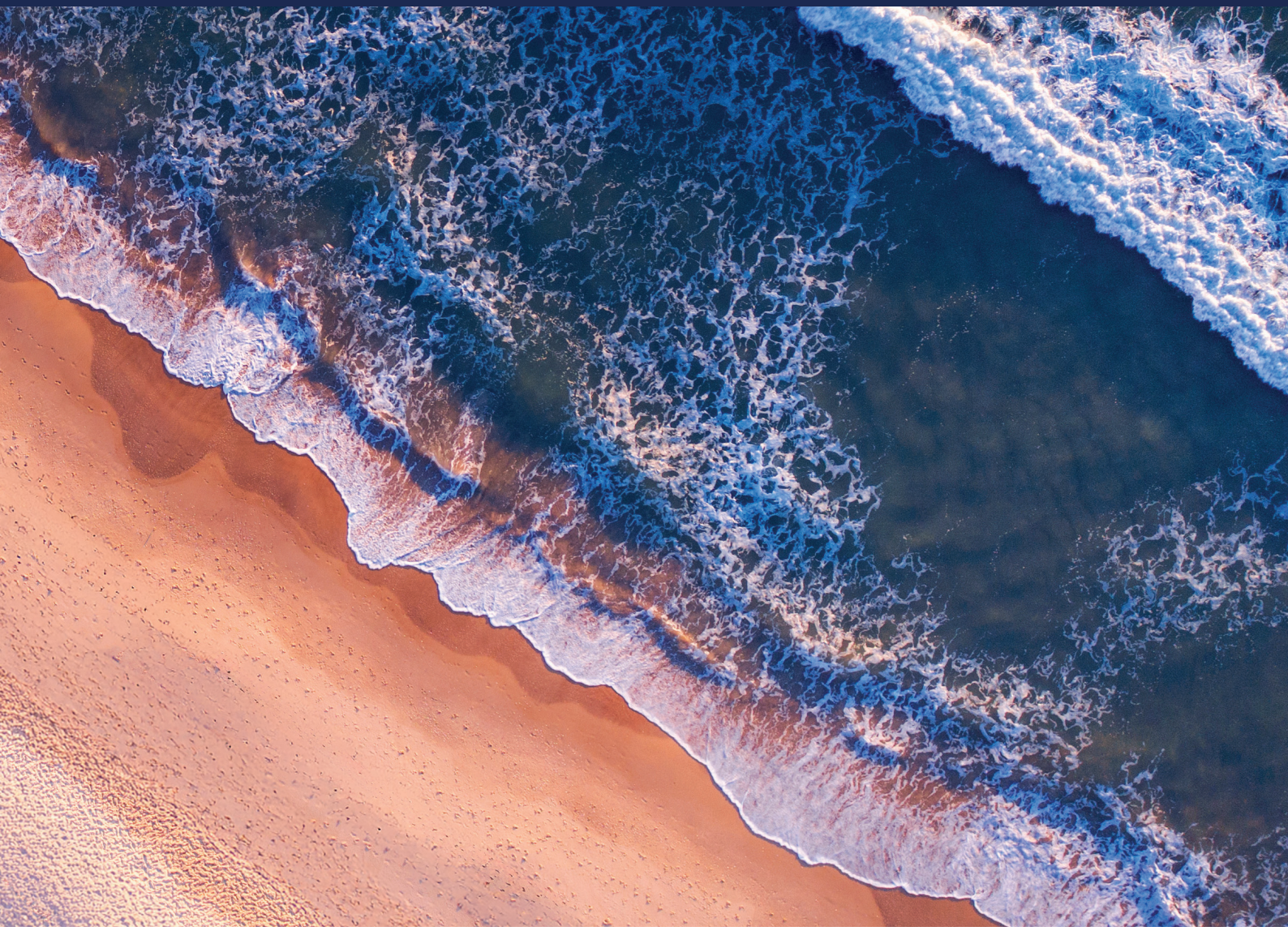
Audit Office
of South Australia

Auditor-General's Report 7 of 2026

Annual report

for the year ended 30 June 2026

Part C: Agency audit outcomes



Government of South Australia

[P.P.4ZT

Auditor-General's Report 7 of 2026

Annual report

for the year ended 30 June 2026

Part C: Agency audit outcomes

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

2026

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.

Audit Office
of South Australia

www.audit.sa.gov.au

Enquiries about this report should be directed to:

Auditor-General
Audit Office of South Australia
Level 9, 200 Victoria Square
Adelaide SA 5000

ISSN 0815-9157

Contents

Agency audit reports 1
Adelaide Venue Management Corporation 4
Attorney-General's Department 8
Public Trustee 18
Audit Office of South Australia 27
Child Protection, Department for 29
Correctional Services, Department for 42
Courts Administration Authority 49
Education, Department for 57
Energy and Mining, Department for 77
Environment and Water, Department for 85
SA Health overview 97
Consolidated entity – Health 110
Health and Wellbeing, Department for 117
Barossa Hills Fleurieu Local Health Network Incorporated 125
Central Adelaide Local Health Network Incorporated 131
Eyre and Far North Local Health Network Incorporated 144
Flinders and Upper North Local Health Network Incorporated 150
Limestone Coast Local Health Network Incorporated 155
Northern Adelaide Local Health Network Incorporated 160
Riverland Mallee Coorong Local Health Network Incorporated 175
SA Ambulance Service Inc 180
Southern Adelaide Local Health Network Incorporated 197
Women's and Children's Health Network Incorporated 208
Yorke and Northern Local Health Network Incorporated 214
HomeStart Finance 219
Housing and Urban Development, Department for 230
Human Services, Department of 237
Infrastructure and Transport, Department for 243
Lifetime Support Authority of South Australia 275
Premier and Cabinet, Department of the 284
Primary Industries and Regions, Department of 292
Return to Work Corporation of South Australia 299
South Australia Police 312
South Australian Fire and Emergency Services Commission 319
South Australian Government Financing Authority 329
South Australian Housing Trust 339
South Australian Tourism Commission 351

South Australian Water Corporation 355
State Development, Department of 372
Superannuation sector overview 378
Superannuation Funds Management Corporation of South Australia 382
South Australian Superannuation Board 390
Major superannuation schemes 394
Southern State Superannuation Scheme 395
Super SA Retirement Investment Fund 396
South Australian Superannuation Scheme 397
TAFE SA 401
Treasury and Finance, Department of 408
University of Adelaide 426
University of South Australia 428
Urban Renewal Authority 430

Annexure – Agency financial statements that we will publish on the Audit Office of South Australia's website 440

Agency audit reports

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—

(i) 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;

(ii) 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

Introduction

Part C: Agency audit outcomes – October 2026 is a summary of the audit outcomes for each agency included in this report. It provides a snapshot of agency information covering key statistics, significant events and transactions, and whether the financial report opinion is unmodified or modified (qualified). The matters causing any modification are noted. The snapshot is followed by commentary on financial administration matters for each agency that, in my opinion, are important to the Parliament and the SA Government. It also provides selected financial commentary and details of significant financial arrangements.

The financial reports of the agencies included in this report are available on the Audit Office of South Australia's website (www.audit.sa.gov.au).

Agencies not included in this report

Some agencies I audit have a financial year that ended before 30 June 2026. To improve the timeliness of reporting on their audits, I reported on them to Parliament in June 2026 in Report 4 of 2026 *Agency audit outcomes*, rather than waiting to include them in this annual report. Report 4 of 2026 summarises the audit outcomes for:

- Adelaide Oval SMA Limited
- Adelaide University
- Construction Industry Training Board
- Flinders University
- SACE Board of South Australia
- University of Adelaide
- University of South Australia.

I have published their financial statements on the Audit Office's website.

I have exercised the discretion to exclude some agencies from this annual report. This decision is based on many factors, including:

- the materiality of an agency's financial operations
- its significance to the SA Government's operations and services
- the materiality of any impact it has on the public finances
- the timeliness of information
- the materiality of audit issues raised
- the public interest
- the timely completion of this report and meeting the statutory deadline to deliver it to the presiding members of Parliament.

A list of the public sector agencies not included in this report is provided in the annexure. I will report to Parliament on them later, with particular commentary on agencies where there:

- is a modified financial report opinion
- are significant audit findings
- are other matters that, in my opinion, need to be brought to the attention of the Parliament and the SA Government.

Their financial reports will be published on the Audit Office's website as their audits are finalised.

Independent Auditor's Report

Expressing an opinion on an entity's financial report by an independent professional auditor adds credibility to it and ensures that appropriate financial disclosures were made.

For the agencies that I am required to audit, I issue an Independent Auditor's Report on the financial report in line with professional requirements and standards. Our audits are performed in line with the *Public Finance and Audit Act 1987* (PFAA) and Australian Auditing Standards. The PFAA establishes the Auditor-General's independence. In conducting the audit, I ensure that the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met. I must also ensure that the audit evidence I obtain is sufficient and appropriate to provide a basis for the opinion I issue.

My audit objectives are to obtain reasonable assurance about whether a financial report as a whole is free from material misstatement and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or collectively, they could reasonably be expected to influence the economic decisions of users of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

I exercise professional judgement and maintain professional scepticism throughout the audit in line with Australian Auditing Standards. I also:

- identify and assess the risks of material misstatements in a financial report, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence as a basis for my opinion
- obtain an understanding of an agency's internal controls to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of those controls
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures made by chief executives
- conclude on chief executives' use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cause significant doubt about the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to the related financial report disclosures in my auditor's report or modify my opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may also cause an agency to cease as a going concern
- evaluate whether the overall presentation, structure and content of the financial report gives a fair presentation of the underlying transactions and events.

Modified Independent Auditor's Reports

The opinion I give is usually unmodified, but if circumstances warrant it I will give a modified opinion. In extreme cases it may not be possible for me to express an opinion. When a modified opinion is given, the Independent Auditor's Report explains the reasons for the modification. This is also explained in the commentary on those agencies in this report.

I did not modify any of the 2025-26 opinions I issued for the agencies included in this report.

This year I drew attention to the inherent uncertainty in certain liabilities reported in the 2025-26 financial reports of the Lifetime Support Authority of South Australia and the Return to Work Corporation of South Australia, without modifying my opinions on them.

Adelaide Venue Management Corporation (AVMC)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	Weaknesses in payroll controls in key areas increasing the risk employees are not paid correctly.

Key statistics

$121 million
Total income

$138 million
Total expenditure

601
FTEs

1,029
Events and functions

1.2 million
Patrons

Significant events and transactions

- AVMC incurred a net loss of $17 million in 2025-26, reflecting that its profit from trading activities is insufficient to cover the costs of its property management activities.
- AVMC's land and building assets were revalued up by $154 million.

Key findings

Payroll

Weaknesses in payroll controls

AVMC's internal audit identified weaknesses in key payroll controls, including employee onboarding, master file maintenance, pay rate changes and timely resolution of payroll exceptions. These weaknesses increase the risk of employees being paid incorrectly, financial reporting errors and non-compliance with employment requirements. We understand that management has started remediation action to address known issues, but the full impact across its broader employee population is still to be determined.

AVMC responded that it is focused on promptly remediating this issue, by restoring the control environment and identifying the nature, extent and financial impact of any payroll discrepancies. It also advised that payroll discrepancies were not expected to be significant and AVMC's robust internal audit processes have enabled the issues to be identified and appropriate corrective action to be undertaken and noted that core pay processing, leave and pay release controls were found to be operating effectively.

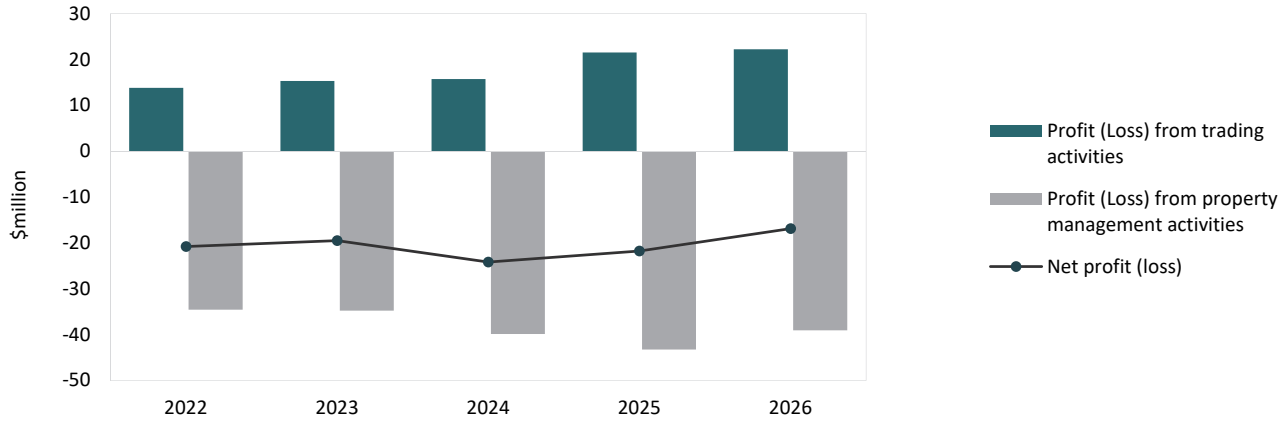
Financial information

Highlights of the financial report

	2026 $million	2025 $million
Trading activities		
Income	106	98
Expenses	84	77
Profit (Loss) from trading activities	22	21
Property management activities		
Income	15	15
Expenses	54	58
Profit (Loss) from property management activities	(39)	(43)
Net profit (loss)	(17)	(22)
Total comprehensive result	137	(22)
Current assets	62	69
Non-current assets	684	547
Total assets	746	616
Current liabilities	19	25
Non-current liabilities	406	405
Total liabilities	425	430
Total equity	321	186

Statement of Comprehensive Income

AVMC recorded a net loss of $16.9 million ($21.8 million). AVMC's profits from trading and property management activities and net losses for the last five years are shown in the following chart.



The chart shows that AVMC's profits are not sufficient to cover its losses from its property management activities. Its accumulated deficit increased to $106.9 million ($88.3 million) in 2025-26, reflecting that its revenues are not sufficient to cover its property management activities, notably depreciation, amortisation, building services expenses and borrowing costs.

Total comprehensive result increased by $159 million, mainly due to AVMC revaluing its land and buildings up by $153.9 million.

Profit from trading activities

AVMC's income from trading activities increased by $8.1 million to $106 million. It mainly comprised revenues from catering services of $48.3 million ($44.4 million), venue hire of $18.3 million ($16.7 million) and car parking of $7.5 million ($6.4 million).

Facility charges revenue from trading activities increased by $7.7 million, mainly due to higher venue usage across its portfolio, driven by increased event volumes, higher attendance, stronger function activity and major single events, and growth in ancillary revenue streams such as parking.

Trading activity expenses increased by $7.4 million to $83.8 million. This was mainly driven by higher employee benefits expense of $51.8 million ($46.5 million) and supplies and services expenses of $27 million ($25.2 million).

Loss on property management activities

Property management activities decreased by $4.2 million to a loss of $39.1 million, mainly due to a $4.3 million decrease in depreciation and amortisation expense.

AVMC's borrowing costs are fully reimbursed through funding provided from the SA Government. In 2025-26, it received $14.1 million from the SA Government for interest and guarantee fees and property management activities to maintain the Riverbank Precinct and Adelaide Convention Centre common areas, exhibition hall land rent, State promotion and replacement of assets.

As determined by the Treasurer, a dividend of $1.6 million ($1.6 million) was paid to the SA Government.

Statement of Financial Position

Property, plant and equipment of $685 million represents 91.7% of total assets. It includes land and buildings of $639.2 million, right-of-use land valued at $12.8 million and plant and equipment of $23.4 million. AVMC's main assets are the Adelaide Convention Centre and Adelaide Entertainment Centre buildings. It leases Coopers Stadium from the Minister for Recreation, Sport and Racing for an annual payment of $1.

Cash and cash equivalents were $55.1 million ($60.6 million) at 30 June 2026.

Liabilities totalled $425.2 million ($430.2 million) and mainly comprised borrowings from the SA Government of $382.3 million, contract liabilities of $12.3 million and lease liabilities of $13.7 million.

AVMC's borrowings from the South Australian Government Financing Authority are for the Adelaide Convention Centre extension and redevelopment project. They were fully drawn down, and are interest only and due to mature in 2030.

Administered items

Event funds

AVMC administers, but does not control, gross box office receipts from its ticketing agency. These receipts are held in a separate event funds bank account. Settlement occurs after each event through the payment of funds held to promoters, AVMC and other service providers. Total event fund administered revenues were $68 million ($52.5 million), and event fund administered expenses were $66.6 million ($45.9 million). The balance of event funds held in trust was $21.4 million ($20.1 million) at 30 June 2026.

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Specific areas of audit attention in 2025-26 included:

- revenue from events, functions, restaurant, bars and car parks
- salaries and wages
- supplies and services expenses
- cash management procedures and monthly bank reconciliations
- general ledger.

We considered AVMC's control environment and key financial systems and analysed transactions to assess the risk of material misstatement to its financial statements.

We reviewed controls over asset management and the use of deposit accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Attorney-General's Department (AGD)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- There was no documented procedure for adding and removing user access to AGD's banking system.
- There was no periodic review of payroll expenses charged to the Victims of Crime Fund.
- There was no documented review of user access for the system used to administer residential bonds to confirm access was appropriate.
- Privileged user access logs for the residential bond system were not reviewed to identify any inappropriate activity.
- There was no evidence that post-implementation reviews were performed for changes to the residential bond system.

Key statistics

$405 million
Total income

$370 million
Total expenditure

1,597
FTEs

Administered

$780 million
Total income

$804 million
Total expenditure

Significant events and transactions

- $65 million was paid from the Victims of Crime Fund to the National Redress Scheme.
- The National Access to Justice Partnership agreement between the Commonwealth and the State to provide funding for legal assistance for five years commenced on 1 July 2025.

Key findings

Cash

Absence of onboarding and offboarding procedures for banking access

We found that there was no documented procedure for adding and removing user access to AGD's banking system. This increases the risk of users having inappropriate access privileges, resulting in unauthorised or inappropriate transactions not being identified promptly.

AGD advised us of actions it would take to address this issue and will incorporate them into a formal procedure.

Victims of Crime Fund

No periodic review of payroll expenses charged to the Victims of Crime (VOC) Fund

Payroll expenses are charged to the VOC Fund for staff time involved in administering the fund. We found that there was no periodic review of these charges to ensure they relate only to staff working within the fund workgroup. This may result in the incorrect use of VOC money, misstatement of expenses charged to the fund and non-compliance with legislation.

AGD advised us that it would implement a regular review of payroll expenses charged to the VOC Fund and document this in a formal procedure.

Consumer and Business Services (CBS) – review of Residential Bonds Online (RBO) system

CBS uses the RBO system to administer residential tenancy bonds in South Australia.

Our review of the RBO system identified areas where controls needed to be strengthened, as outlined below. These weaknesses increase the potential for unauthorised access or changes to the RBO system and its data.

No documented review of user access review

We found that although active user listings were regularly generated and provided to CBS's IT team, there was no documented evidence that user access was reviewed and confirmed as appropriate.

AGD advised us that it would review the RBO system user access review process, including the manner in which the reviews and resulting actions are evidenced.

User access logs not reviewed

We found that privileged user access logs maintained for the RBO system were not reviewed for any inappropriate activity. We also found that the logging standard requirements policy was overdue for review.

AGD advised us that it would review the current approach to logging and monitoring privileged activity in the RBO system, including the nature and frequency of review, the activities to be monitored and the evidence to be retained after considering risks and operational requirements.

No evidence of post-implementation reviews performed for some system changes

We found no evidence that post-implementation reviews were performed for two of the three system changes we sampled after they were migrated to the production environment.

AGD advised us that it would review the existing RBO system change management process to strengthen the consistent performance and documentation of post-implementation assurance for relevant changes.

Financial information

Highlights of the financial report – controlled items

	2026 $million	2025 $million
Income		
Appropriation	156	152
Fees and charges	143	131
Grants, subsidies and transfers	56	25
Recoveries	45	39
Other income	4	5
Total income	404	352
Expenses		
Employee-related expenses	210	189
Supplies and services	89	78
Grants and subsidies	45	37
Other	26	15
Total expenses	370	319
Net result	34	33
Other comprehensive income		
Changes in revaluation surplus	4	3
Total comprehensive result	38	36
Assets		
Current assets	113	92
Non-current assets	86	63
Total assets	199	155
Liabilities		
Current liabilities	37	31
Non-current liabilities	36	36
Total liabilities	73	67
Total equity	126	88

Statement of Comprehensive Income

Income

AGD collected $143 million ($131 million) in fees and charges and received $156 million ($152 million) in appropriation in 2025-26. This revenue represents 74% (81%) of its total income.

Fees and charges collected mainly comprised:

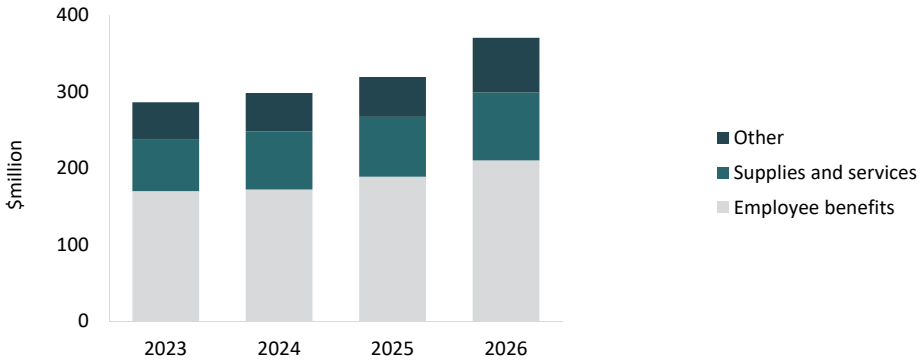
- $63.1 million in licence and regulatory fees
- $34.5 million for the SafeWork SA prescribed fee
- $30.1 million in Crown Solicitor's Office legal service fees
- $12.8 million in network service fees.

The increase in fees and charges is mainly due to increases in licence and regulatory fees of $5.7 million due to an increase in fee rates and activity, and in the SafeWork SA prescribed fee of $4.6 million.

Grants, subsidies and transfers increased by $31.5 million to $56.2 million. They included Commonwealth funding that increased by $12.2 million, mainly due to additional funding provided by the National Access to Justice Partnership agreement that commenced on 1 July 2025. As part of the agreement $5.2 million was received for Women's Legal Services, $4.8 million was received for Family Violence Prevention and funding for Aboriginal Legal Services increased by $4.8 million. SA Government grants increased by $19.3 million due to increased funding of $10.2 million from the Digital Investment Fund for Justice Technology Services and the Parliamentary Counsel, and a $7.8 million increase in contingency funding provided by the Department of Treasury and Finance mainly for enterprise bargaining increases.

Expenses

Expenses increased by $51.1 million to $370.1 million in 2025-26. The following chart shows AGD's main expenses for the last four years.



Employee-related expenses increased by $21.4 million to $210.1 million, representing 57% of total expenses in 2025-26. The increase was mainly due to a rise in salaries and wages of $16.4 million for the new enterprise agreement and funding provided in 2025-26 for additional FTEs.

Supplies and services expenses of $88.6 million ($78.1 million) represent 24% (24%) of AGD's total expenses. They mainly relate to accommodation charges of $29.5 million ($27.3 million) and ICT expenses of $24.2 million ($21.1 million).

Grants and subsidies increased by $8 million to $45 million, mainly due to an increase in National Legal Assistance grants for Family Violence Prevention ($4.3 million) and Aboriginal Legal Services ($2.9 million).

Other expenses increased by $11.2 million (74%), mainly due to cash alignment transfers to the Consolidated Account of $11.3 million.

Statement of Financial Position

Assets

Assets increased by $44.5 million to $199.2 million in 2025-26, mainly due to increases in:

- cash and cash equivalents of $20.2 million
- property, plant and equipment of $14.3 million, reflecting project expenses capitalised to work in progress. This included $10.7 million for the new SA Forensic Centre
- intangible assets of $9 million, mainly due to expenses for IT projects being capitalised to work in progress.

Liabilities

Liabilities increased by $6.6 million to $73.6 million in 2025-26, mainly due to increases in employee-related liabilities and payables. Employee-related liabilities increased by $4.1 million due to the net effect of actuarial assumptions in the long service leave liability calculation. Payables increased by $2.5 million to $14.5 million, mainly due to additional accrued expenses for the new SA Forensic Centre.

Highlights of the financial report – administered items

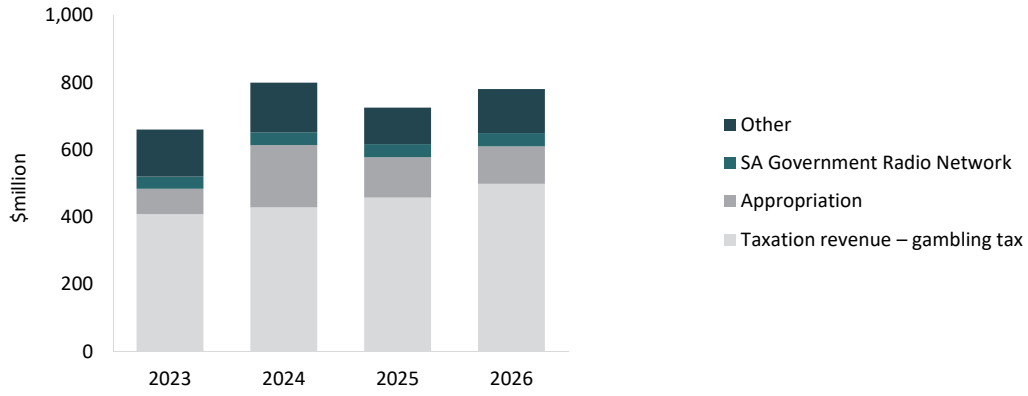
	2026 $million	2025 $million
Income		
Taxation	499	458
Appropriation	111	120
Victims of Crime levies	51	46
SA Government Radio Network	40	39
Recoveries and other income	37	20
Grants and subsidies	32	30
Other	10	12
Total income	780	725
Expenses		
Payments to Consolidated Account	496	457
Grants and subsidies	67	82
Victims of Crime payments	95	29
SA Government Radio Network	26	25
Intra-government transfers	18	17
Other	102	81
Total expenses	804	691
Net result	(24)	34

	2026 $million	2025 $million
Other comprehensive income		
Changes in revaluation surplus	7	-
Total comprehensive result	(17)	34
Assets		
Current assets	581	595
Non-current assets	105	131
Total assets	686	726
Liabilities		
Current liabilities	88	83
Non-current liabilities	10	37
Total liabilities	98	120
Total equity	588	606

Statement of Administered Comprehensive Income

Income

The following chart shows the main sources of AGD's administered income for the last four years.



Total administered income increased by $55.1 million to $780.2 million ($725 million) in 2025-26. 78% of this is taxation revenue ($499 million), mainly from gaming machines, and appropriation ($111 million). Taxation revenue increased by $40.8 million, mainly due to higher gaming machine turnover.

Expenses

Total administered expenses increased by $113.1 million to $804 million in 2025-26, with 74% of this for payments to the Consolidated Account ($496 million) and for Victims of Crime ($95 million).

Payments to the Consolidated Account increased by $38.5 million due to higher gaming machine taxation revenue. Grants and subsidies fell by $14.7 million, mainly due to a $10.5 million decrease in funding to the Legal Services Commission and a $7 million decrease in funding for expensive criminal cases.

Victims of Crime payments increased by $66.3 million to $95.4 million. This was due to a $65 million payment to the South Australian Government Financing Authority as part of South Australia's participation in the National Redress Scheme administered by the Commonwealth.

Other expenses increased by $21.5 million to $35.2 million. The increases were due to higher Native Title claims of $10.8 million and higher subcontractor costs of $8.6 million. The increase in subcontractor costs mainly relates to the emergency communication equipment in the new SA Ambulance headquarters.

Statement of Administered Financial Position

Assets

Total assets decreased by $39.6 million to $686.5 million in 2025-26, due to decreases in cash and cash equivalents of $16.5 million and in property, plant and equipment of $26.2 million due to depreciation of $33.7 million, offset by a $6.8 million revaluation increase.

Liabilities

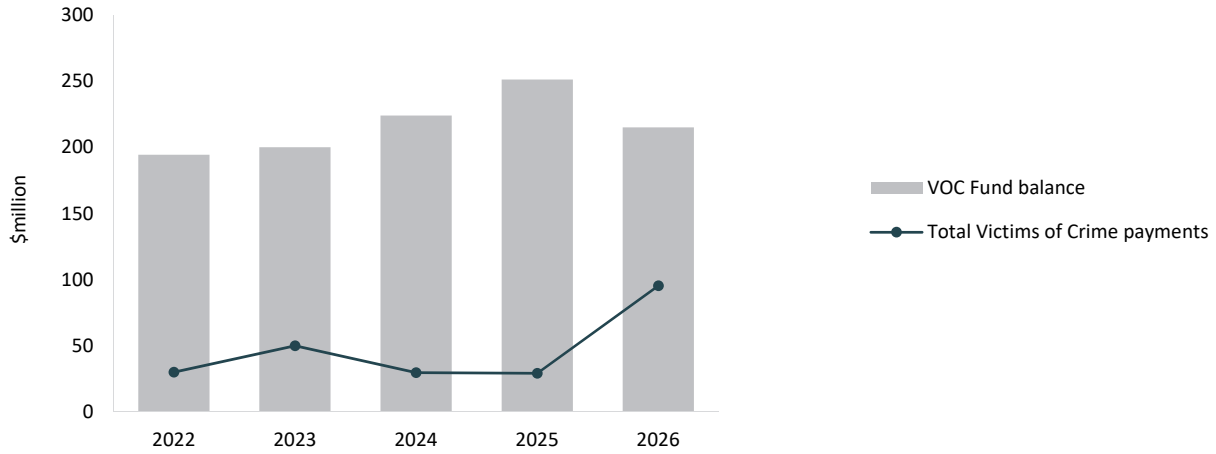
Total liabilities decreased by $22.4 million to $98 million in 2025-26, mainly due to a reduced lease liability for the State Rescue Helicopter Service.

Further commentary on operations

Victims of Crime Fund

AGD is responsible for administering the *Victims of Crime Act 2001* (VOC Act). The VOC Fund is reported in its administered financial statements, with a balance of $215.1 million ($251.2 million) at 30 June 2026.

The following chart shows the balance of the VOC Fund and the value of total payments from the fund over the last five years.



The maximum compensation claim that can be awarded under the VOC Act is $133,000, in addition to costs and disbursements. A claim can succeed without a known offender. Compensation is paid where an offence has been admitted or proven beyond reasonable doubt. In cases where nobody is charged with an offence, the applicant's evidence must be corroborated. Where an offence has not been established, the Attorney-General has discretion to make an ex gratia payment to the claimant.

Recoveries from offenders

The VOC Act empowers the Attorney-General to recover the cost of compensation payments from offenders who were convicted of the related offence. Recovery is difficult, as most compensation claims are for unknown offenders or where the offender is known and their capacity to pay is limited.

The amounts recovered directly from offenders in 2025-26 totalled $1.8 million ($1 million). A further $13 million ($7.5 million) was recovered from offenders under the *Criminal Assets Confiscation Act 2005*.

A levy is imposed by the VOC Act on all people convicted of offences and on expiation notices. Total Victims of Crime income was $73.1 million ($71.1 million) and included Victims of Crime levies of $51.4 million ($46.3 million) and revenues from the SA Government of $10.8 million ($10.4 million).

Payments from the Victims of Crime Fund

Victims of Crime expenses totalled $108.8 million ($42.8 million) and included:

- victim compensation and legal payments of $95.4 million ($29.2 million)
- grants of $7.9 million ($8.5 million)
- legal and other costs incurred in administering the VOC Fund of $5.5 million ($5.1 million).

The increase in victim compensation payments was due to a payment of $65 million for South Australia's participation in the National Redress Scheme administered by the Commonwealth.

There was a $36.1 million decrease in the VOC Fund balance in 2025-26.

Taxation

Taxation revenue totalled $498.7 million ($457.9 million) and mainly comprised gaming machine tax of $494 million ($454 million).

Gaming machine administration

The *Gaming Machine Act 1992* (GM Act) makes the Liquor and Gambling Commissioner responsible for scrutinising the operations of all gaming machine licensees. Under the GM Act, the operation of gaming machines in licensed premises must return winnings to players of not less than 85% for machines installed before 31 May 2001, and 87.5% for machines installed after that. A prescribed percentage of the net gambling revenue is then paid to the Treasurer (Consolidated Account).

The following table summarises gaming machine activity for the last four years.

	2023 Number	2024 Number	2025 Number	2026 Number
Machines installed at 30 June	11,706	11,734	11,739	11,775
	$million	$million	$million	$million
Turnover	10,453	10,875	11,624	12,593
Amount won	9,536	9,920	10,616	11,514
Net gambling revenue	918	956	1,008	1,079
Tax	405	425	454	494

Independent Gaming Corporation Limited (IGC)

The Liquor and Gambling Commissioner has granted the Gaming Machine Monitor licence to the IGC under the GM Act. Under this licence, the IGC monitors the operations of gaming machine licensees.

The GM Act specifically provides for the Auditor-General to audit the accounts and operations of the IGC. Our 2025-26 audit of the IGC's financial report was not complete at the time of this report.

Residential Bonds Online system

CBS's OneCBS Project was intended to consolidate several key systems that were identified as being near end-of-life and difficult to integrate. The system functions included:

- liquor licensing
- occupational licensing
- gambling regulation
- residential bonds management
- business names and associations administration
- barring and employment notification processes.

The project commenced in 2021 with an approved budget of $9 million.

In 2023-24, the project scope was revised to focus on replacing the Residential Bonds Online system (RBO system). We were advised that this was a more targeted delivery approach after there were challenges in the broader transformation project. At the time of our review, around $8.5 million had been spent, with allocation of the remaining project funding yet to be determined.

After implementation, the RBO system encountered a number of system and process issues that required the vendor to refine functionality and optimise the system. These issues were addressed through project and post-implementation support arrangements and have largely been resolved. CBS advised us that the RBO system is now operating effectively and meeting business requirements.

CBS is also progressing plans to modernise the remaining functions removed from the original project scope.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Specific areas of audit attention in 2025-26 included:

- payroll
- expenditure
- general ledger
- cash
- grant funding received from the Commonwealth Government
- legal services revenue
- Victims of Crime receipts and payments
- Crown Solicitor's Trust Account receipts and payments
- IT general controls
- gaming tax revenue
- births, deaths and marriages revenue
- licence and regulatory fees revenue
- bond lodgement and refunds.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Public Trustee

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- The review of bona fide reports needs to improve to ensure payroll transactions are processed correctly.
- There were no documented procedures for adding and removing user access to the banking system.
- An effective control to review user access to the Public Trustee's customer financial management system, Transact, needs to be implemented.
- Data extraction and reconciliation processes for the Transact system need to be strengthened.

Key statistics

Corporate operations

$40.7 million
Total income

$32.1 million
Total expenditure

193
FTEs

Trust operations

$2.4 billion
Trust funds under management

8,288
Trusts under administration

Common fund operations

$72.9 million
Total net operating result

$1.4 billion
Total assets

Significant events and transactions

- The Public Trustee provided $7.3 million in community service obligations (non-commercial activities) to the South Australian community.
- The Public Trustee implemented a program to optimise the Transact system, improve its related business processes and help realise the expected benefits of the system.
- The Public Trustee paid an interim dividend of $5.3 million for 2025-26.

Key findings

Payroll

Bona fide report review processes need to improve

We found weaknesses in the review of bona fide reports, including:

- local managers did not review bona fide reports
- a single HR team member performed the review process
- these reviews did not cover all employees listed on the bona fide reports.

These weaknesses reduce assurance that payroll transactions are processed correctly.

The Public Trustee responded that it would provide refresher training to its staff about the bona fide review procedure and ensure local managers regularly review and endorse bona fide reports. It also advised monthly compliance reports will be provided to the Chief Operating Officer.

Cash

Procedures for adding and removing user access to the banking system need to be documented

The Public Trustee has not documented procedures for adding and removing user access to its banking system. This increases the risk that user access is not appropriately authorised, maintained or removed when staff leave or change roles.

The Public Trustee responded it would update its existing procedures to better define the roles and responsibilities for managing user access to the banking system, including documenting approvals and regularly reviewing user access.

Transact system

An effective user access review control needs to be implemented

The Public Trustee had not implemented an effective control to periodically review user access to its customer financial management system, Transact, and confirm that access to it remained appropriate.

PT responded that it will:

- review and standardise user security roles and access requirements
- assess the design of role-based permissions and the process of approving staff access by operational areas
- complete documentation of security roles
- ensure relevant policies and procedures are established and maintained.

Controls over data extraction and reconciliation processes for the Transact system need to be strengthened

The Public Trustee had not implemented controls over the processes for extracting data from its Transact system and reconciling this data to source records.

The Public Trustee advised us that it will:

- formalise the methodology it developed in 2025-26 to support the preparation, validation and provision of information requested from the Transact system for audit purposes. It noted that no data issues were identified, but the information provided was not presented in an understandable format
- implement a replicable framework for extracting and reconciling data from the Transact system
- update its policies and procedures for these processes.

Financial information

Highlights of the financial report

	2026 $million	2025 $million
Income		
Fees and charges	31	29
Community service obligations	7	7
Other revenues	3	3
Total income	41	39
Expenses		
Employee-related expenses	20	20
Supplies and services	10	9
Other expenses	2	2
Total expenses	32	31
Net result before income tax equivalents	9	8
Income tax equivalent	3	3
Net result after income tax equivalents and total comprehensive result	6	5
Assets		
Current assets	13	18
Non-current assets	29	30
Total assets	42	48
Liabilities		
Current liabilities	8	15
Non-current liabilities	9	11
Total liabilities	17	26
Total equity	25	22

Statement of Comprehensive Income

Income

Fees and charges are the Public Trustee's main source of income and mainly comprise management fees for investments held in Common Funds and commissions for managing estates. Fees and charges increased by $1.6 million to $30.8 million in 2025-26, primarily due to increases in management fees of $850,000 from higher customer fund balances. Income commissions increased by $540,000 as a result of higher pension income revenue.

Community service obligations funding increased by $373,000 in line with the performance statement approved by the Attorney-General and the Treasurer. This funding is received by the Public Trustee to compensate it for providing non-commercial services to the South Australian community on behalf of the SA Government. This includes:

- managing personal estates for people who require support for managing their financial affairs
- managing small trusts
- regulating private administrators
- managing litigation guardianship matters
- providing wills and powers of attorney for concession holders.

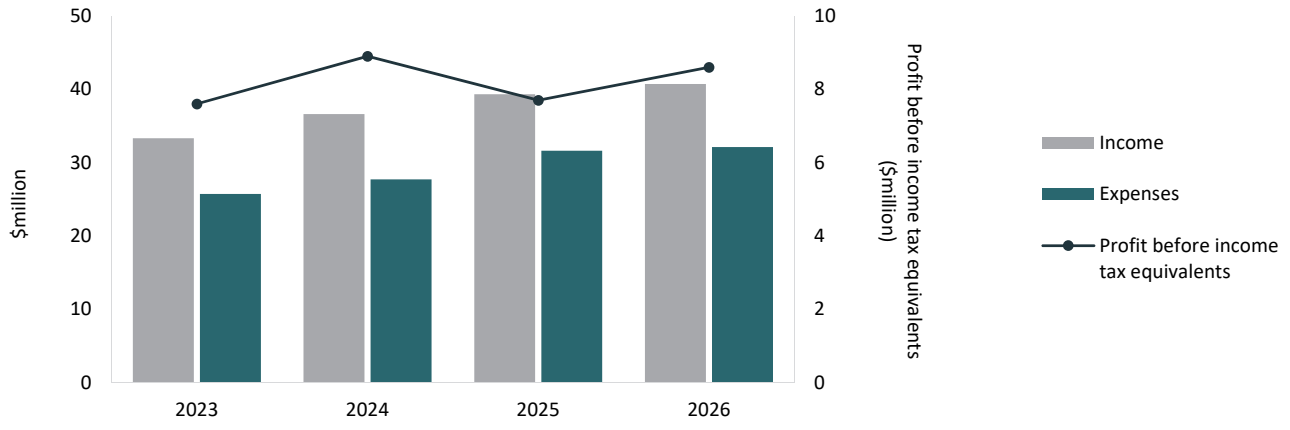
Expenses

Employee-related expenses account for 62% of the Public Trustee's total expenses. It decreased by $174,000 to $20 million in 2025-26.

Supplies and services expense increased by $748,000 to $10 million, mainly due to a $2.3 million increase in service contractor costs. This included an additional $1.7 million for agency employment staff and $345,000 for other contractors. These increases were offset by a decrease in IT expenses of $1.7 million, mainly due to costs for the Transact customer financial system being expensed in 2024-25.

Net result before income tax equivalents

The Public Trustee's income, expenses and profit before income tax equivalents for the four years to 2026 are shown in the following chart.



The increase in profit before income tax equivalents in 2025-26 reflects a $1.6 million increase in fees and charges income for commissions charged to customers, as described above.

Statement of Financial Position

Assets

Cash decreased by $6.1 million to $10.5 million, mainly due to the 2024-25 interim dividend of $5.6 million being paid in 2025-26.

Other financial assets of $20.5 million represent 49% of total assets and mainly comprise Australian Fixed Interest ($8.1 million), International Equities ($5.2 million) and Australian Equities ($5.8 million).

Liabilities

Liabilities mainly comprise employee-related liabilities of $5.8 million (35%), payables of $2.6 million (16%) and other financial liabilities of $7.6 million (45%) for the accommodation lease recognised under AASB 16 *Leases*. Payables decreased by $7.4 million to $2.6 million as the 2024-25 interim dividend was paid in 2025-26.

Financial performance of Statement of Trusts being Administered

Trust funds administered by the Public Trustee at 30 June 2026 were valued at $2.4 billion ($2.2 billion). The number and value of trust funds under administration for the last two years are shown in the following table.

	2025 Number	2026 Number	2025 $000	2026 $000
Deceased estates	1,320	1,301	232,157	241,282
Trusts	1,160	1,092	173,687	186,923
Administration matters	208	189	44,105	45,617
Court award orders	737	695	490,659	508,170
Protected estates	4,685	4,822	691,130	745,537
Workers compensation awards	3	2	3	2
Power of attorney	190	183	45,764	56,131
Investors	4	4	567,579	598,507
Total	8,307	8,288	2,245,084	2,382,169

Of the total funds being administered, $1.4 billion (57%) was invested in the Common Funds, with the remaining 43% represented by other estate assets. The two largest categories of estate assets are real estate assets of $615 million ($573 million) and superannuation of $284 million ($264 million).

Financial performance of the Common Fund operations

Common Fund financial reports

The Public Trustee invests customer funds through seven Common Funds. They are:

- Cash
- Short-term Fixed Interest
- Long-term Fixed Interest
- Overseas Fixed Interest
- Australian Shares
- Overseas Shares
- Property.

Analysis of Common Fund key figures

The Common Funds' assets totalled $1.4 billion in 2025-26. Movements in Common Fund assets reflect movements in investment markets and total funds invested as a result of changes to the number and value of estates under administration each year.

The annual net operating result and value of assets held for each Common Fund at 30 June 2025 and 2026 are summarised in the following table.

	Net operating result		Total assets	
	2025	2026	2025	2026
Common Fund	$000	$000	$000	$000
Cash	23,185	21,485	599,317	618,677
Short-term Fixed Interest	3,486	1,982	75,851	78,953
Long-term Fixed Interest	5,685	2,969	103,406	110,072
Overseas Fixed Interest	4,046	2,779	79,510	93,252
Australian Shares	14,539	3,062	187,842	197,558
Overseas Shares	20,774	27,667	191,233	196,078
Property	12,123	12,972	158,280	155,294
Total	83,838	72,916	1,395,439	1,449,884

The Public Trustee invests customer funds in the Common Funds by purchasing units in one of five standard investment strategies (SIS). Each SIS involves investments in the various Common Funds, with the proportion invested in each fund depending on the underlying investment strategy. Allocations for each SIS are the result of strategic asset allocation decisions that aim to match client circumstances with the SIS risk profiles.

The following table shows the performance of each SIS against the Public Trustee's benchmarks at 30 June 2026. One-year net investment returns ranged from 3.6% for Cash to 8.84% for High Growth. Overall, the Public Trustee's investment strategies continue to perform soundly over the long term, with 10-year net returns ranged from 2.02% for Cash to 8.59% for High Growth.

Standard investment strategy*		1 year %	3 years %	5 years %	7 years %	10 years %
Cash	Performance	3.60	3.84	2.70	2.09	2.02
	Benchmark	2.83	3.21	2.11	1.34	1.20
Capital Stable	Performance	4.86	5.43	3.07	3.06	3.33
	Benchmark	4.67	5.42	2.85	2.88	3.28
Balanced	Performance	6.34	6.63	3.85	4.18	4.76
	Benchmark	6.86	7.22	4.31	4.42	5.12
Growth	Performance	7.39	7.62	4.56	5.22	5.99
	Benchmark	8.48	8.76	5.57	5.95	6.71
High Growth**	Performance	8.84	10.16	5.90	7.48	8.59
	Benchmark	11.33	12.95	8.40	9.20	10.02

* These figures were provided by the Public Trustee and are unaudited.
** Effective from 1 January 2026, the Equities SIS was renamed to High Growth.

Net operating result

The net operating results for each fund for the past two years, together with the rate of return achieved by the fund, are shown in the following table.

	Net operating result		Return*	
Common Fund	2025 $000	2026 $000	2025 %	2026 %
Cash	23,185	21,485	5.22	4.55
Short-term Fixed Interest	3,486	1,982	6.02	3.72
Long-term Fixed Interest	5,685	2,969	6.96	3.95
Overseas Fixed Interest	4,046	2,779	6.53	4.47
Australian Shares	14,539	3,062	9.33	3.17
Overseas Shares	20,774	27,667	13.81	17.48
Property	12,123	12,972	9.61	10.18

* The rates of return were provided by the Public Trustee and are unaudited.

All investments for the Common Funds are valued at market value (market price at the reporting date).

The net operating results for the Cash, Short-term Fixed Interest and Long-term Fixed Interest Common Funds were impacted by:

- increases in the Public Trustee's management fees of $691,000 for higher funds under management
- net loss on financial assets held at fair value through profit or loss of $4.4 million. These reflect a decrease in the market value of the underlying investments held by the fund
- a decrease in trust distributions of $477,000 for the Long-term Fixed Interest Common Fund. Distribution amounts vary depending on individual fund manager investment and distribution strategies and market performance.

The net operating result of the Overseas Fixed Interest Common Fund was impacted by a $3.3 million increase in trust distributions received, offset by a $4.5 million decrease in the net gain on financial assets.

The net operating result of the Australian Shares Common Fund was $3.1 million ($14.5 million), which was impacted by:

- a decrease in trust distributions of $4.3 million to $11 million
- the net movement on the gain/loss on financial assets held at fair value through profit or loss of $7 million.

The net operating result of the Overseas Shares Common Fund increased by $6.9 million to $27.7 million, which was impacted by:

- a decrease in trust distributions of $6.4 million to $15.3 million
- the net movement on the gain/loss on financial assets held at fair value through profit or loss of $13.6 million.

The net operating result of the Property Common Fund increased by $849,000 to $13 million, which was impacted by:

- the net movement on the gain/loss on financial assets held at fair value through profit or loss of $4.1 million
- trust distributions increasing by $4.9 million to $10.4 million.

Further commentary on operations

Transact system

The Transact system is an online financial transaction and client account management platform used by the Public Trustee to administer funds on behalf of its customers. The project to implement this system started in September 2023, with the system going live in March 2025. The project was closed in June 2025.

The Public Trustee advised us that the project was delivered within its budget, with a total expenditure of $7.3 million. The Public Trustee then implemented the Financial Operations Transformation Program to optimise the system, improve its related business processes and help realise the expected benefits of the system.

While the Transact system is operational and supports the Public Trustee's core business processes, challenges have arisen with migrating data, adopting users, standardising business processes, security governance and resourcing demands of ongoing transformation activities. The Public Trustee also identified other work to improve reporting, enhance system functionality and optimise processes, and increase automation to fully realise the expected benefits.

To address these challenges, the Public Trustee has used additional funds and continued working with its implementation partner to update and continue to improve the system and associated processes. It has engaged an independent professional services firm to conduct operational reviews.

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. The 2025-26 audit covered the Public Trustee's corporate, trust and Common Fund operations. Areas of audit attention included:

- corporate governance
- expenditure
- revenue
- payroll
- customer assets
- cash and investments
- information technology.

We reviewed controls over investments and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Audit Office of South Australia

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Key statistics

$20 million
Total income

$21 million
Total expenditure

131
FTEs

9
Reports to Parliament

169
Audit opinions issued

Key findings

On the Treasurer's recommendation, the Governor appointed BDO Audit (SA) Pty Ltd as the Audit Office's auditor under section 35(1) of the *Public Finance and Audit Act 1987* (PFAA).

BDO Audit (SA) Pty Ltd did not bring any audit findings to our attention in 2025-26.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Appropriation	20.4	19.7
Other	0.1	0.1
Total income	20.5	19.8
Expenses		
Employee expenses	17.0	15.7
Supplies and services	4.0	4.0
Other expenses	0.5	0.4
Total expenses	21.5	20.1
Net result	(1.0)	(0.4)
Assets		
Current assets	4.8	5.4
Non-current assets	0.4	0.6
Total assets	5.2	6.0

	2026 $million	2025 $million
Liabilities		
Current liabilities	2.9	2.6
Non-current liabilities	4.2	4.3
Total liabilities	7.1	6.9
Total equity	(1.9)	(0.9)

* Table may not add due to rounding.

Statement of Comprehensive Income

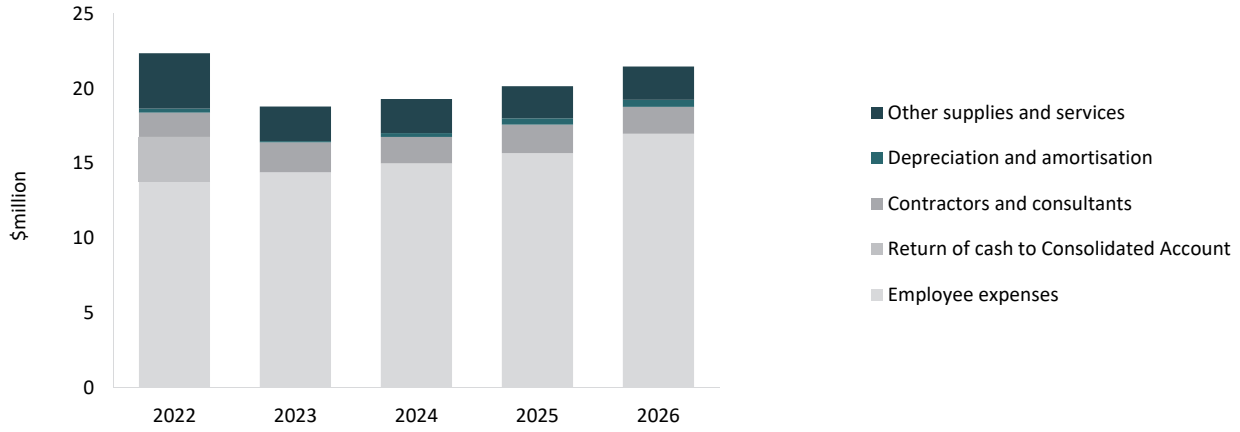
The Audit Office relies on SA Government appropriations to fund its operations. We charge fees for auditing entities that are outside of the general government sector, and for a small number of general government sector entities. Entities we do not charge receive a statement of services received free of charge.

The fees we raise are not used to fund the Audit Office's operations. We are required to pay them into the Consolidated Account as we receive them and report them as administered items in the Audit Office's financial statements. This year we raised $6 million ($5.9 million) in audit fees.

Expenses

Total expenses in 2025-26 were $21.5 million ($20.1 million). The increase was mainly due to additional resources and retention initiatives needed to address high turnover, ensuring that the Audit Office has the capacity and capability to deliver the financial statement audits the Auditor-General is required to deliver under the PFAA.

The Audit Office's main expenses for the five years to 2026 are shown in the following chart. Contractor and consultant expenses mainly relate to audits that are subcontracted to private sector audit service providers.



Department for Child Protection (DCP)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Substantial expenditure continues under long-standing contracts without recent market price testing.
- There were issues identified in DPC's extension of existing temporary agency staff contracts.
- DCP's procurement of placement and support packages needs to improve.
- Contract management practices need to improve.
- Some carer reviews were not completed on time.
- On-duty meal break arrangements were not formally documented.
- Controls over child protection costs need to improve.

Key statistics

$998 million
Total income

$1 billion
Total expenditure

2,602
FTEs

4,916
Children and young people in care

Significant events and transactions

- DCP's expenditure exceeded the original 2025-26 State Budget by $126 million.
- DCP continued implementing the *Children and Young People (Safety and Support) Act 2025*, with a targeted implementation planned for 2027.
- DCP extended existing general residential care contracts while a procurement was completed for new arrangements, which will start from 1 July 2026.
- DCP varied and extended temporary staff services panel deeds.
- Land was revalued up by $17.8 million.

Key findings

Substantial expenditure continues under long-standing contracts without recent market price testing

DCP spent $437 million on contracted child protection services in 2025-26. At 30 June 2026, DCP also had $1.3 billion in contractual commitments, mainly relating to future child protection service delivery arrangements.

Given the significance of this expenditure and the long-term commitments involved, it is important that DCP is able to show that contracted services are procured in line with Procurement SA's (PSA's) procurement principles, including that arrangements continue to deliver value for money and are informed by strategic commissioning practices.

We found that a substantial proportion of DCP's major contracted child protection expenditure continues to be incurred under contracts that were not subject to recent market price testing. In several cases, services were delivered under contracts established in 2020 or earlier and have been extended (beyond the contract expiry date and after contract extension options were exhausted) without a re-tendering process, or were originally procured through non-competitive processes.

DCP's major contracted child protection arrangements and our observations are described below.

Service	2025-26 expenditure	Procurement history	Observation
Temporary staff services	$88 million	The contract started in 2020 and has been extended multiple times. Current extension arrangements allow the contract to operate until November 2028.	If it continues until November 2028, the service will have operated for up to eight years under the original procurement.
General residential care	$117 million (projected)	Services were delivered through 29 separate contracts. Most contracts were due to expire on 30 June 2025 and were extended in 2025-26 pending completion of a new procurement process.	A substantial portion of these services continue under extension arrangements, with some operating under contracts established in 2019. DCP has recently strengthened its procurement practices through an open market procurement process for general residential care services, resulting in new contracts starting from 2026-27.
Placement and support services	$34 million	The panel contract started in 2020 and operated under a 12-month extension in 2025-26.	Services continued to be delivered under a panel arrangement that has been extended approximately six years after the original procurement process.
Family-based care services	$67 million	Services operated under a nine-year contractual arrangement.	As previously reported, the 2023 procurement process approached only existing providers and sought agreement to continue existing arrangements.

These contracts collectively result in annual expenditure of more than $300 million. Given this scale, it is important DCP takes a strategic approach for future service procurement to ensure value for money.

PSA's Commissioning Guideline identifies commissioning activities as a key approach to achieving intended outcomes and delivering value for money. By systematically identifying needs, assessing service options and evaluating outcomes, commissioning activities support informed procurement decisions and effective use of public funds.

DCP advised us that its commissioning and service planning activities are guided by its statutory child protection responsibilities, service demand and funding parameters developed with the Department of Treasury and Finance.

DCP also noted that its procurement decisions balance value for money with continuity of care and service outcomes for children and young people. It advised us that longer-term contracts may be appropriate where service needs and funding are ongoing, as they provide greater certainty for service providers, support workforce stability and reduce service disruption.

While longer-term contract arrangements with non-government organisations (NGOs) can provide benefits such as service continuity, workforce stability and growth and greater investment certainty, periodic market testing helps ensure services continue to represent value for money, reflect current market conditions and achieve the best available outcomes for children and young people. It can also encourage innovation in service delivery.

We note DCP's recent investment in senior procurement and contract management capability and its completion of an open market procurement process for general residential care services, with new contracts starting in 2026-27.

Temporary staff services panel deeds were extended

DCP extended its temporary staff services (TSS) panel deeds under which NGOs provide agency staff to support residential care workforce requirements. The panel deeds were originally established in March 2020 for a five-year term. The deeds were extended to allow the services to continue until at least January 2028 and, in some cases, beyond that date.

Our review of this extension noted the following matters.

Contract term exceeded the approved duration

The SA Government approved an extension of DCP's TSS panel deed to 31 January 2028, establishing a maximum contract term of eight years. However, DCP varied its deed with one provider to 30 November 2028. This extended the arrangement beyond the approved term and increased the total contract duration to eight years and 10 months. As a result, the contract exceeded the period approved by the SA Government and did not comply with the contracting authority requirements in Treasurer's Instruction 8 *Financial Authorisations*.

DCP advised us that it will vary the contract to align it with the approved term. It also advised that it had strengthened its contract management and procurement governance processes. These processes require DCP to review proposed contract variations against relevant delegations and approvals, including the approved contract term, value and duration, before execution.

Contract extensions were not supported by documented consideration of procurement principles

The TSS extensions involved substantial expenditure and changes to contract requirements. However, DCP could not demonstrate that it had documented its consideration of key procurement principles, including value for money, probity, transparency and accountability, as expected by PSA's Contract Extension and Variations Guideline.

For longer-term extensions and those requiring more complex negotiations, the PSA guideline indicates that agencies should use an acquisition plan to demonstrate how they have addressed these principles. DCP did not prepare an acquisition plan for the TSS extensions or otherwise demonstrate through its procurement records how it had considered and addressed the procurement principles.

DCP responded that it documented its consideration of the contract extension through the Cabinet approval process rather than through departmental procurement records. It stated that the Cabinet submission analysed matters relevant to the procurement principles, including value for money, governance, market conditions and future procurement options. We intend to request this documentation as part of our 2026-27 audit.

However, Cabinet approval documentation serves a different purpose from departmental procurement records and does not remove the need for agencies to maintain their own records demonstrating compliance with applicable procurement requirements. Clear and accessible departmental records support transparency, accountability and auditability. They enable an agency to demonstrate how it considered procurement principles, reached its decisions and satisfied the requirements of PSA guidance.

DCP advised us that it will review its procurement documentation practices to determine whether future contract extension processes would benefit from more explicit recording of how it considered and addressed procurement principles.

Supplier performance was not formally assessed before contract extension decisions were made

DCP did not formally document its assessment of its TSS contractor performance before seeking SA Government approval for the proposed deed extensions. The PSA's Contract Management Policy requires public authorities to periodically review contracts to confirm that they continue to deliver value for money, meet service delivery expectations and achieve satisfactory performance. These reviews should also identify opportunities for improvement or innovation.

DCP responded that it considered supplier performance through the Cabinet approval process but acknowledged that it did not complete a separate formal, documented assessment. It also advised us that it has strengthened contract management processes, revised its contract variation documentation requirements and will require documented supplier performance assessments before future contract extensions or variations.

Contract management plans were not promptly updated and remain incomplete

The PSA's Contract Management Policy requires public authorities to establish contract management plans and update them throughout the contract.

Although the TSS contract variations introduced new contractual and reporting requirements, DCP did not update the related contract management plans until between five and 12 months after executing the variations. The revised plans also did not include some of the new reporting requirements. These delays and omissions reduce assurance that DCP effectively manages contract obligations and supplier performance.

DCP responded that it has updated the contract management plans to reflect the amended arrangements and allocated additional contract management resources. These resources are intended to ensure contract management plans are reviewed and updated promptly after contract variations.

Contractor performance was not assessed before DCP exercised an extension option

Following the SA Government's approval to extend the TSS panel deeds, DCP exercised an additional one-year extension option for one provider. However, DCP could not demonstrate that it had assessed that provider's performance, expected service outcomes or value for money before exercising the option, as required by PSA guidance and DCP's contract management framework.

Without a documented assessment, DCP cannot demonstrate that extending the arrangement was justified or that it continued to represent value for money.

DCP advised us that its restructured contract management team has reinforced compliance with the PSA's guidelines and DCP's contract management framework, including the requirement to assess provider performance before exercising contract extension options. It also advised us that it has introduced templates, standard notification processes and enhanced reporting to support timely management of contract notice periods, extension milestones and expiry dates.

DCP's procurement of placement and support packages needs to improve

DCP procures placement and support packages (PaSP) to provide immediate, short-term placements for children and young people when no other appropriate options are available.

Our review of these PaSP procurement practices found that DCP:

- extended the PaSP panel deed without evidence of the required approval
- did not extend panel deed until more than six weeks after the existing arrangements had expired
- provided limited analysis to support its decision to extend the existing PaSP arrangements
- provided PaSP service providers with limited notice of its intention to extend existing arrangements.

DCP accepted the findings and advised us that it is strengthening its procurement governance, contract management and forward procurement planning. Planned improvements include reviewing the PaSP approval process and enhancing monitoring of contract milestones and approval requirements.

Contract management practices need to improve

Performance management responses were not documented for an underperforming family-based care services provider

Last year, we reported that DCP had not documented formal performance management responses for an underperforming family-based care services provider. In 2025-26, we found similar issues in DCP's contract management of a residential care services provider. The service provider did not meet several KPIs, including placement utilisation, carer household reviews, face-to-face contact requirements and working with children check compliance.

Although DCP's contract performance management framework requires documented responses to poor performance, DCP could not demonstrate that it had developed or implemented performance recovery plans. Some KPIs were below target in subsequent quarterly reviews.

DCP has opportunities to strengthen the documentation of performance management actions when providers do not achieve the required standards. Failure to implement and document corrective actions may reduce provider accountability and weaken oversight of contracted services, and DCP may be less able to demonstrate that performance issues and child safety concerns have been appropriately addressed.

DCP accepted the finding and advised us that it has provided staff with training and guidance on performance management requirements. It also advised that its management will continue to oversee quarterly performance reviews to support compliance with its performance management framework.

Required contract management meetings were not held

DCP did not conduct quarterly contract management meetings with a TSS provider as required by its contract management framework. These meetings are intended to support oversight of provider performance, service delivery and contract risks. Not holding these meetings reduces assurance that underperformance, non-compliance and emerging issues affecting services to children and young people are identified and managed promptly.

DCP acknowledged that some required quarterly meetings were not held, although it indicated that other meetings occurred to address contractual and operational matters. It also advised us that it has realigned contract management responsibilities and will monitor compliance to ensure quarterly meetings are held and provider performance is appropriately documented.

Contract management plans were delayed and incomplete

For one contract we reviewed, DCP did not approve a contract management plan until more than two years after the contract commenced. PSA's Contract Management Policy and DCP's contract management framework require contract management plans to be established before contract execution.

We also found contract management plans for two contracts did not include all contractual performance measures. This reduces assurance that contract management activities align with contract obligations and that provider performance, contract risks and service delivery outcomes are monitored through a comprehensive plan.

DCP advised us that it monitored performance measures through quarterly reporting and contract management meetings, but acknowledged that contract management plans should include all contractual performance measures. It also advised us that it has strengthened contract management through additional resources, staff training, enhanced contract management plan templates and improved review processes. It also plans to update contract management documentation to reflect all contractual performance measures and perform periodic reviews to ensure plans are complete, current and established on time.

Some carer reviews were not completed on time

The *Children and Young People (Safety) Act 2017* requires regular assessments of approved carers. DCP's procedures require these reviews to be completed every two years.

Last year, we reported that DCP had not completed all carer reviews within the required time frame. While DCP has reduced the number of overdue reviews, 9.7% remained overdue at 1 July 2026 (16.1% at 1 July 2025), indicating that further action is needed to achieve full compliance.

Timely carer reviews help ensure carers continue to meet mandatory requirements and receive the training and support needed to provide appropriate care for children and young people.

DCP accepted the finding and advised us that it has implemented processes to manage the remaining outstanding reviews. It also advised that it has updated work instructions and will continue to engage with NGOs to improve performance.

On-duty meal break arrangements were not formally documented

DCP could not provide documented arrangements specifying when employees may take an on-duty (paid) meal break, or 'crib break', instead of an unpaid meal break, despite crib breaks being used in some residential care settings.

The SA Public Sector Salaried Employees Interim Award requires employees to take an unpaid meal break of at least 30 minutes and prohibits employees from working more than five hours without a break. The award provides limited exceptions, including where employees work under arrangements that allow crib breaks.

We also found that employee time records did not identify whether employees were working under a crib break arrangement or should have taken an unpaid meal break in line with the award. Without clearly documented and recorded arrangements, DCP cannot readily demonstrate compliance with workplace obligations, the consistent application of employee entitlements, or effective management of fatigue and wellbeing risks in environments providing continuous care.

DCP advised us that residential care services operate in circumstances where child and youth workers may need to remain on duty while taking sustenance breaks to ensure continuity of care and service delivery. DCP considers these arrangements to be consistent with the crib break provisions in the award. It also advised that it will review its recording practices to determine whether residential care meal break arrangements should be more clearly documented.

Controls over child protection costs need to improve

We found opportunities for DCP to improve its controls over child protection payments, including:

- reviewing carer payments to confirm their bona fide nature and verify that payments are made to eligible carers at the correct rate. We reported this matter in 2024-25. DPC advised us that it will strengthen its existing review processes
- approving service provider agreements before services commenced. We found an instance where an individual client service agreement for an NGO providing short-term targeted support was approved after the service delivery had started. DCP advised us that it has increased contract management capability and will improve guidance and oversight arrangements
- establishing a segregation of duties framework for its contract management and licensing system (CMLS) to prevent users from holding incompatible access responsibilities. DCP advised us that it will strengthen access controls and oversight of user access arrangements.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Appropriation	959	972
Other	39	16
Total income	998	988
Expenses		
Child protection services	589	614
Employee-related expenses	333	283
Supplies and services	73	66
Other	8	8
Total expenses	1,003	971
Net result	(5)	17
Other comprehensive income	18	-
Total comprehensive result	13	17
Assets		
Current assets	78	68
Non-current assets	87	67
Total assets	165	135
Liabilities		
Current liabilities	93	83
Non-current liabilities	65	58
Total liabilities	159	141
Total equity	6	(6)

* Table may not add due to rounding.

Statement of Comprehensive Income

Income

Revenue from the SA Government

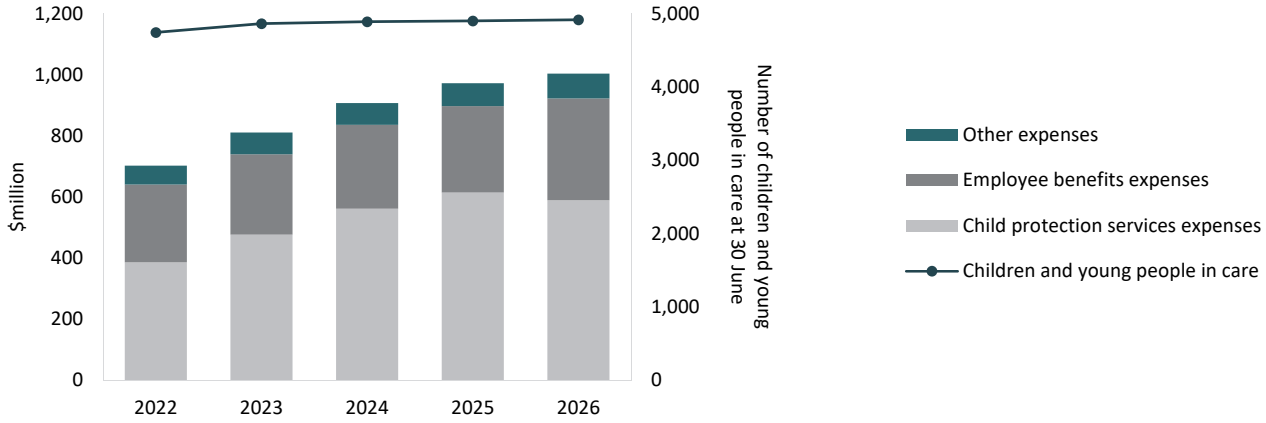
DCP is mainly funded by appropriation, which accounts for 96% of its total income. Appropriation from the SA Government decreased by $13.1 million (1%) to $959.3 million in 2025-26. It includes:

- $883.3 million in appropriation under the *Appropriation Act 2025*
- $76 million in appropriation from the Governor's Appropriation Fund to fund costs in excess of the original State Budget.

DCP also received intra-government transfers of $20.2 million from the Department of Treasury and Finance.

Expenses

Expenses increased by $32 million (3.3%) to $1 billion in 2025-26. The following chart shows total expenses have increased by 43% over the past five years, which is much faster than the increase in the number of children and young people in care (3.3%).



Source: The data was sourced from DCP and is unaudited.

Employee-related expenses

Employee-related expenses increased by $50 million (17.7%) to $333 million, representing 33% of DCP's total expenses in 2025-26. The increase was driven by enterprise bargaining salary increases for allied health professions and other employees, and a 141 FTE (5.7%) increase in staffing levels to 2,602 at June 2026.

DCP also uses contracted temporary agency staff under its TSS arrangements to support staffing needs in its residential care facilities. Costs for these staff decreased to $88 million ($118 million) and are reported in child protection services expenses.

Child protection services

Child protection services include payments to carers and NGOs and other expenses for providing out-of-home care for children and young people. These expenses also include the cost of temporary agency staff. They do not include DCP's internal costs, such as employee benefits and accommodation expenses.

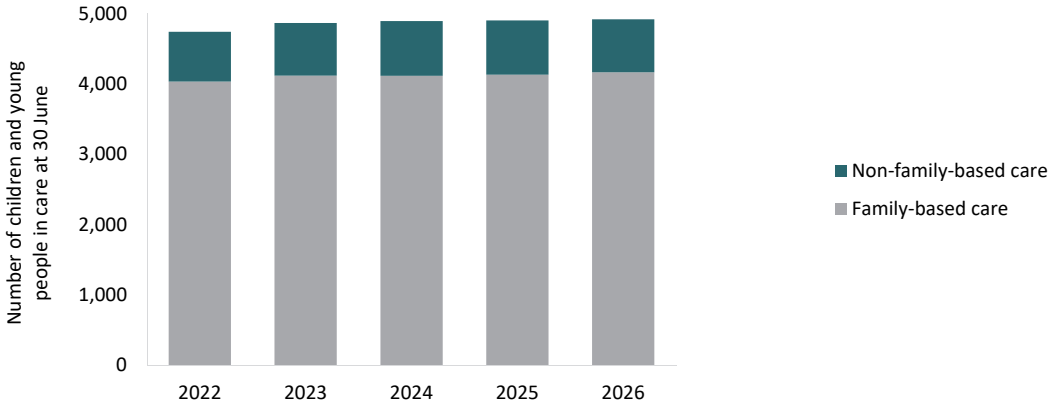
Child protection services expenses decreased by $24.8 million (4%) to $589.2 million. Of this amount, $437.1 million ($465.1 million), related to contracted NGOs and temporary agency staff.

Contracted child protection services comprised:

- non-family-based care, which decreased by $33 million (8.8%) to $344.4 million, mainly due to a $30 million (25%) decrease in temporary agency staff costs to $88 million. This reduction was partly offset by higher employee benefits expenses as some agency staffing was replaced by internal staff
- family-based care services, which increased by $1.9 million (3%) to $66.9 million
- family support services, which increased by $2.1 million (15%) to $16.4 million
- advocacy and support services, which increased by $1 million (12%) to $9.4 million.

Carer payments and client-related costs increased by $3.2 million (2.2%) to $152.1 million. These costs include payments to kinship and foster carers and contributions to the incidental costs of caring for children and young people.

The cost of child protection services is driven by the number of children and young people in care and the type of out-of-home care they receive. Out-of-home care is provided through either family-based (foster, kinship and guardianship family day care) or non-family-based (residential care and independent living). Family-based care is DCP's preferred placement option, as most children achieve better outcomes in family-based settings. Non-family-based care is used where family-based care is not suitable or available. The number of children by placement type for the past five years is shown in the following chart.

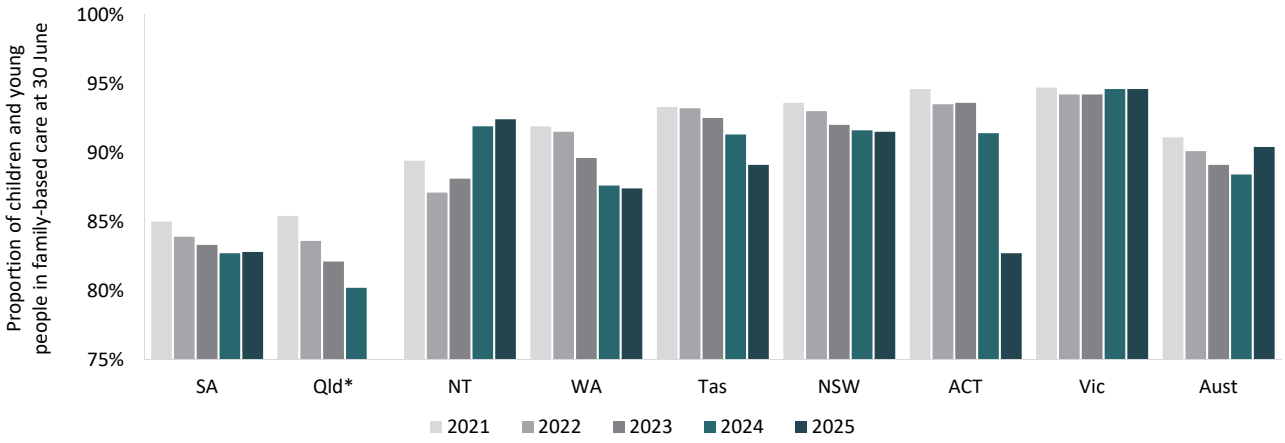


Source: The data was sourced from DCP and is unaudited.

Although children and young people in non-family based-care represent only 15% of those in care at 30 June 2026, the significantly higher cost of these placements mean they account for a disproportionately large share of child protection expenditure. As a result, non-family-based care, particularly residential care, remains a major driver of child protection costs.

The cost difference between placement types is substantial. Expenditure on children and young people in non-family-based residential care can exceed 10 times the cost of supporting those in family-based care. The Commonwealth Productivity Commission's *Report on Government Services 2026* reported that annual costs per child in 2025 were higher for residential care (ranging between $660,000 and $1.2 million) compared to non-residential care (ranging between $58,000 and $79,000). These figures are based on available jurisdiction data. At the time of this report, 2026 cost data was not available.

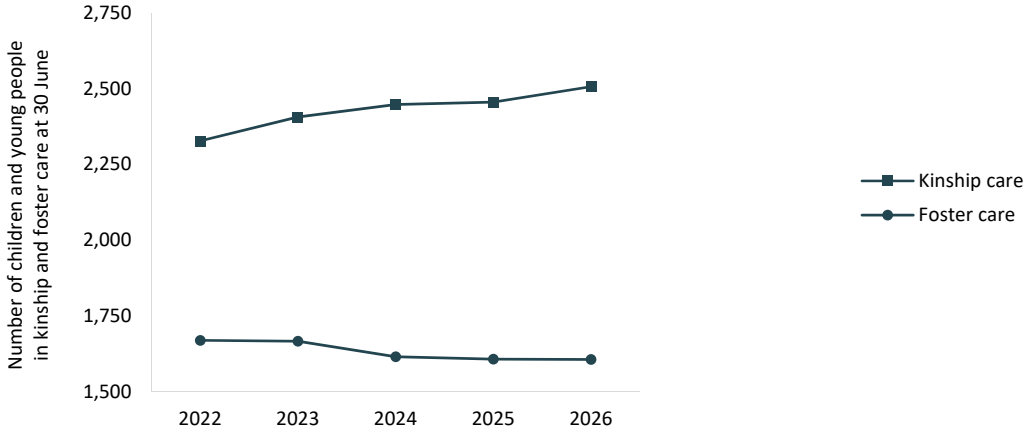
The following chart shows that South Australia has consistently recorded a lower proportion of children and young people in family-based care than most other jurisdictions over the five years to 2025. In 2025, 82.8% of children and young people in out-of-home care in South Australia were in family-based care, compared with the national average of 90.4%.



* Queensland data not available for 2025.

Source: 2020–2025 data based on the Commonwealth Productivity Commission's *Report on Government Services 2026*.

The following chart shows the number of children and young people in family-based care, highlighting the growth in kinship care placements and the decline in foster care placements.



Source: The data was sourced from DCP and is unaudited.

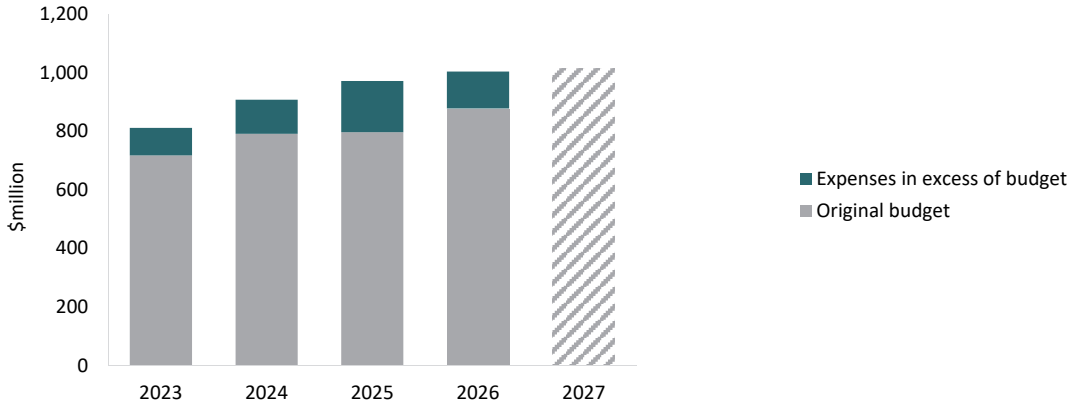
Comparison of actual expenses to original budget

Expenses exceeded the original State Budget by $126 million (14%) in 2025-26, compared to $175 million (22%) in 2024-25. This was driven by:

- child protection services expenses, which exceeded the original budget by $67 million ($164 million)
- employee-related expenses, which exceeded the original budget by $46 million ($7 million)
- supplies and services expenses, which exceeded the original budget by $15 million ($7 million).

DCP received additional funding to support these costs.

Budget overruns over the four years to 2026 are shown in the following chart. It also shows that approved expenditure in the 2027 State Budget increased by $137 million (15.6%). As a result, for the first time in the five years, the approved budget exceeds the previous year's actual expenditure, indicating a closer alignment between budgeted funding and recent expenditure levels.



Statement of Financial Position

Assets

Current assets increased by $10 million to $78.1 million in 2025-26. Cash of $69.6 million ($62.8 million) made up 89% of current assets at 30 June 2026.

Property plant and equipment is the sole category of non-current assets, which increased by $20.1 million (30%) to $86.7 million. This increase was largely driven by land being revalued up by $17.8 million.

Liabilities

Liabilities mainly comprise:

- employee-related liabilities, which increased by $6.7 million to $75.5 million ($68.8 million)
- provision for workers compensation of $29.9 million. Workers compensation is estimated by an external actuary each year
- payables and accrued expenses of $45.6 million ($40 million). Most payables relate to care-related services provided but not paid at 30 June 2026.

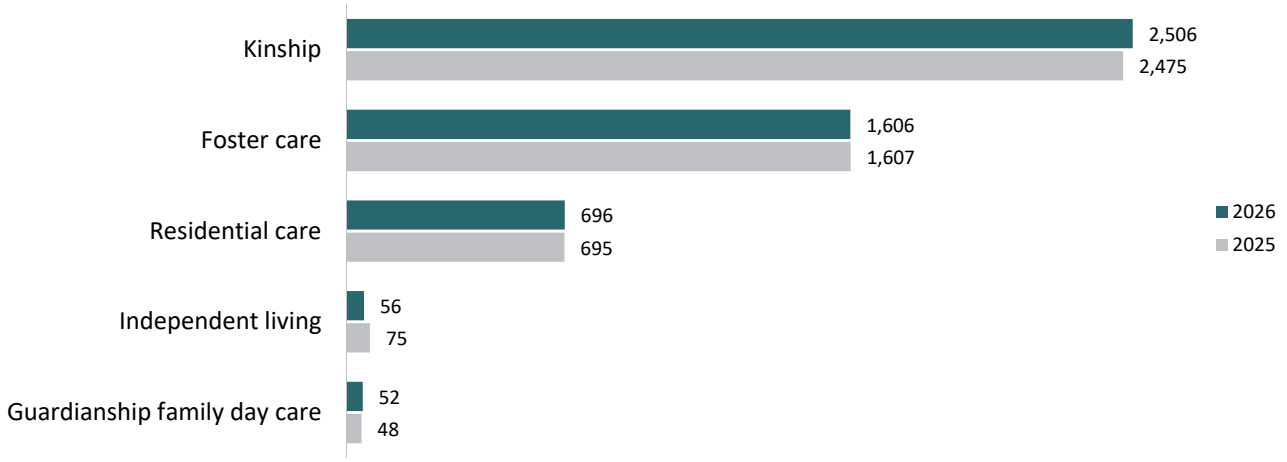
Equity

DCP recognised net assets of $6.1 million in 2026, comprising revaluation surpluses of $48.6 million and contributed capital of $9.7 million, partially offset by accumulated losses (retained earnings) of $52.3 million.

Current liabilities of $93.3 million exceeded current assets of $78.1 million. DCP is funded to meet expected cash flows for its current program delivery.

Further commentary on operations

The number of children aged under 18 in care increased by 16 to 4,916 at 30 June 2026. The number of children and young people (0-17 years old) in out-of-home care by care type at 30 June 2025 and 2026 are shown in the following chart.



Source: The data was sourced from DCP and is unaudited.

The Commonwealth Productivity Commission's Report on *Governments Services 2026* reported that, on average, South Australia's out-of-home care cost was $448 per night placement, equating to around $164,000 per child per year in 2025. 2026 cost data was not available at the time of this report.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- expenditure, including child protection services
- payroll
- property, plant and equipment
- cash
- general ledger
- carer reviews
- governance.

We reviewed controls over expenditure, including procurement and contract management, as part of our overall controls opinion, which is discussed further in Part B of this report.

Department for Correctional Services (DCS)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Accounting policies and procedures require updating.
- Key information technology policies were not complete.

Key statistics

$533 million
Total income

$472 million
Total expenditure

2,011
FTEs

3,484
Average prisoner numbers

$1.3 billion
Value of land and buildings

Significant events and transactions

- Land and buildings were revalued up by $150 million.
- Capital programs to increase prison capacity at Yatala Labour Prison and Adelaide Women's Prison continued, and the expansion of the Mount Gambier Prison commenced.
- DCS transitioned from using the Masterpiece financial reporting system to Oracle Fusion on 1 December 2025.

Key findings

Governance

Accounting policies and procedures require updating

DCS transitioned from using the Masterpiece financial reporting system to Oracle Fusion on 1 December 2025. We found that DCS had not updated its documented policies and procedures for the changed responsibilities, controls and processes for the new system.

Without current and documented guidance, DCS staff may not be able to consistently understand or perform their responsibilities, resulting in ineffective oversight, breakdown in key controls and non-compliance with financial management and reporting requirements.

DCS responded by noting the significant changes to their financial processes, systems and responsibilities as a result of the transition. It advised us that it was waiting on documents from Shared Services SA to help it define the agency-level responsibilities, oversight arrangements and key control activities for the new Oracle operating model before it updates the guidance documents.

Key information technology policies were not complete

DCS had not documented information technology policies and procedures for managing user access, change management and using artificial intelligence.

Without documented policies and procedures, there is a risk that its staff do not consistently perform information technology activities, key security and governance requirements are not effectively implemented and DCS cannot demonstrate compliance with the SA Government's cyber security and policy obligations.

DCS responded it is developing standard operating procedures to support the requirements for managing user access and using artificial intelligence under the South Australian Cyber Security Framework. It is also developing a local operating procedure for change management.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Appropriation	505	426
Intra-government transfers	10	4
Sale of goods	8	8
Resources received free of charge	2	17
Other income	7	6
Total income	533	462

	2026 $million	2025 $million
Expenses		
Employee-related expenses	241	227
Supplies and services	179	168
Depreciation	45	31
Other expenses	7	6
Total expenses	472	432
Net result	61	30
Other comprehensive income		
Changes in asset revaluation surplus	150	173
Total comprehensive result	211	203
Assets		
Current assets	174	118
Non-current assets	1,403	1,224
Total assets	1,577	1,342
Liabilities		
Current liabilities	79	56
Non-current liabilities	58	57
Total liabilities	137	113
Total equity	1,440	1,228

* Table may not add due to rounding.

Statement of Comprehensive Income

Income

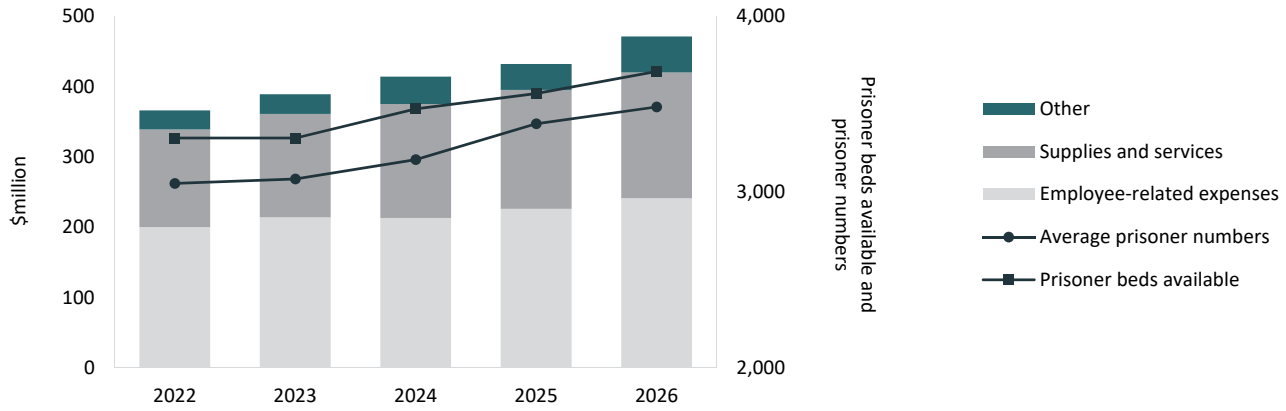
Income increased by $71 million to $533 million. DCS relies on SA Government appropriations to fund its operations and investing activities. Appropriations increased by $79 million, largely to fund capital projects to increase prison capacity at Yatala Labour Prison, Adelaide Women's Prison and Mount Gambier Prison.

Resources received free of charge decreased by $15 million, following the transfer of land and buildings from the Department of Human Services to DCS at no cost in 2024-25.

Intra-government transfers increased by $6 million, mainly due to an $8 million transfer from the Department of Treasury and Finance in 2025-26 for increased salary and allowance payments for approved enterprise agreements.

Expenses

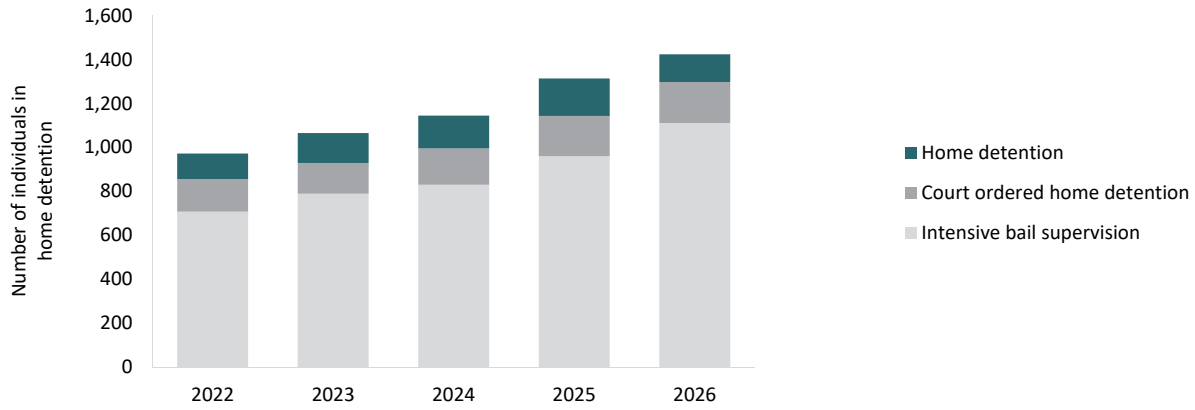
Expenses have increased by $106 million (29%) since 2022, largely due to increases in employee benefits of $41 million (21%) and supplies and services of $40 million (29%). DCS's main expenses and average prisoner numbers for the five years to 2026 are shown in the following chart.



Source: Prisoner information was provided by DCS and is unaudited.

Average prisoner numbers increased by 435 (14%) over the last five years. Average prisoner numbers increased by 96 to 3,484 in 2025-26, with 1,024 prisoners held in contractor-operated prisons (Mount Gambier Prison and the Adelaide Remand Centre) at 30 June 2026.

The number of individuals in home detention increased by 8% to 1,423 at 30 June 2026. It comprises people in home detention, intensive bail supervision and court ordered home detention. The increase was mainly in intensive bail supervision numbers, as shown in the following chart.



Source: Prisoner information was provided by DCS and is unaudited.

Employee-related expenses

Employee-related expenses increased by $14 million to $241 million in 2025-26, mainly due to increases in salaries and wages of $11 million and superannuation of $2 million. These increases were driven by increases in:

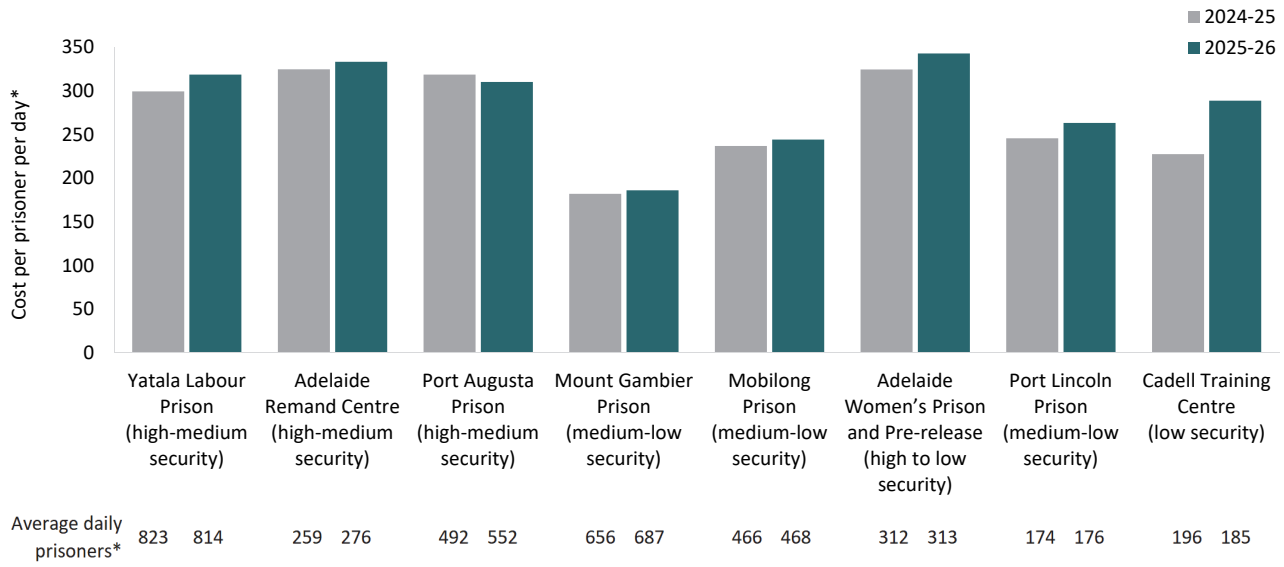
- the South Australian Public Sector Enterprise Agreement salary of 3% from 1 August 2025
- the superannuation guarantee rate paid to staff from 11.5% to 12% from 1 July 2025
- overtime and callbacks of $2 million to cover vacant operational positions.

Supplies and services expenses

Supplies and services increased by $11 million to $179 million in 2025-26, mainly due to price escalations and additional prisoner numbers.

Average cost per daily average occupancy per facility

DCS advised us that the average daily cost per prisoner per day increased by 4.4% to $280 per prisoner per day in 2025-26. The cost includes all direct and indirect operating costs. Indirect costs are allocated to prisons based on a percentage of total salaries, total beds or total direct costs. The cost differences between each facility are shown in the following chart.



* This data was supplied by DCS and is unaudited.

The average cost per prisoner per day is significantly impacted by changes in average daily prisoner numbers, with increases in prisoner numbers generally reducing the average cost. The average daily cost per prisoner ranged from an increase of 27% for the Cadell Training Centre, which saw a reduction in average daily prisoner numbers, to a 3% decrease for Port Augusta Prison.

DCS advised us that several factors influenced the costs of running South Australian prisons:

- The security level of prisoners influences the cost of managing each facility. South Australian prisons have varied security requirements rated as high, medium and low security. Higher security requirements generally increase the cost of running a prison. The Adelaide Remand Centre, Port Augusta Prison and Yatala Labour Prison have mainly high and medium security prisoners. The Mobilong Prison (medium and low security prisoners), Mount Gambier Prison (medium and low security prisoners), Port Lincoln Prison (medium and low security prisoners) and Cadell Training Centre (low security prisoners), have the lowest cost per prisoner. The Adelaide Women's Prison accommodates all security profiles.
- The built environment of the prison, such as the design of prisoner accommodation, visitor centres and admissions areas, can impact staffing levels and associated costs. Cell-based accommodation versus residential-type accommodation and ageing infrastructure at sites like Yatala Labour Prison also influence the cost per prisoner.
- Work practices and staffing levels vary at each site. For example, the number of correctional officers required to escort prisoners and correctional staff needed to monitor prisoners varies at each prison.
- The role and function of each prison varies based on factors including out-of-cell hours, the level of industry activity at each site, the level of prisoner employment and whether it is an open campus (eg the Mobilong Prison).

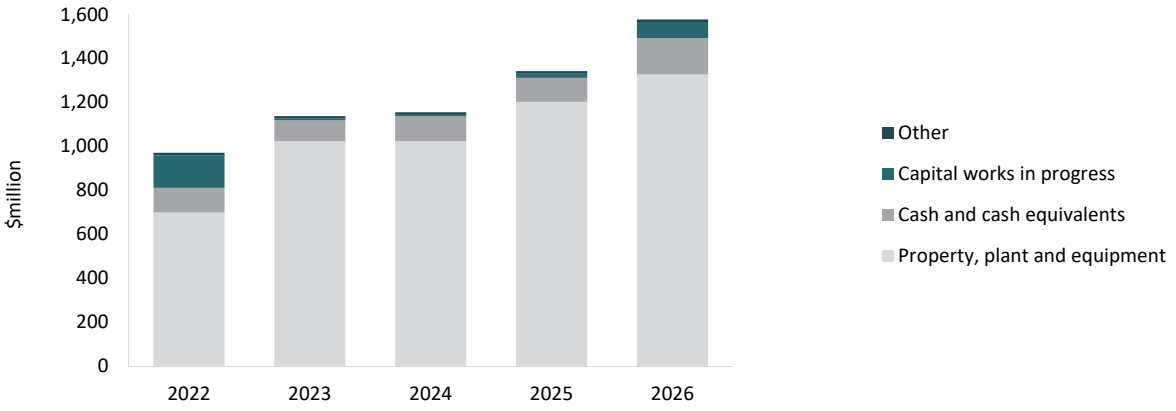
Statement of Financial Position

Assets

Assets increased by $235 million to $1.6 billion, caused by increases in:

- property, plant and equipment of $125 million, mainly driven by a $150 million upwards revaluation at 30 June 2026
- assets under construction of $54 million, with capital programs to increase prison capacity at Yatala Labour Prison, Adelaide Women's Prison and Mount Gambier Prison
- cash and cash equivalents of $57 million, mainly due to the timing of appropriation receipts and payments for capital programs.

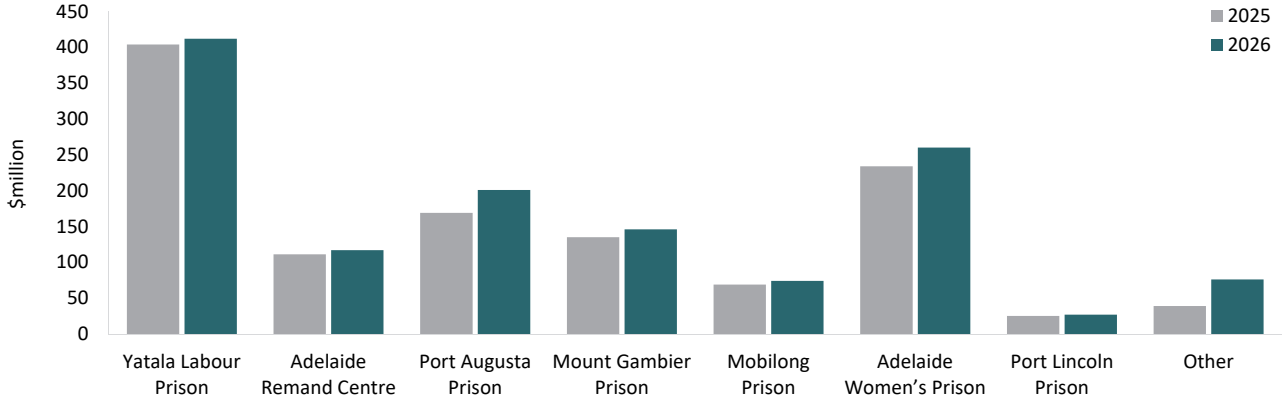
DCS's major asset balances for the five years to 2025-26 are shown in the following chart.



Property, plant and equipment

Property, plant and equipment represents 84% of DCS's total assets and is mainly comprised of land and buildings. Land and buildings increased in value by $125 million to $1.33 billion in 2025-26, largely due an upwards revaluation of $150 million and building transfers from capital works in progress of $18 million. These increases were partially offset by depreciation of $45 million.

Asset values for DCS's land and buildings by location for the last two years are shown in the following chart.



Capital works in progress

Capital works in progress increased by $54 million in 2025-26. It is mainly due to $73 million in capital additions for projects, including the Yatala Labour Prison ($31 million), Adelaide Women's Prison ($24 million) and Mount Gambier Prison ($6 million), offset by the reclassification of completed works ($18 million).

Liabilities

Liabilities increased by $24 million in 2025-26, mainly due to a $22 million increase in payables. The increase in payables largely reflects increases in the amounts owing for capital projects at 30 June 2026 of $17 million and accruals for DCS's prisoner transport contract of $4 million.

Provisions

South Australian public sector employees who have work-related injuries are entitled to benefits (workers compensation) under the *Return to Work Act 2014*. An additional compensation provision was introduced in 2018 to provide continuing benefits to workers who have eligible work-related injuries and whose entitlements had ceased under the *Return to Work Act 2014*. Eligible injuries are non-serious injuries suffered in circumstances that involve, or appear to involve, the commission of a criminal offence or that arose from a dangerous situation.

The workers compensation and additional compensation provisions are based on an actuarial assessment of the outstanding liability at 30 June 2026 provided by a consulting actuary engaged by the Office of the Commissioner for Public Sector Employment.

DCS's workers compensation liability increased by $526,000 to $26 million, while the additional compensation provision increased by $1.12 million to $2 million at 30 June 2026.

There is significant uncertainty about the additional compensation provision estimate. In addition to these general uncertainties about estimating future claim and expense payments, the provision is impacted by the absence of claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- transition of the financial reporting systems from Masterpiece to Oracle Fusion
- general ledger functions
- property, plant and equipment
- payroll and employee benefits
- supplies and services expenses
- cash
- revenue (appropriations).

Courts Administration Authority (CAA)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Controls for payroll processing need to improve.
- User access reviews are not being performed.
- Some banking process controls need to improve.
- Information technology (IT) general controls need to improve.

Key statistics

$110 million
Total income

$109 million
Total expenditure

619
FTEs

Administered

$83 million
Total income

$83 million
Total expenditure

89
Administered FTEs

Significant events and transactions

Work in progress continued on the Sir Samuel Way façade repair project, with $3.7 million spent to date.

Key findings

Payroll

Controls for payroll processing need to improve

The CAA employs around 619 FTEs and has significant payroll-related costs. In 2025-26 it had $63 million in employee-related expenses and $16 million in employee liabilities.

Independent review of payroll master file changes should be established

The CAA does not perform independent checking of payroll master file changes, although a 'system report' that notes all changes made is produced.

Undetected and unauthorised changes to the payroll master file may result in errors or financial loss.

The CAA responded that it will establish a quarterly review, including a sample testing plan, to ensure all payroll master file changes have evidence of independent review by two payroll officers. It will also develop a procedure outlining the review process, timelines and responsibilities.

Leave verification process requires improvement

The CAA does not have formal processes to monitor leave taken and leave balances.

Leave balances may be inaccurate or incomplete, leading to inaccurate payments and misstatement of leave liability balances in the financial statements.

The CAA advised us that the payroll software provider has configured the leave reporting functionality to enable the fortnightly distribution of leave taken reports to managers. The CAA will test the functionality before it is signed off and implemented.

Lack of centralised monitoring of bona fide reviews

The CAA does not have a centralised control to monitor compliance with bona fide report review requirements. In addition, there is no standardised approach for retaining and recording reviewed bona fide reports.

Bona fide reports ensure the validity of payments made to employees. This control is particularly important in a geographically dispersed payroll environment as it supports consistent compliance with payroll review requirements across all divisions.

The CAA advised us that the payroll software provider has configured the bona fide reporting functionality to enable the fortnightly distribution of bona fide reports to managers. The CAA will test the functionality before it is signed off and implemented.

No formal time recording and leave monitoring process for judges

The CAA does not have a system-based solution to record time worked and monitor leave taken by judges, which limits the consistency, traceability and internal control over judicial payroll and attendance management.

The manual process used increases the risk of errors, omissions and inconsistencies in time worked and leave records, which could result in errors or financial loss.

The CAA responded that it will establish a working group to consider options for formalising leave records for judicial officers. It has also comprehensively reviewed leave records and leave practices, resulting in an adjustment in leave liability balances in its 2025-26 financial statements.

Expenditure

The CAA transitioned its accounts payable system from Masterpiece to Basware in 2024-25.

Basware user access reviews not performed

The CAA had not performed any Basware user access reviews in 2025-26 as it did not obtain Basware user access listings from Shared Services SA during the year.

Inappropriate or unauthorised access may impact the completeness and accuracy of expenditure data through data deletion, improper changes or inaccurate transaction recording, resulting in errors or financial loss.

The CAA responded that it will request regular Basware user access listings from Shared Services SA. It will also document and implement a procedure for reviewing system user access every month, so that appropriate oversight is maintained.

Management of bank accounts

The CAA uses a digital banking platform to process and approve banking transactions.

No documented approval of changes to banking user approval limits

The CAA does not maintain evidence supporting increases to approval limits, including who approved the changes. It also does not have documented procedures for the assignment, approval and review of user approval limits.

This increases the risk that users may not be authorised, supported by business requirements or aligned with their operational responsibilities.

The CAA responded that it would develop and document a procedure for the assignment, approval and periodic review of user approval limits. The procedure will also establish default limits, with requests to increase them requiring documented justification and approval by the Chief Financial Officer.

Information technology (IT) general controls

The CAA uses an external provider to manage and support its payroll application. The IT general controls over the CAA's payroll application need to be improved in the areas discussed below.

Monitoring vendor IT security controls

The CAA could not obtain appropriate assurance from the external provider about the way it manages the IT security controls for the CAA's payroll environment.

Inadequate controls may result in potential security gaps not being remediated promptly.

The CAA responded that it will engage with the external provider to develop a new contract that will require it to provide the CAA with supporting documents that show appropriate IT security controls for the CAA's payroll environment are regularly updated and maintained.

Electronic file transfer (EFT) payroll payment process

The CAA's EFT payroll payment process should be strengthened by implementing appropriate controls, reporting mechanisms and documenting the roles and responsibilities for each step of the EFT process.

Failure to appropriately manage the EFT process and restrict access to payroll files increases the potential for payment errors and the risk of fraud.

The CAA responded that the external provider is setting up a secure file transfer protocol for the payroll payment process, with testing to start in September 2026.

Limitations in payroll change management processes

The CAA does not have policies and procedures to manage its payroll change management processes.

Failure to manage these processes increases the risk that inappropriate or unauthorised changes are made to the payroll production environment, which may impact the functionality of the application.

The CAA responded that a draft payroll change management procedure will be completed by September 2026 and reviewed by CAA management.

No patch management, disaster recovery and backup restoration testing

The CAA advised us that the external provider has committed to performing recovery and backup testing at least annually and is responsible for identifying and applying patches to the payroll system. These activities are considered as part of the external provider's ISO 27001 *Information Security Management System* accreditation.

In 2025-26, the CAA did not:

- obtain direct evidence of the latest disaster recovery and backup testing performed, as the external provider does not provide clients with evidence of its testing
- obtain sufficient evidence that patching is implemented and monitored effectively.

The CAA responded that it will engage with the external provider to develop a new contract that will require it to provide reporting for disaster recovery and backup restoration and patch management testing to the CAA.

Financial information

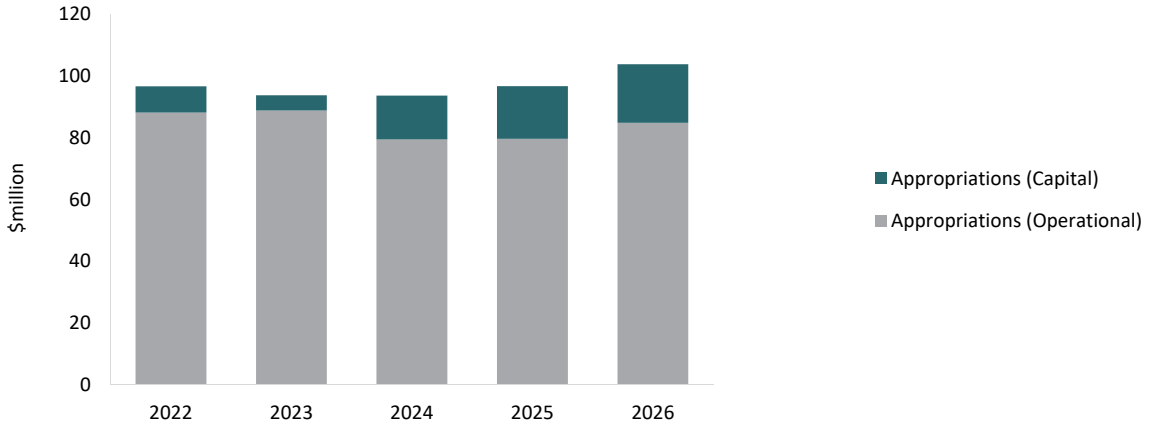
Highlights of the financial report – controlled items

	2026 $million	2025 $million
Income		
Appropriation	104	97
Other revenues	6	5
Total income	110	102
Expenses		
Employee benefits expenses	63	59
Supplies and services	29	29
Other expenses	17	36
Total expenses	109	124
Net result	1	(22)
Assets		
Current assets	92	80
Non-current assets	422	432
Total assets	514	512
Liabilities		
Current liabilities	16	14
Non-current liabilities	28	29
Total liabilities	44	43
Total equity	470	469

Statement of Comprehensive Income

Income

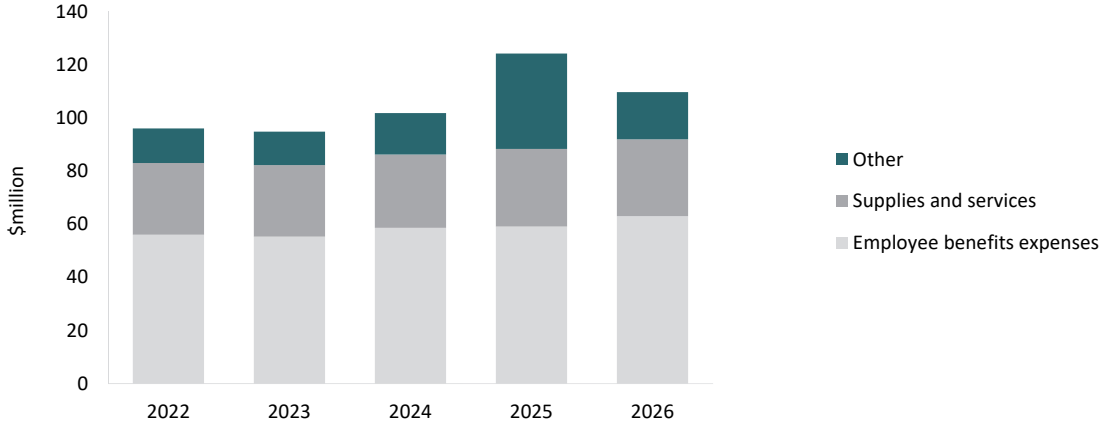
The CAA is mainly funded by appropriations for operational and capital funding from the SA Government. Appropriations accounted for 95% (95%) of its total income in 2025-26. The appropriations received by the CAA for the five years to 2026 are shown in the following chart.



Operational funding increased in 2025-26, mainly due to increases in salaries for enterprise bargaining increases and additional funds for security staff. Capital funding was for capital works on the Sir Samuel Way façade repair project.

Expenditure

The CAA's main expenses for the five years to 2026 are shown in the following chart.



Overall, expenditure remained consistent from 2021-22 to 2023-24. In 2024-25, expenses mainly increased due to $20.5 million of land donated to the South Australia Police for its Mounted Police Unit staging facility.

Expenses decreased by $14.4 million (12%) to $109 million in 2025-26 as there was no donated land this year. This was offset by increases of $3.9 million in employee-related expenses and $2.9 million in depreciation and amortisation.

Statement of Financial Position

Land and buildings

Land and buildings totalling $373 million ($384 million) account for 88% (89%) of the CAA's non-current assets. The value of land and buildings decreased by $11.5 million due to depreciation charges of $12.6 million, offset by additions and transfers between asset classes of $1.1 million in 2025-26.

Cash and cash equivalents

Cash and cash equivalents totalling $89.3 million ($77.6 million) account for 97% (97%) of current assets. Cash comprises deposits with the Treasurer, including $48.1 million ($39.2 million) held in the Accrual Appropriation Excess Funds Account. The funds held in this account are not available for general use and can only be accessed with the Treasurer's approval.

Highlights of the financial report – administered items

	2026 $million	2025 $million
Income		
Appropriation	51	50
Court and transcript fees and other	32	29
Total income	83	79
Expenses		
Judicial benefits expenses	51	50
Payments to the Consolidated Account	31	28
Other expenses	1	1
Total expenses	83	79
Net result	-	-
Assets		
Current assets	136	123
Total assets	136	123
Liabilities		
Current liabilities	136	123
Non-current liabilities	8	8
Total liabilities	144	131
Total equity	(8)	(8)

Statement of Administered Comprehensive Income

Administered income

The CAA's administered income mainly comprises $51 million in appropriations (61%). It also raises and collects court and transcript fees and pays them into the Consolidated Account. In 2025-26, the CAA raised, collected and transferred $31.6 million ($28 million) to the Consolidated Account.

Administered expenses

The CAA's administered expenses mainly comprise $51 million in judicial benefits expenses (61%) and $31.6 million in payments to the Consolidated Account (38%).

Statement of Administered Financial Position

The CAA receives money into trust accounts on behalf of parties involved in court matters and makes payments to parties as determined by the Courts.

Further commentary on operations

Total cost of services for the administration of justice through the courts system

The total cost of services for the administration of justice through the courts system (CAA and Judicial Officer costs only) is made up of the income and expenses in the CAA's controlled and administered financial reports. Expenses, excluding payments to the Consolidated Account, were $161 million ($174 million) and income, excluding appropriations, was $38 million ($34 million) in 2025-26. Appropriations provided $155 million ($147 million) towards the cost of the courts system.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- income
- expenditure
- payroll
- cash management
- risk management
- property, plant and equipment
- financial accounting
- trust accounts
- IT general controls.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Department for Education (Education)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Asset management and controls over facilities management need to improve.
- Procurement and contract management requirements were not consistently complied with.
- School cash balances remain high and adequate oversight has not been fully implemented.
- Employee leave recording controls and other key payroll controls need to improve.
- User access controls for the education management system (EMS) and Valeo system need to improve.

Key statistics

$4.9 billion
Total income

$4.7 billion
Total expenditure

26,419
FTEs

166,192
FTE students in public schools

893
Public school and preschool sites

Administered

$2.3 billion
Total income

$2.3 billion
Total expenditure

Significant events and transactions

- Education substantially completed the rollout of the EMS, including the EMS financial module, to school and preschool sites.
- The rollout of EMS to preschools enabled Education to incorporate preschool financial information in the consolidated financial statements for the first time in 2025-26.
- Land, buildings and improvements were revalued up by $508 million.

Key findings

Asset management

Education controls around 5,700 buildings across 893 sites throughout South Australia, valued at more than $4.7 billion. Effective strategies, plans and asset information are important to ensure these assets are properly managed and maintained and that capital works decisions are well informed.

We reviewed elements of Education's asset management framework and practices and identified the following findings.

Foundations for evidence-based asset investment decisions remain incomplete

Education has not fully established the framework needed to support the evidence-based infrastructure and capital investment approach outlined in its 20-year infrastructure plan. We first reported these matters in 2025 and they remained unresolved in 2025-26. Specifically, Education has not:

- documented how asset information is collected, analysed, monitored and reported to support capital planning and investment decisions
- formally approved or incorporated its infrastructure prioritisation and costing methodology into its strategic asset management framework.

Without these elements, transparency and consistency in decision-making may be reduced, limiting Education's ability to clearly demonstrate how asset information and infrastructure priorities inform capital investment decisions.

We recommended that Education formalise and incorporate into its strategic asset management framework:

- a documented process for systematically collecting, analysing, monitoring and reporting asset information to support capital planning and investment decisions
- the infrastructure prioritisation and costing methodology used to prioritise infrastructure and capital work programs.

Education accepted our recommendations and advised us that it will incorporate the infrastructure prioritisation and costing methodology into an updated asset management strategy by December 2026 and document asset information management processes by June 2027.

Asset data integrity concerns remain

Education continues to face concerns about the completeness and accuracy of its asset data, including information on asset condition. We reported this issue in 2024-25 and it remains unresolved.

Education's contracted facility manager under the Across Government Facilities Management Arrangements (AGFMA), Ventia, has not completed data verification and condition assessments for school buildings and facilities. These concerns prevented Education from approving the 2025-26 and 2026-27 maintenance plans. This matter is discussed further below under 'Facilities management arrangements'.

Without reliable asset information, Education cannot effectively assess asset condition or forecast asset lifecycle requirements. This increases the risk that maintenance and capital investment decisions are based on incomplete and unreliable information.

We recommended Education ensure the integrity of asset information through data verification and condition assessments. Education advised us that resolving this matter depends on work led by the Department for Infrastructure and Transport (DIT) as the AGFMA contract manager. Education accepted the recommendation and advised that it will address the matter by 30 June 2027.

Facilities management arrangements

The AGFMA is the SA Government's mandated framework for delivering facilities management services to agencies, including Education. Under the current arrangements, which commenced in December 2021, Ventia delivers and manages planned and unplanned maintenance, replacement, refurbishment and minor works services. Education paid $217 million under these arrangements in 2025-26.

We identified the following matters requiring improvement in Education's management of its facilities.

Asset information strategy was not established

Education has not established an asset information strategy, asset information standards or asset information guidelines. We first reported this issue in 2020.

Without a defined asset information strategy, Education may not consistently define asset information requirements, assign accountability for data quality or maintain asset information that is fit for purpose. This increases the risk that asset management, maintenance and investment decisions rely on incomplete or unreliable information, particularly given the identified deficiencies in data completeness and quality.

We recommended that Education develop and implement an asset information strategy that:

- defines asset information requirements
- establishes standards and guidance for managing asset information
- sets out governance arrangements for asset information.

Education advised us that progress depends on work led by DIT as the AGFMA contract manager and that it will continue to work with DIT on this matter.

Education cannot measure whether its assets achieve expected performance

Education has not established asset performance measures or service levels for its school buildings and facilities. We first reported this issue in 2020.

Asset performance measures and service levels define what assets are expected to deliver and how performance will be assessed.

The AGFMA arrangements require Ventia to develop asset service standards and Education to approve them. At 1 July 2026, neither party had completed these actions, despite the arrangements commencing in December 2021. Education advised us that it is seeking guidance from DIT on how asset performance measures and service levels will be addressed across government agencies.

Without agreed asset performance measures and service levels, Education cannot readily assess whether assets are fit for purpose, identify where performance falls short of expectations, or make informed decisions about maintenance, renewal and investment.

Maintenance planning arrangements remain incomplete

Education has not approved its 2025-26 or 2026-27 annual service delivery plans (ASDPs) due to ongoing concerns about the completeness and integrity of the underlying asset data.

The ASDP is the annual maintenance plan that sets out the preventative maintenance services Ventia will deliver across Education's asset portfolio.

Education advised us that deficiencies in asset information maintained by Ventia, including missing and inaccurate asset records, remained unresolved. As a result, Education withheld approval of both plans pending satisfactory resolution of these concerns.

Without approved maintenance plans supported by reliable asset information, Education may not effectively plan or oversee its maintenance activities. This increases the risk that required maintenance activities are omitted, assets are not appropriately maintained and maintenance expenditure does not align with operational and asset management priorities.

Education advised us that it is continuing to work with the DIT and Ventia to address asset data deficiencies and improve maintenance planning arrangements.

Facility payments continue to be made without certification of completed work

Education paid for 21,798 facilities management jobs, valued at $12.6 million in 2025-26, without certification that the work had been completed and accepted to the required standard.

Under Education's arrangements with Ventia, jobs valued at less than $5,000 are automatically approved for payment if site staff do not review and approve them within 10 business days. While the proportion of automatically approved jobs fell from 22% in 2024-25 to 20% in 2025-26, a significant number of payments continue to be made without evidence that the work was completed and accepted by an authorised officer.

This creates a risk that payments are made for work that was not completed or not completed to the required standard and limits Education's ability to demonstrate that maintenance services meet expectations and provide value for money.

Education advised us that, in partnership with Ventia, it has implemented guidance, reminders and follow-up processes that have significantly reduced auto-approvals. It will continue to monitor auto-approvals and improve system functionality and communications to sites with high levels of auto-approved jobs.

Performance management arrangements remain incomplete

Education has not established a performance management plan (PMP) for its AGFMA arrangements.

A PMP helps define service expectations, monitor performance outcomes and support the timely identification and resolution of service delivery issues. Although Education advised us in 2022 that it would implement a PMP by August 2023, the target date was subsequently revised to June 2024 and then June 2026.

Without a PMP, Education may not have sufficient oversight of whether facilities management services meet its operational requirements, priorities and service expectations. This limits its ability to identify, escalate and address service delivery issues and assess whether the AGFMA arrangements are achieving value.

Education advised us that it continues to work towards an agency-based PMP and, until a plan is developed, it will monitor Ventia's performance through formal monthly performance meetings.

Managing user access to Ventia's asset management system needs improvement

Consistent with findings reported since 2022, we found that Education:

- staff had access to create breakdown and reactive maintenance work orders in Ventia's asset management system (Panorama) without delegated authority
- had not formally assessed the risks associated with user access to this system
- had not developed a policy or framework governing user access.

These weaknesses increase the risk of unauthorised work orders, inappropriate expenditure and reduced accountability over maintenance activities initiated through the system.

Education advised us that it is aligning the Panorama system access rights and approval limits with user roles and delegated authorities. It is also working with Ventia and DIT to implement delegation templates, document access controls and periodically review user access.

Procurement oversight responsibilities remain undocumented

Education has not established a documented framework that explains how it fulfils its procurement-related responsibilities under the AGFMA arrangements. We first reported this issue in 2024-25.

The Memorandum of Administrative Arrangement requires Education, as the purchaser of services, to ensure Ventia complies with SA Government procurement policies and guidelines. Although Education reviews procurement recommendations and seeks additional information in some circumstances, these activities are performed through operational practice rather than a documented and consistently applied framework.

Without a documented framework, Education cannot readily demonstrate how it obtains assurance that procurement activities performed on its behalf comply with SA Government requirements and achieve value for money.

Education acknowledged its responsibility and advised us that it will oversee procurement activities undertaken on its behalf and ensure procurement processes align with requirements.

Panorama issue management arrangements are now less formal

Education no longer maintains an issues register to record and monitor issues identified with Ventia's facilities management system. The register previously recorded outstanding issues, priorities, agreed actions and implementation status. Although Education continues to meet with Ventia, it no longer maintains a consolidated record of unresolved issues.

Without a central register, Education may not have sufficient visibility of outstanding system issues, associated risks, agreed actions or remediation progress. This increases the risk that issues are not appropriately prioritised, monitored or resolved.

Education advised us that it continues to raise Panorama system issues with Ventia and significant system issues through DIT, and that issues experienced by sites and corporate users are generally addressed as they arise.

Procurement

We reviewed a sample of Education's procurement activities, including procurements for tailored learning services for government secondary school students and school network infrastructure and managed network services. Our review focused on Education's application of the procurement requirements under Treasurer's Instructions 18 *Procurement*.

We found the following areas for improvement:

- For one procurement, Education did not document the rationale for supplier insurance coverage requirements, including where coverage limits were set below the minimum levels specified in its insurance guideline. Without a documented assessment, Education cannot readily demonstrate that insurance coverage is appropriate for the procurement risks, increasing the risk of financial loss where available cover is insufficient. Education advised us that it has developed insurance guidance and will reinforce insurance assessment requirements with procurement staff.
- For one procurement, Education completed a risk assessment but did not determine or rate the residual risk after applying mitigation measures, as required by Procurement SA's (PSA's) procurement planning policy. Education acknowledged the non-compliance and advised us that it will remind procurement staff of the approval requirements.
- For one procurement, an evaluation panel member declared a potential conflict of interest, but Education did not document how the conflict was assessed or managed. Undocumented conflict management may reduce confidence in the integrity of procurement decisions. Education acknowledged the finding and advised us that it will reinforce documentation requirements with procurement staff.

- For two procurements, purchase recommendations were not approved by the authorised officer identified in the acquisition plans, contrary to PSA requirements. This non-compliance may weaken accountability and probity over procurement decisions. Education acknowledged the finding and advised us that it will remind procurement staff of the approval requirements.

Contract management

We reviewed elements of Education's management of the following contracts:

- education management system (EMS) software-as-a-service contract
- two contracts for the provision of bus services to students in regional South Australia.

We did not identify any issues with the management of the two bus service contracts reviewed.

Delays in the required annual review of the EMS contract

PSA's contract management policy requires complex and strategic contracts to be reviewed annually. Education did not complete its 2025 annual review of its EMS contract until July 2026.

Delays in reviewing contracts may reduce Education's ability to identify performance issues, monitor contract outcomes and make informed contract management decisions.

Education advised us that it will work with its ICT projects directorate to determine an appropriate time frame for future annual reviews.

Required contract extension review was not completed

The EMS contract expires in September 2027, when Education must decide whether to exercise a 10-year extension option. The EMS contract management plan requires Education to complete a contract extension review by 31 December 2025, including a business capability and risk assessment, to support this decision. At August 2026, the review had not been completed.

Delays in evaluating future contract options may limit Education's ability to consider alternative procurement, contractual or transition arrangements and may increase reliance on extending the existing contract.

Education advised us that work is underway to inform the contract extension scope and strategy and expects this work to be completed by the end of 2026.

Required performance meetings with suppliers not held

The EMS contract management plan requires Education to hold contract management meetings with the contractor every three months. We found that only two meetings were held in 2025-26.

Not holding regular contract management meetings may weaken oversight of contractor performance and contractual obligations.

Education acknowledged the importance of meetings and advised us that it will remind contract managers to hold and document meetings in line with contract management plan requirements.

Required contract management training not completed

PSA's contract management policy requires officers responsible for managing complex contracts to complete advanced contract management training every two years. The contract manager responsible for the EMS contract had not completed the required training.

As a result, contract managers may not have the knowledge needed to effectively oversee complex contractual arrangements and associated risks.

Education advised us that the contract manager would complete the required training by August 2026. It also advised that it would remind contract managers of their training obligations and update contract handover procedures to address training requirements.

Managing the growth in cash held by schools in their investment accounts

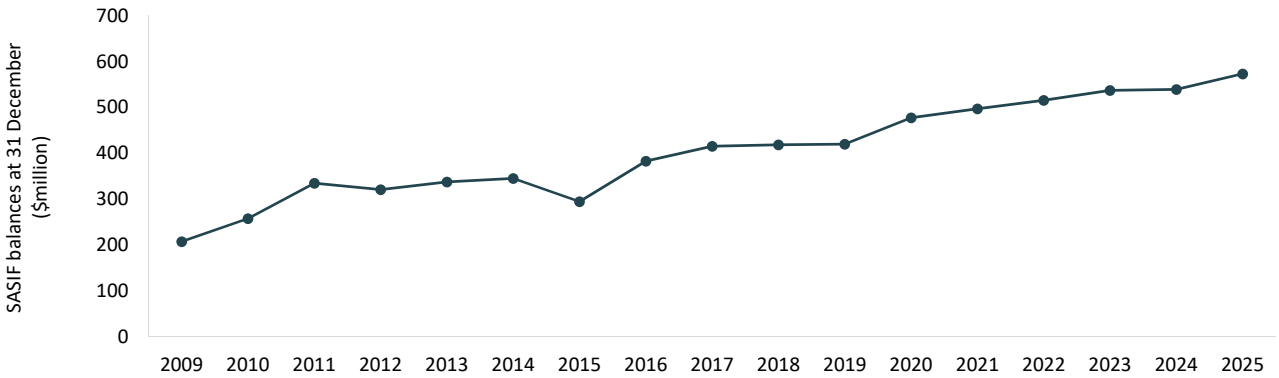
South Australian Schools Investment Fund (SASIF) accounts are used by school and preschool sites to receive monthly recurrent funding from Education and invest surplus funds.

Education provides around $3.1 billion each year in recurrent resource entitlement statement (RES) funding to schools and preschools to support students in the year the funding is provided. While unspent funds may be retained in SASIF accounts, these arrangements are not intended to support the long-term accumulation of funding. Annual funding is intended to support resources for specific students in the year the funding is provided. The ongoing accumulation in SASIF balances is why we examined and report on this matter.

School investment account balances continue to accumulate

During the year, SASIF balances increased by $35 million to $573 million at 31 December 2025. SASIF accounts held by schools at the end of the school year were equivalent to 19% of their annual recurrent funding.

Total SASIF cash held by schools, educational units and preschools has increased by $366 million (176%) since December 2009, as shown in the following chart.



Accumulation is widespread

The accumulation of SASIF funds is not limited to a small number of sites. An increasing number of schools and preschools hold substantial balances. At 31 December 2025:

- 149 sites held more than $1 million (136 at December 2024)
- 35 sites held more than $3 million (29 at December 2024)
- the top 50 sites held $210.8 million, representing 37% of total SASIF balances
- the largest individual balance was $12.6 million.

Some sites hold balances that are large relative to their annual funding

Although SASIF balances represent funding accumulated over multiple years, comparing SASIF balances with annual recurrent RES funding provides an indication of the scale of accumulated funds for some schools.

Most schools and preschools held SASIF balances equivalent to less than 25% of their annual RES funding allocation. However, a smaller group of sites held substantially higher balances and accounted for a significant proportion of total funds accumulated. At 31 December 2025:

- 240 sites held balances between 25% and 50% of annual RES funding
- 68 sites held balances between 50% and 100% of annual RES funding
- nine sites held balances greater than 100% of their annual RES funding.

Central oversight of high and growing SASIF balances needs to improve

While school principals, preschool directors and governing councils are primarily responsible for managing their finances, Education is ultimately responsible for ensuring funding to schools and preschools is used for its intended purpose and for the students for whom the funding was provided.

Education's managing the South Australian schools investment fund instruction (SASIF instruction) sets out expectations for managing SASIF balances. The instruction is intended to support financial accountability, strategic use of school resources and improved student outcomes.

Education advised us that an updated SASIF instruction was approved in June 2026 following extensive consultation with key stakeholders, including the Australian Education Union and principal associations. The changes respond to issues identified in our previous audit and are intended to strengthen oversight of SASIF balances and improve transparency over the planned use of retained funds.

However, many of the revised arrangements were not operational in 2025-26 and their effectiveness is yet to be demonstrated. We identified the following matters requiring further attention.

Revised oversight of high and growing SASIF balances was not operational in 2025-26

In 2025, we reported that Education's oversight framework for SASIF balances was narrowly focused and did not provide a clear basis for effective central oversight. The framework did not define what constituted a high cash balance and only required central involvement in limited circumstances. As a result, schools could accumulate and retain substantial SASIF balances without Education explicitly considering whether those balances were appropriate or aligned with the intended use of funding.

In response to our recommendations, Education undertook significant work to approve an updated SASIF instruction in June 2026. The updated instruction defines high and growing balances and introduces additional oversight requirements for schools with significant or growing accumulated funds.

The revised instruction was approved in time to inform the 2027 school year resource planning cycle. If implemented as intended, these changes should strengthen oversight and scrutiny of the planned use of retained funds. However, their effectiveness will depend on the consistent application of the new requirements.

Until the revised requirements are fully implemented and operating effectively, Education does not have a clear framework to scrutinise and influence the planned use of high and growing SASIF balances. This may reduce assurance that funding is being used for the students and purposes for which it was provided, contribute to perceived inequities in funding available to schools and limit Education's ability to identify and respond to emerging risks.

Education advised us that the updated SASIF instruction is intended to improve the transparency over the planned use of SASIF cash reserves and support the use of annual funding to educational outcomes in the year it is provided. Education also noted that appropriate cash reserves depend on a school's size, strategic planning and existing commitments. The updated instruction will take effect from the 2027 school year and include monitoring of high and growing balances and engagement with Education directors and school leaders on local priorities.

Monitoring arrangements for SASIF balances were not established in 2025-26

In 2025, we reported that Education had not documented its expectations for oversight and monitoring of SASIF balances. In particular, Education had not established formal monitoring procedures, key indicators and reporting requirements.

Education subsequently developed a procedure intended to strengthen the oversight and monitoring of SASIF balances. However, as noted above, these revised processes were not operational in 2025-26, and their effectiveness is yet to be demonstrated.

Education advised us that its Chief Operating Officer approved and released the procedure to coincide with the updated SASIF instruction. The procedure was developed following consultation with the same key stakeholders because of its direct link to the management of SASIF balances. Education advised that the procedure addresses the matters identified in our recommendation.

Significant SASIF balances were not supported by documented commitments or planned use

In 2025, we reported that only 59% of schools had submitted a governing council-approved 'Our Resources Plan' (ORP), which documents a school's planned use of resources, commitments and cash balances, including SASIF funds. ORP completion rates improved significantly in 2025-26, with 98% of schools submitting a 2026 ORP by the end of term two in 2026.

We reviewed ORPs for the 20 schools with the highest SASIF balances, which collectively held $121.8 million. Of these amounts, $71.8 million (59%) were supported by documented commitments or planned uses, with a further $18.1 million held by schools for the purpose of working capital.

We also found that $59.5 million (49%) of total sampled balances) had been allocated to future capital projects and other asset investments, representing a substantial proportion of accumulated SASIF funds.

The SASIF instruction requires schools and preschools to document the level of cash reserves held and the purpose for retaining those reserves. Where a significant proportion of balances is not linked to a documented planned use, transparency is reduced and assurance that accumulated funding is being actively planned for use in support of educational outcomes is limited. Ongoing accumulation of funds is also inconsistent with the funding model for schools.

Education advised us that its revised SASIF instruction requires schools with uncommitted cash reserves of $500,000 or more to agree on the planned use of those funds with their Education director and document this in their ORP. Education also advised that it is reviewing the purposes for which funds are being retained, initially focusing on balances held for capital purposes, and will consult with schools where ORPs identify uncommitted funds.

Periodic user access reviews for ANZ Transactive (SASIF bank accounts) were not fully evidenced

ANZ Transactive is a banking application used to administer SASIF bank accounts that hold significant public funds. Effective management and regular review of user access are important controls to reduce the risk of inappropriate or unauthorised access. At the time of our audit, Education had not documented its periodic reviews of user access to ANZ Transactive for SASIF users with privileged and transactional access.

As a result, inappropriate or outdated access to SASIF bank accounts may not be identified and removed, increasing the risk of unauthorised access.

Education advised us that it has implemented a documented periodic review process for privileged ANZ Transactive users.

Employee-related expenses

Employee-related expenses were $3.3 billion, representing 72% of Education’s total expenses in 2025-26.

We reviewed Education’s controls to ensure payments were made only to valid employees and for time worked. We also considered its workforce strategy, staff appointment processes and employee performance management arrangements.

Delayed review of important payroll leave reports

We found delays in management's certification of monthly leave return reports. Prompt review and certification of these reports is critical to ensure employee payments are valid and leave taken is accurately recorded. We found that 31% of these reports were certified outside of Education's required time frames.

Delays in reviewing and certifying monthly leave return reports may result in leave recording errors not being identified and corrected promptly, increasing the risk of inaccurate leave balances and employees receiving leave entitlements that they are not entitled to.

Education advised us that automated reminders and escalation processes are in place for outstanding monthly leave return reports. It also advised that certification delays commonly occur where managers are awaiting supporting documentation from employees, and that it will continue to monitor and follow up uncertified reports and support managers as required.

Oversight of teacher leave recording needs improvement

Education has access to data within its human resources system that can identify where a teacher has been absent from work but no corresponding leave has been recorded. While this data has identified thousands of days of potentially unrecorded leave, Education does not routinely monitor the information or follow up schools where issues are identified.

Where unrecorded leave is not identified and corrected, employees may retain leave entitlements that have already been taken, resulting in an overstatement of employee leave liabilities and additional costs.

While Education advised us that further analysis is required to validate the human resources system data, the information could help identify schools where leave recording practices warrant further review.

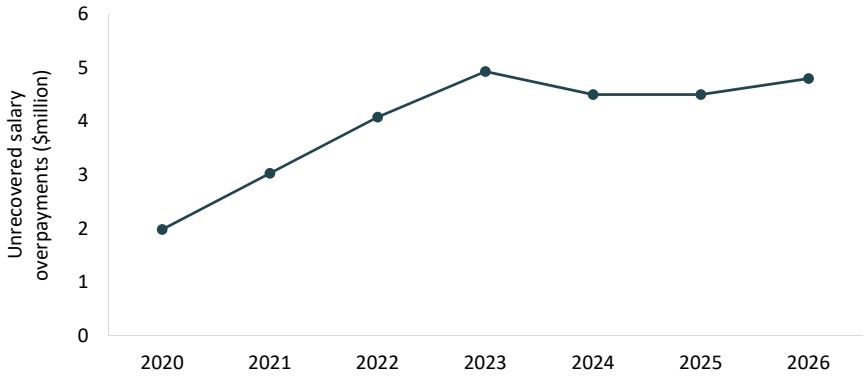
We recommended that Education:

- require schools to use the human resources system absences module to identify and resolve teacher absences that do not have corresponding leave records in the payroll system
- use available workforce and payroll data to centrally identify and monitor potential instances of unrecorded leave for follow-up.

Education advised us that it would validate existing controls and systems, increase monitoring and reporting, review escalation pathways and support sites with missing leave records. However, its response did not specifically address requiring schools to use the absences module or how available absence and payroll data will be assessed and used to identify unrecorded leave and schools requiring follow-up.

Unrecovered salary overpayments

The accumulated value of unrecovered salary overpayments over the last seven years is shown in the following chart.



Unrecovered salary overpayments totalled $4.8 million at 30 June 2026. Education recognised that $655,000 of this balance is unlikely to be recovered.

We found that salary overpayments were mainly caused by late applications for leave without pay or reduced hours, and delays in updating the payroll system for employee separations.

Education advised us that it continues to address historical overpayments and strengthen monitoring and communication with schools and preschools, and work with Shared Services SA to reduce overpayments.

Employment documentation and pre-employment requirements were not consistently completed before employees commenced work

Our testing identified weaknesses in new employee onboarding processes. For 80% of employees tested, Education could not provide evidence of a signed appointment letter or employment contract. We also identified instances where appointment documentation and authority to work requirements were completed after the employee started work.

Incomplete employment documentation and delays in verifying pre-employment requirements may reduce assurance that employees are engaged under appropriate authority and that mandatory employment and child safety requirements have been met before work begins.

Education advised us that it has implemented processes to strengthen employment contract management and onboarding controls, including quality assurance processes and follow-up of unsigned contracts. Education also advised that it would review the effectiveness of internal controls relating to employment documentation by 31 December 2026.

Employee performance development plans remain overdue

In recent years, we have reported that many employee performance development plans were not reviewed, as required by the Commissioner for Public Sector Employment and Education's policy.

At 30 April 2026, 19% of employee performance development plans were overdue, with 56% of those overdue for more than six months.

Overdue performance reviews may delay the identification of employee performance and development needs and reduce assurance that performance management requirements are being met.

Education advised us that it has introduced a revised performance development plan framework and continues to support completion of overdue plans through targeted monitoring and reporting.

Information technology controls

EMS user access management controls need to improve

EMS is Education's enterprise system for managing financial and administrative activities across schools and preschools.

We found Education had not established documented EMS-specific user access review requirements, could not demonstrate that periodic access reviews were consistently performed and evidenced, and had not defined requirements for managing privileged user access. We also identified weaknesses in user offboarding processes for temporary and corporate users, with access removal relying on manual review.

Weaknesses in user access reviews, privileged user access management and user offboarding processes increase the risk that inappropriate, excessive or outdated access is not identified and removed promptly.

Education accepted out findings and recommendations and advised us that it will:

- develop and implement documented EMS user access review and privileged user access management processes
- complete an audit of current EMS users
- review user offboarding arrangements.

Education expects these actions to be completed by December 2026.

Information technology general controls for the Valeo system need to be strengthened

Valeo is Education's payroll management system, supporting more than 33,500 employees (total headcount).

Our review of Valeo identified opportunities to strengthen controls over the user offboarding process and backup restoration procedures. Failing to address these control weaknesses increases the risk of unauthorised access and delays in recovering Valeo and its data if required.

Education responded positively to our findings and recommendations, with remediation activities expected to be completed by December 2026.

Snapshot of Education operations

Education's main functions

$2.8 billion
to operate public schools and preschools*

166,192
Student FTEs**

1.4%

$2.2 billion
to support private schools and preschools***

111,121
Student enrolments****

2.9%

Employing
26,419 FTE staff
costing
$3.3 billion annually

Maintaining
893 sites
worth
$8.2 billion

* Comprises an allocation of costs incurred by Education on behalf of schools and preschools (excludes salary and wage on-costs).
** Student FTEs as at February 2026 not including preschool student FTEs.
*** Includes $1.8 billion in Commonwealth flow-through payments.
**** Student enrolments as at 1 August 2025 reported by the Australian Bureau of Statistics. 2026 numbers are not available.

Financial information

Highlights of the financial report – consolidated*

	2026 $million	2025 $million
Income		
Appropriation	3,577	3,442
Commonwealth-sourced funding	908	912
Other	381	314
Total income	4,866	4,668
Expenses		
Employee-related	3,345	3,231
Supplies and services	973	959
Other	349	382
Total expenses	4,667	4,572
Net result	199	96
Other comprehensive income		
Changes in revaluation surplus	508	466
Total comprehensive result	707	562
Assets		
Current assets	1,703	1,567
Non-current assets	8,314	7,715
Total assets	10,016	9,282
Liabilities		
Current liabilities	595	570
Non-current liabilities	1,118	1,117
Total liabilities	1,713	1,686
Total equity	8,303	7,596

* Table may not add due to rounding.

First-time recognition of preschools

Education recognised the financial transactions and balances for preschools for the first time in 2025-26. Previously, financial information for stand-alone government preschools was not centrally available when Education prepared its consolidated financial statements. Following the implementation of EMS, Education can now obtain reliable preschools financial information and consolidated these entities into its financial statements.

The revised accounting policy provides more reliable, relevant and complete information about the financial position, financial performance and cash flows of the consolidated entity. The first time recognition of preschools financial activity increased equity at 1 July 2024 by $56.8 million, comprising assets of $58.2 million, mainly cash of $56.3 million, offset by liabilities of $1.4 million. Comparative information for 2024-25 was restated to reflect the revised accounting policy, increasing the 2024-25 net result by $7.2 million.

Statement of Comprehensive Income

Income

Revenue from the SA Government

Education is mainly funded by appropriation, representing 73% of its total income. Appropriation from the SA Government increased by $134 million (3.9%) to $3.6 billion in 2025-26.

Commonwealth-sourced grants and funding

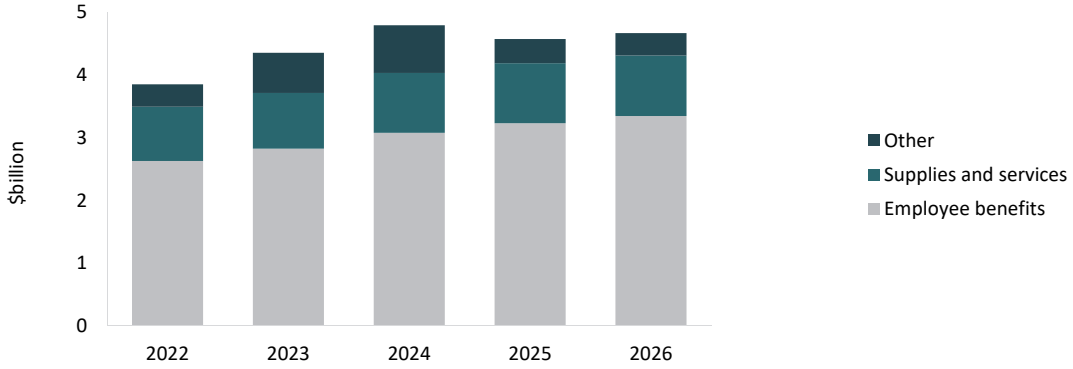
Commonwealth-sourced grants and funding decreased by $4 million to $908 million, mainly due to:

- a $24 million decrease in Preschool Reform Agreement funding to $28 million, largely because 2024-25 included $24 million in funding intended for 2023-24
- $17 million in one-off Schools Upgrade Fund funding recognised in 2024-25 for infrastructure projects at 18 public schools.

These decreases were partly offset by a $29 million increase in funding under the National Schools Reform Agreement and its replacement agreement from 24 January 2025, the Better and Fairer Schools Agreement.

Expenses

Expenses were $4.7 billion in 2025-26. Education's main expenses for the five years to 2026 are shown in the following chart.



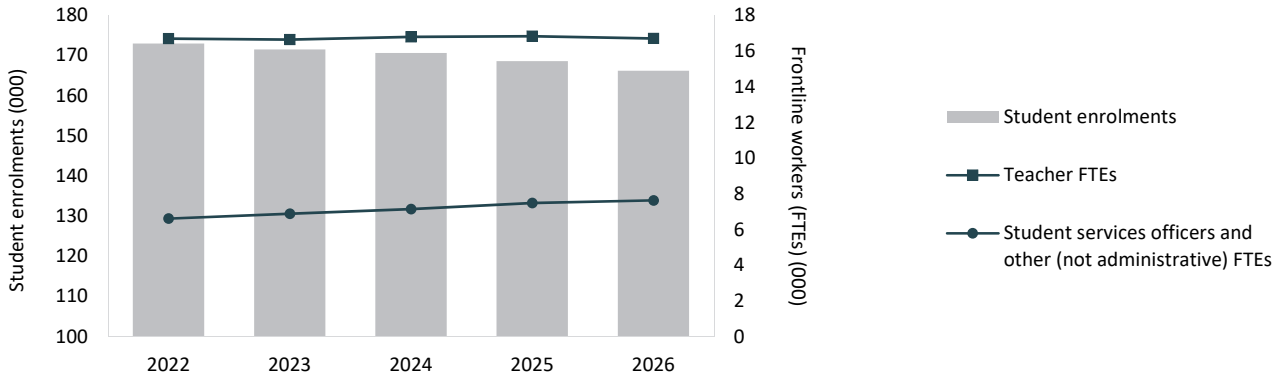
Expenses reported for 2022-23 and 2023-24 included Skills SA, which transferred from Education as part of a machinery of government change from 2024-25. This affects comparability across the period.

Employee-related expenses

Employee-related expenses increased by $114 million (3.5%) to $3.3 billion, making up 72% of Education's total expenses in 2025-26. The increase was mainly due to:

- a $151 million (5.2%) increase in salaries and wages, including annual leave and superannuation, mainly for salary rate increases under enterprise agreements, including additional increases for school principals and preschool directors, and the increase in the superannuation guarantee from 11.5% to 12% from 1 July 2025
- a $20 million decrease in workers compensation expense, mainly reflecting a lower additional provision recognised arising from annual actuarial assessments
- a $25 million decrease in the long service leave expense. Movements in long service leave expense are impacted by changes in the long service liability. The liability increased by $19 million in 2024-25 and decreased by $2.3 million in 2025-26. The difference between these movements explains $22 million of the reduction in the long service leave expenses for 2025-26.

The following chart shows that, in the past five years, student enrolments fell by 4% to 166,192 FTE students, while teacher numbers remained relatively stable at 16,703 FTEs. Over the same period, student services officers and other non-administration positions in schools and preschools increased by 15% to 7,634 FTEs.



Supplies and services

Supplies and services expenses increased by $14 million (1%) to $973 million in 2025-26. Significant categories included:

- $257 million ($263 million) in minor works, maintenance and equipment expense
- $98 million ($94 million) in information technology and communications
- $53 million ($59 million) in printing, postage and consumables
- $64 million ($66 million) in contractors and other outsourced services
- $65 million ($61 million) in cleaning
- $53 million ($54 million) in utilities.

Many of these costs are driven by contractual arrangements, highlighting the importance of effective contract management in controlling costs to the State.

Statement of Financial Position

Assets

Assets largely comprise property, plant and equipment of $8 billion and represented 80% of Education's total assets, and cash and cash equivalents of $1.6 billion (16% of total assets) in 2025-26. Property, plant and equipment increased by $557 million, mainly because:

- land was valued up by $337 million, based on annual valuations performed by the Valuer-General
- buildings and improvements were revalued up by $171 million
- $146 million in new capital works, including projects at the northern suburbs new secondary school, Virginia Primary School and Plympton International College
- $41 million in donated assets, mainly relating to $40 million of land and buildings associated with the relocated Warriappendi Secondary School transferred from DIT in 2025-26
- the first time recognition of more than 100 remote residential building assets in the Anangu Pitjantjatjara Yankunytjatjara (APY) lands, Oak Valley and Yalata, valued at $14 million.

These increases were partially offset by depreciation of $190 million.

Liabilities

Liabilities were $1.7 billion in 2025-26 and mainly comprised:

- $973 million in employee-related liabilities (57%)
- $369 million in financial liabilities for obligations under leases, mainly for facilities provided under public private partnership (PPP) agreements (22%)
- $112 million in the provision for workers compensation (7%)
- $143 million in other non-financial liabilities, including a $116 million equipment service rights liability for the provision, maintenance and replacement of equipment under its PPP arrangements
- $103 million in creditors and accrued expenses.

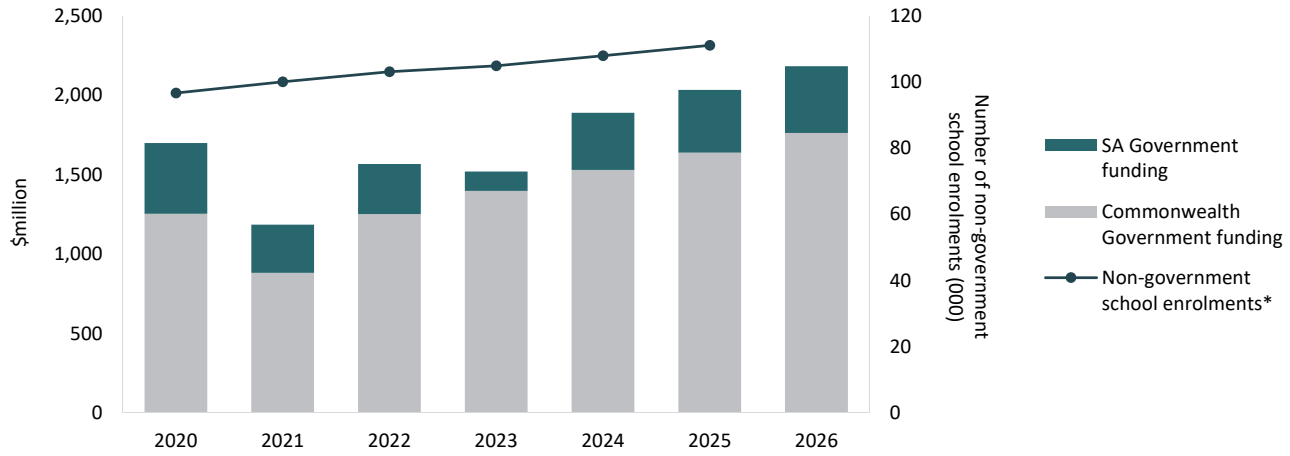
Administered items

Education administers certain funds on behalf of the Minister for Education, Training and Skills. These funds are received from the Commonwealth and SA Governments and are used mainly to pay:

- $2.2 billion ($2 billion) in transfers and grants to non-government schools
- $13 million ($15 million) in Commonwealth child care subsidies for family day care
- $18 million ($18 million) for the operating grant to the SACE Board of South Australia
- $8 million ($14 million) in funding to the History Trust of South Australia, with the decrease reflecting one-off funding in 2024-25 for capital works at the Migration Museum
- $33 million ($12 million) to DIT for student travel concessions on transport services, mainly reflecting changes to student transport 28-day pass, which reduced in price from $28.60 to $10 as of 1 July 2025.

Transfers and grants to non-government schools

Transfer payments are based on student enrolment census data in term 3 and the assessed needs of schools and their students. The Commonwealth Government determines each non-government school's funding entitlement. The following chart shows the composition of private school funding as reported in Education's administered financial report.



* As reported by the Australian Bureau of Statistics. 2026 enrolment data is not available.

In 2025-26, non-government schools received:

- $421 million ($395 million) in SA Government appropriations
- $1.8 billion ($1.6 billion) in Commonwealth Government grants.

Variations in funding between 2019-20 and 2022-23 largely reflect changes in the timing of payments made to support the operation of non-government schools during the COVID-19 pandemic period.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- payroll
- procurement and contract management
- property, plant and equipment
- grants
- cash
- general ledger
- governance.

As part of our overall controls opinion, which is discussed in Part B of this report, we reviewed controls over:

- supplies and services, including procurement and contract management
- minor works and maintenance expenses
- asset management
- employee benefits expenses and liabilities
- building and improvements
- bank accounts, including school held accounts.

Department for Energy and Mining (DEM)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

No findings.

Key statistics

$169 million
Total income

$154 million
Total expenditure

349
FTEs

Administered

$537 million
Total income

$537 million
Total expenditure

Significant events and transactions

- DEM is continuing with the disposal process for the hydrogen-capable turbine generators with capitalised costs in excess of $180 million.
- The Northern Water Project remained in the pre-construction phase, with capitalised costs of $142 million.
- DEM facilitated the commencement of the Firm Energy Reliability Mechanism in 2025-26. The scheme aims to ensure enough reliable electricity supply is available as South Australia transitions to renewable energy.
- DEM collected royalty revenue of $527 million, which was paid into the Consolidated Account.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Appropriation	68	45
Fees and charges	35	35
Grants and funding	24	2
Intra-government transfers	21	84
Sales of goods and services	7	7
Recoveries	9	4
Other income	5	9
Total income	169	187
Expenses		
Employee benefits	50	46
Supplies and services	64	59
Grants and subsidies	15	22
Cash alignment transfers to Consolidated Account	7	-
Other expenses	18	6
Total expenses	154	133
Changes in property, plant and equipment	-	43
Total comprehensive result	15	96
Assets		
Current assets	194	308
Non-current assets	472	348
Total assets	666	656
Liabilities		
Current liabilities	46	50
Non-current liabilities	11	13
Total liabilities	57	63
Total equity	609	593

* Table may not add due to rounding.

Statement of Comprehensive Income

Income

Appropriation

Appropriation increased by $23 million to $68 million in 2025-26, mainly due to additional funding for programs such as the emPowering SA Community Battery Project and Firm Energy Reliability Mechanism (FERM). Funding provided for the FERM implementation was subsequently returned to the Consolidated Account as DEM's implementation costs were reimbursed by the Scheme Administrator. See 'Further commentary on operations' below.

Intra-government transfers

Revenue from intra-government transfers decreased by $63 million to $21 million, mainly reflecting the $62.6 million received in 2024-25 from the Department of Treasury and Finance for the Northern Water Project. No intra-government transfer funding for this project was received in 2025-26.

Fees and charges

DEM received $35.4 million ($35.1 million) in fees and charges revenue in 2025-26, mainly comprising fees for mining and petroleum licences of $33.6 million ($32.4 million).

Grants and funding

Grants and funding revenue increased by $22.2 million to $24.2 million, largely due to $21.3 million received from industry participants to support the Northern Water Project. DEM has entered into agreements with industry participants to fund the project's pre-construction phase. DEM has disclosed a contingent liability for this potential obligation.

Recoveries

Recoveries increased by $4.6 million, mainly due to $6.3 million received from the FERM Scheme Administrator to reimburse FERM implementation costs incurred by DEM. See 'Further commentary on operations' below.

Expenses

Expenses increased by $21 million to $154 million in 2025-26, mainly due to:

- impairment expenses of $7.6 million, recognised in other expenses, for the write-off of site investigation and design costs directly attributable to the non-preferred Cape Hardy site for the Northern Water Project. In December 2025, the SA Government selected Mullaquana Station as its preferred location for the desalination plant
- the return of $7.2 million to the Consolidated Account for funding provided for the implementation of the FERM
- supplies and services increased by $4.6 million to $63.7 million, mainly due to the implementation costs for the FERM of $6.3 million.

Grants and subsidies

DEM manages a number of grant programs and other schemes to support its objective of delivering affordable, reliable and secure energy supplies. The more significant grant schemes are discussed below.

Remote Area Energy Supply Scheme

The Remote Area Energy Supply Scheme provides safe, reliable and cost-effective electricity supply to around 3,400 homes and businesses in 25 South Australian remote townships and Aboriginal communities. This includes electricity services delivered through deed of grant arrangements with providers in Coober Pedy, Andamooka and Yunta.

Total grant payments under the Scheme were $5.9 million ($6.4 million) in 2025-26.

Virtual power plant

The SA Government is working with AGL (previously Tesla) to develop a network of home solar photovoltaic and battery systems that can support up to 50,000 households across South Australia. Together, these systems operate as a virtual power plant. The project aims to:

- lower energy prices
- increase grid stability
- provide backup power protection during a grid outage
- give customers greater visibility of their energy use
- support South Australia's transition to renewable energy.

Phase 4 of the project was completed in 2025-26, delivering all 3,000 planned installations and increasing total installed capacity to 32 megawatts.

Grid Scale Storage Fund

The Grid Scale Storage Fund was established to accelerate the rollout of grid-scale energy storage infrastructure and support the reliability of South Australia's electricity supplies. The Fund provides up to $50 million in grants.

Following the closure of grant applications in February 2019, two grant deeds were executed:

- Hornsdale Power Reserve Expansion – A commitment of $15 million to be paid over five years. Grant payments commenced in 2020-21, with $14 million paid by 30 June 2026
- Virtual Power Plant Expansion – A commitment of $10 million to be paid over five years. Grant payments commenced in 2020-21, with $9.2 million paid by 30 June 2026.

Both funding commitments ended in 2025-26.

emPowering SA Community Batteries Project

The SA Government is delivering 18 community batteries through the emPowering SA Community Batteries Project. Delivered in partnership with AGL, the project aims to support more than 10,000 nominated South Australian households by providing access to an electricity rate that is currently 26% below the Default Market Offer, the default price for electricity.

The project has a budget of $30 million over four years. In 2025-26, DEM received $3.8 million from the Commonwealth Government to fund the project, and incurred $3.3 million in capital works expenditure and $400,000 in other project costs. At 30 June 2026, three batteries had been constructed and commissioned.

Statement of Financial Position

Assets

Assets increased by $9.5 million to $666 million in 2025-26, largely comprising cash of $182 million and property, plant and equipment of $451 million. The increase was largely driven by continued

investment in major capital projects, with property, plant and equipment increasing by $124 million, including:

- $61.4 million in additions to capital works in progress for the Northern Water Project
- $61.6 million in additions to capital works in progress relating to the purchase of hydrogen-capable turbine generators.

Cash decreased by $115 million as these investments were funded from existing cash reserves.

Capital works in progress totalled $333 million at 30 June 2026, comprising mainly:

- in excess of $180 million incurred for the ongoing purchase of components for the hydrogen-capable turbine generators
- $142 million for pre-construction costs for the Northern Water Project.

Liabilities

Liabilities decreased by $5.8 million to $57 million in 2025-26, mainly due to a $12.5 million decrease in payables, reflecting accrued close-out costs recognised for the Hydrogen Jobs Plan in 2025. This was partially offset by a $6.5 million increase in security deposits for land rehabilitation.

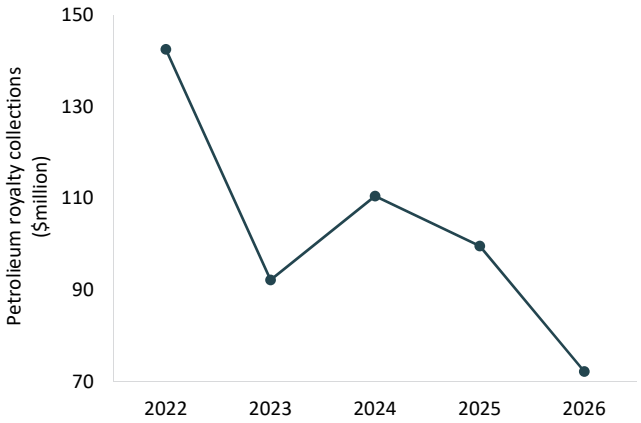
DEM receives security deposits from mining operators to help ensure mine sites are rehabilitated at the end of operations. It also holds bank guarantees as security, which are disclosed as contingent assets and were valued at around $418 million at 30 June 2026.

Administered items

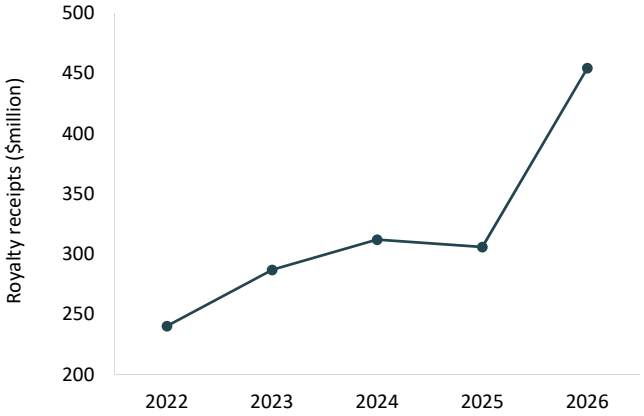
DEM administers the collection of royalties levied on mineral and petroleum production on behalf of the SA Government. In 2025-26, DEM collected $527 million ($405.5 million) in royalty revenue and transferred them to the Consolidated Account. This represents a significant increase of 30%.

While the State is legally entitled to royalties once minerals are extracted, royalty revenue is not recognised until extraction costs have been determined and the royalty has been received.

Royalty receipts over the last five years are shown in the following charts.



Petroleum royalty collections decreased in 2025-26, mainly due to lower oil production following a significant flood event in the Cooper Basin. Petroleum royalty collections also declined significantly in 2022-23 because of lower production levels compared to 2021-22. Royalty collections recovered in 2023-24 as production increased, before declining again in 2024-25 due to lower oil production.

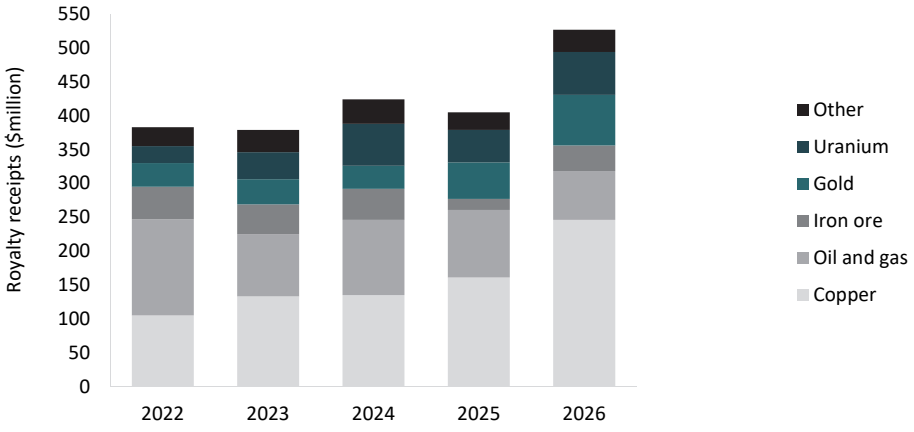


Mineral royalty receipts have generally increased over the last five years. In 2025-26, mineral royalties increased by $149 million due to:

- a 38% increase in copper prices and a 22% increase in gold prices
- a 4% increase in BHP's copper production
- an increase in the royalty rate for Carrapateena mine from 2% to 5%, resulting in higher royalties for copper, gold and silver commodities sold.

The increase in mineral royalties between 2021-22 and 2023-24 was mainly due to higher production levels for copper, iron ore and uranium and increased commodity pricing, particularly for copper and uranium. In 2024-25, royalties were lower for iron ore, offset by higher copper and gold prices.

Royalty revenue from various commodities over the past five years is shown in the following chart. In 2025-26, copper made up 47% of the total royalty revenue, followed by oil and gas (14%), gold (14%) and uranium (12%).



Further commentary on operations

Hydrogen-capable turbine generators

DEM is awaiting delivery of key components for the hydrogen capable turbine generators, with the gas turbine engines expected to be delivered in 2026-27. The generator components already received are being held in secure storage pending their expected sale.

In 2025-26, DEM continued to recognise in excess of $180 million in property, plant and equipment assets relating to the turbine generators. DEM is responsible for the remaining contractual commitments for the turbine generators.

In 2025-26, DEM incurred $1.8 million in storage and maintenance costs for the turbine generators, which were recognised in supplies and services. The disposal process remained ongoing at 30 June 2026.

Northern Water Project

The Northern Water Project is a major desalination and pipeline system aiming to provide a sustainable water source for mining and industrial users in the North and Far North of South Australia.

The project remains in the pre-construction phase. DEM capitalised $142 million of project costs, which were recognised as capital works in progress in its Statement of Financial Position.

Firm Energy Reliability Mechanism

FERM is designed to support a secure, reliable and affordable electricity supply by ensuring there is sufficient long-duration firm energy capacity in South Australia.

Long-duration firm capacity refers to generation or storage assets that can supply electricity continuously for more than eight hours. These assets complement renewable energy sources and help maintain supply during periods of high demand or low renewable generation.

FERM primarily promotes investment in new long-duration firm capacity assets in South Australia through a competitive tender.

Development of South Australia's FERM

DEM developed the FERM concept in 2024, consulting on an initial scheme design in late 2024 and a refined design, draft regulations and supporting materials in mid-2025.

In September 2025, the Minister for Energy and Mining declared a firm energy target of 2,300 megawatts for the period from 2026-27 to 2030-31. The Minister also directed AusEnergy Services Ltd (ASL), the Scheme Administrator and a subsidiary of the Australian Energy Market Operator, to conduct a competitive tender process. In February 2026, ASL appointed Equity Trustees as the financial vehicle responsible for holding and managing scheme funds.

The first tender round was completed in 2025-26, resulting in six long duration capacity providers being awarded FERM Agreements. The successful projects comprise battery energy storage systems

with a combined committed output capacity of 517 megawatts and combined committed storage capacity of 4,136 megawatt-hours. These facilities must be available to the electricity market during periods of system stress and be capable of delivering their committed output capacity for at least eight hours during forecast lack of reserve events.

The Minister for Energy and Mining has appointed the Essential Services Commission of South Australia and the Australian Energy Regulator as FERM scheme regulators.

FERM cost recovery

FERM costs are recovered through South Australia's electricity transmission network. Before 1 March each year, the Scheme Regulator determines whether funds need to be collected for, or returned from, the FERM Fund for the following regulatory year.

When funding is required, transmission network service providers (TNSPs) pay the determined amount into the FERM Fund and recover these costs from transmission customers through network charges. Where the FERM Fund has surplus funds, amounts may be returned to TNSPs, which must pass those savings on to customers through reduced network charges.

DEM has no financial interest in the FERM scheme, and it is not responsible for its governance or regulation. In 2025-26, DEM received $6.3 million from Equity Trustees to reimburse costs incurred in developing the FERM. DEM's ongoing role is to support the development of any future rounds of the FERM scheme.

Whyalla Steelworks Industrial Transformation Unit

The Whyalla Steelworks Industrial Transformation Unit continues to lead the SA Government's coordinated response to the Whyalla Steelworks administration, and to support the broader industrial and economic transformation of Whyalla.

The unit is responsible for engaging with the steelworks administrator, working closely with the Commonwealth Government on the design and delivery of funding programs, and ensuring the State's strategic interests are represented in the transition to new ownership.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- expenditure, including grants and accounts payable
- revenue from fees and charges
- employee benefits and payroll processing
- administered royalty revenue
- property, plant and equipment
- cash management, including bank reconciliations
- general ledger.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Department for Environment and Water (DEW)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Issues with DEW's bank reconciliations still exist, with manual processes required to clear unmatched items.
- DEW could not demonstrate that outstanding debtors were followed up promptly.
- Accounts receivable subsidiary reconciliations were not performed, and the June 2026 reconciliation contained a significant unexplained variance.
- Accounts receivable balances included some amounts that did not represent valid debts.
- Stocktakes were not performed or were inadequately documented.
- Capital works in progress balances were not cleared promptly.
- Capital works in progress balances were overstated as they included expenditure that did not meet the capitalisation criteria.

Key statistics

Controlled

$502 million
Total income

$468 million
Total expenditure

1,330
FTEs

Administered

$141 million
Total income

$158 million
Total expenditure

Significant events and transactions

- Commonwealth Government funding increased by $44 million in 2025-26, mainly for ongoing grant programs.
- SA Government funding increased by $21 million, mainly for climate change initiatives through the Green Industry Fund.
- Grant expenditure increased by $36 million in 2025-26, including $15 million for grants provided to local government authorities for projects designed to return 1.77 gigalitres of water to the River Murray.
- The SA Government's interest in the Murray-Darling Basin Authority increased by $42 million to $1.2 billion in 2025-26, due to increases in the asset base of the entities that comprise the joint operation.

Key findings

Cash

DEW's bank reconciliation process is complex, covering 16 separate entities and several portfolio agencies for which DEW provides support services. The process is further complicated by the range of systems used across the portfolio.

We have reported concerns about the difficulties DEW has been experiencing in reconciling the bank account for several years, including in my detailed report last year.

The planned transition from the Masterpiece general ledger system to the Oracle general ledger system under the whole-of-government Finance Reform Program is an opportunity for DEW to resolve outstanding reconciling items before the new system is implemented.

In 2025-26, DEW made considerable progress in reviewing, investigating and clearing old unmatched transactions, particularly those relating to the general ledger. However, further work is needed to address issues identified in previous years.

Effectiveness of the DEW bank reconciliation

Last year, we continued to raise concerns about the effectiveness of DEW's bank reconciliation process and recommended that DEW consider improving the design of its bank reconciliation to allow reconciling items to be categorised between known causes (ie timing differences due to connectivity issues when loading information to the general ledger or failed batch issues) and unknown causes where the transaction detail is unknown at the time of the reconciliation and requires investigation.

Our 2025-26 review found that DEW had improved its processes for identifying and resolving new unmatched transactions. However, manual investigation processes were still required to clear many reconciling items. We therefore recommended that DEW redesign its bank reconciliation processes to:

- clearly categorise reconciling items between timing differences and items that need further investigation
- prioritise the investigation and clearance of older reconciling items to prepare for the transition to Oracle.

DEW agreed with the recommendation and advised that resolving unmatched general ledger and bank transactions remains an important priority. It also advised that a substantial number of reconciling items were investigated and resolved, and that process improvements had been implemented to address the underlying causes of unmatched transactions and reduce the number of new unreconciled items.

Clearing of unmatched items in the DEW bank reconciliation

Our review of DEW's April 2026 bank reconciliation identified:

- 20,218 transactions totalling $1.1 million recorded in the general ledger but not reflected in the bank statement, including 18,457 current financial year transactions totalling $835,000
- 3,563 transactions totalling $2.6 million recorded in the bank statement but not posted to the general ledger, including 1,388 current financial year transactions totalling $1.9 million.

While DEW reduced the number of long-outstanding unmatched transactions in 2025-26, a significant number of unmatched items remained unresolved.

With the transition to Oracle scheduled for December 2026 and limitations on the amount of historical data that can be migrated to the new system, it is important that DEW continues to investigate and clear outstanding reconciling items and address the underlying causes of unmatched transactions to prevent them recurring.

DEW advised us that resolving both historical and current-year unmatched items was a priority in 2025-26 and that most current-year items were less than 90 days old. DEW also reported that targeted process improvements have reduced failed batches and strengthened processes for identifying and resolving reconciliation issues. It advised that further refinement of reconciliation processes, together with the investigation and clearance of the remaining reconciling items will form part of its ongoing financial management improvement program and Oracle transition activities.

Performance of the DEW advance account bank reconciliation

DEW uses an advance account for specific purposes, including travel advances and board fee payments. This account is reconciled separately from DEW's main operating account.

Our review found that:

- reconciliations were not consistently prepared and reviewed
- long-standing unreconciled items were recorded, with some items dating back to October 2006
- reconciling items were not actively investigated or cleared.

DEW responded that dedicated resources have been assigned to investigate and clear historical reconciling items within the advance account before the transition to the Oracle system.

Accounts receivable

DEW operates a shared general ledger, banking and accounts receivable environment and provides accounts receivable services to various other entities across the environment portfolio. Key control activities for accounts receivable include reconciling the debtors subsidiary ledger to the general leger and the management and recovery of outstanding debts.

My report last year identified deficiencies in DEW's accounts receivable processes, including differences between the general ledger balances reported in the financial statements and the aged trial balance of outstanding debt. These issues were again identified in the 2025-26 audit.

Given the planned implementation of the Oracle system as part of the Finance Reform Program, it is important that DEW resolves these longstanding reconciliation issues before transitioning to the new system.

Accounts receivable reconciliations were not performed

Treasurer's Instructions 2 *Financial Management* requires chief executives to regularly and promptly reconcile subsidiary ledgers to the general ledger. DEW's financial reconciliation procedure requires accounts receivable reconciliations to be prepared and reviewed monthly.

In 2024-25, we reported that DEW was not consistently performing monthly accounts receivable reconciliations in line with its procedure. Our 2025-26 audit found that no accounts receivable reconciliations were performed during the financial year.

DEW advised us in August 2026 that it would prepare the 30 June 2026 accounts receivable reconciliation as part of the year-end financial reporting process and implement a regular process. While the June 2026 reconciliation was completed and provided to us in late August 2026, it contained an unexplained variance of $1.3 million that had not been resolved.

Debtor follow-up activities were not performed in line with policy

Treasurer's Instructions 2 requires chief executives to regularly assess the recoverability of accounts receivable and take appropriate recovery action. DEW's debt recovery policy and procedure sets time frames for debt collection activities based on the age of the debt.

Debts are managed by the issuing business unit for up to 60 days. After 60 days, they are transferred to the accounts operations team who issue the final notice. Debts outstanding beyond 90 days may be referred to an external debt collection agency.

Our audit found that DEW could not provide sufficient evidence to demonstrate that outstanding debts were being followed up in line with policy. Our testing found instances where invoices remained outstanding for more than 100 days with limited evidence of recovery action.

DEW acknowledged it could improve the consistency and accessibility of its records supporting debt recovery activities. It advised us that recovery activities are recorded in the accounts receivable system and supported by individual customer records. DEW also advised it had commenced a review of outstanding debts before implementing the Oracle system and expects the new system to improve reporting and automate aspects of the debt recovery process.

During 2025-26, DEW wrote off debts totalling $481,000.

Accounts receivable balances included amounts that did not represent valid debts

Accounts receivable balances should represent amounts owed to DEW and be supported by appropriate debtor records.

We found that DEW's aged trial balance included 1,672 debtor records relating to cash sales. Some balances arose from cash receipts allocated to temporary debtor accounts where the customer could not be identified, while other balances related to failed subsidiary system batches.

We reported similar concerns in 2024-25, noting that some accounts receivable balances did not represent genuine debts owed to DEW. While DEW cleared a significant number of cash debtors from the subsidiary system in 2025-26, invalid debtor records remained in the system.

We also identified receivable balances at 30 June 2026 that related to intercompany accounting transactions for which no individual debtor records existed.

The inclusion of balances that do not represent valid debts makes it more difficult to identify and manage actual outstanding debts and increases the effort required to reconcile and monitor accounts receivable balances.

DEW responded that it is reconfiguring its point-of-sale system before the transition to the Oracle system so that cash sales are no longer recorded as debtor transactions. It also advised that work is under way to clear and reclassify balances and that this process will continue as part of the Oracle system implementation.

Property, plant and equipment

DEW manages property, plant and equipment assets valued at $2.9 billion across its controlled and administered entities.

Stocktake processes did not include all assets

DEW's asset stocktake procedure requires stocktakes to be completed on a rolling basis over one, three and five years depending on the asset class and location. Regular and systematic stocktakes provide assurance that assets recorded in the financial statements exist and are reported at an appropriate value.

We found that, while annual stocktake plans were prepared in line with DEW's asset stocktake procedure, they did not include all on-park assets recorded in the asset management system. As a result, some assets were excluded in the rolling stocktake program and may not be physically verified within the required time frames.

DEW advised us that the National Parks and Public Lands (NPPL) division is strengthening and formalising its asset management processes, procedures and supporting documentation. Given the geographic spread of assets across the State, DEW intends to integrate stocktake activities with other operational programs, asset inspections and project delivery activities.

Stocktake activities were not adequately documented

DEW relies on stocktakes to verify the existence and condition of assets used to support the revaluation of its buildings, roads tracks and trails, and park infrastructure assets. While the results of stocktakes are recorded in the asset management system, our audit found limited documentation to demonstrate when stocktakes had occurred, how they were performed or whether asset conditions had been assessed.

DEW advised us that many assets are observed through the routine activities of rangers and other operational staff. However, these observations were not consistently recorded, reducing assurance that stocktakes were completed and that asset condition information used for valuation purposes was reliable.

DEW advised us that the NPPL division will continue targeted stocktake activities, with a focus on maintaining accurate information for significant assets and network assets. It also advised that asset condition and asset performance will continue to be monitored through formal inspection programs, operational feedback and ongoing asset management practices. In addition, its NPPL division is assessing more efficient methods for capturing and validating asset information, including the use of technology to improve data quality and reduce duplication.

Capital projects were not capitalised promptly

AASB 116 *Property, Plant and Equipment* requires assets under construction to be transferred from capital works in progress to the appropriate asset class when they are ready for use.

Our audit identified delays between assets becoming operational and being capitalised. In the most significant case, an asset remained in capital works in progress for approximately three years after it was designated as available for use.

Delays in capitalising completed assets increase the risk that asset balances are misstated and that depreciation is not recognised in the correct reporting period.

DEW responded that it will continue to improve its capital works in progress processes and regularly meet with each division to review balances and assess appropriate classification of expenditure.

Capital works in progress included expenditure that did not meet capitalisation requirements

DEW's asset capitalisation requirements are designed to ensure that only expenditure meeting the recognition criteria for property, plant and equipment is recognised as an asset. Expenditure that does not meet these criteria should be recognised as an expense.

Our audit found instances where operating expenditure was initially recorded as capital works in progress without an assessment of whether it met the capitalisation criteria. We also found DEW did not perform annual reviews of capital works in progress balances. Instead, balances were generally reviewed only when projects were completed.

As a result, capital works in progress balances may include expenditure that does not qualify for capitalisation, increasing the risk that asset balances are overstated.

DEW responded that, given the nature of some of DEW's projects, certain costs recorded in capital works in progress will require write-off and may not be identified until the end of the project. However, DEW advised that its finance team will continue to meet with each division to review capital works in progress and assess the appropriateness of expenses recorded.

Asset management policies and procedures were not current

DEW's asset management policies and procedures establish key responsibilities, approval requirements and control activities for the management of property, plant and equipment.

Our review found that several asset management policies and procedures had not been reviewed within the required time frames, including the:

- asset stocktake procedure
- asset disposal policy and procedure
- asset valuation procedure
- asset capitalisation procedure
- asset capitalisation guideline
- asset management policy.

The review dates for these documents ranged from 2019 to 2024.

Outdated policies and procedures increase the risk that asset management practices, roles and controls do not reflect current business processes or legislative and accounting requirements.

DEW responded that it will continue updating its asset management policies and procedures and will consider any changes required as a part of the Oracle system implementation. DEW also advised that it will ensure policies and procedures clearly define responsibilities, approval requirements and key control activities relating to asset capitalisation, stocktakes, valuations and disposals.

Financial information

Highlights of the financial report – controlled items

	2026 $million	2025 $million
Income		
Appropriation	176	215
Sales of goods and services	64	59
Grants and subsidies	160	95
Intra-government transfers	11	1
Fees and charges	41	40
Resources received free of charge	17	10
Other income	33	20
Total income	502	440
Expenses		
Employee-related expenses	173	158
Supplies and services	139	138
Grants and subsidies	84	48
Depreciation and amortisation	47	41
Assets transferred for no cost	16	18
Other expenses	9	5
Total expenses	468	408
Net result	34	32

	2026 $million	2025 $million
Other comprehensive income		
Changes in property, plant and equipment asset revaluation surplus	34	115
Total other comprehensive income	34	115
Total comprehensive result	68	147

Assets		
Current assets	316	283
Non-current assets	1,116	1,095
Total assets	1,432	1,378
Liabilities		
Current liabilities	47	57
Non-current liabilities	38	40
Total liabilities	85	97
Total equity	1,347	1,281

Statement of Comprehensive Income

Income

Appropriation

Appropriation income from the SA Government decreased by $39 million (18%) to $176 million in 2025-26. DEW received additional appropriation in 2024-25 to deliver several time specific projects including the Adelaide Beach Management Review Implementation, refurbishment of the Patawalonga South Gates and the Steam Ranger bridge remediation works.

Grants and subsidies

Grants and subsides revenue increased by $65 million to $160 million in 2025-26. Commonwealth Government funding increased by $44 million, primarily for ongoing grant agreements, including:

- $14.9 million under the Coorong, Lower Lakes and Murray Mouth Recovery Program. This long-standing agreement started in 2013 and is expected to provide total funding of $191 million
- $10 million under the Alternative Water Supply Efficiency Program, which is expected to provide a total funding amount of $32.6 million over the life of the agreement
- $8.6 million under the River Murray in South Australia Constraints Measure – Stage 2 agreement, which is expected to provide total funding of $90.8 million.

SA Government grants and subsidies increased by $21 million to $53 million in 2025-26, mainly due to an additional $15 million received from the Green Industry Fund for specific climate change initiatives.

Other income

Other income increased by $13 million to $33 million in 2025-26, mainly due to DEW receiving $10 million for an interim settlement of an insurance claim for the 2022-23 River Murray flood event.

Expenditure

Supplies and services

Supplies and services expenditure remained relatively stable at $139 million in 2025-26. Significant movements in the balance included:

- an $11 million decrease in expenditure for the Adelaide Beach Management Program
- a $5 million increase in fee-for-service expenses across DEW divisions
- a $4.5 million increase in water acquisition costs for water purchased by DEW.

Grants and subsidies

Grants and subsidies expenditure increased by $36 million to $84 million in 2025-26, mainly due to:

- $14.6 million in grants to local government authorities under the Alternative Water Supply and Efficiency Program
- a $7 million increase in funding provided to the Murray Darling Basin Authority
- a $7.8 million grant to the Royal Society for the Prevention of Cruelty to Animals for administering the *Animal Welfare Act 1985*
- $4.7 million provided to the National Trust of South Australia for restoration works at Ayers House.

Statement of Financial Position

Assets

Property, plant and equipment

Property, plant and equipment assets increased by $22 million to $1.1 billion in 2025-26. The increase was mainly driven by land being revalued up by $34 million after DEW determined its carrying value materially differed from fair value.

During the year, DEW:

- acquired property, plant and equipment assets valued at $58 million
- transferred assets valued at $16 million to other entities at no cost
- expensed amounts out of capital works in progress valued at $7.6 million.

Depreciation expense increased by $5.6 million (13%) to $43.1 million.

Administered items

DEW's administered activities include Crown land, Minister's other payments, the Landscape Administration Fund, the Landscape Priorities Fund, the Pastoral Board and the State's joint interest in the Murray-Darling Basin Authority.

Crown land

DEW administers Crown land on behalf of the Minister for Climate, Environment and Water, with related transactions recorded in the administered financial statements. In 2025-26, movements in the Crown land balance comprised additions of land of $21.1 million and disposals, by way of sale or transfer to other entities, of $21.9 million.

DEW determined that the carrying value of Crown land materially differed from its fair value and performed a management revaluation, increasing the value of Crown land by $61 million to $677 million in 2025-26.

Minister's other payments

DEW received $21.1 million ($19.2 million) from the SA Government to distribute to other agencies through grants and subsidies and intra-government transfers approved by the Minister. DEW administers the receipt and distribution of these funds.

Landscape Administration Fund

The Landscape Administration Fund was established under the *Landscape South Australia Act 2019* (Landscape Act) to receive and disburse fees, land levies, water levies and other amounts authorised by the Landscape Act.

In 2025-26, the Fund raised fees and levies totalling $89.3 million ($81 million) on behalf of Landscape Boards. The Fund received $3.1 million ($12 million) in appropriation from the SA Government to transfer to specific landscape boards. Payments to landscape boards totalled $86.7 million ($92.4 million).

Landscape Priorities Fund

The Landscape Priorities Fund was established under the Landscape Act and receives a prescribed annual revenue from the Green Adelaide Board. This receipt of this revenue is into the Fund is outlined in the Landscape Act and is a gazetted percentage of the total land and water levies received by the Green Adelaide Board every year.

In 2025-26, the Fund received $5.3 million ($5.1 million) from the Green Adelaide Board, and distributed $6.8 million ($6 million) to landscape boards in line with the Landscape Act.

Pastoral Board

The Pastoral Board administers the *Pastoral Land Management and Conservation Act 1989*. It provides advice to the Minister on the administration of pastoral land.

The value of pastoral land administered by the Board was $69.2 million at 30 June 2026.

Murray-Darling Basin Authority

The Murray-Darling Basin Authority (MDBA) is established under the *Water Act 2007* (Cth). DEW recognises the SA Government's 26.67% joint interest in MDBA infrastructure assets and water rights as a joint operation in the administered financial statements.

The SA Government recognises its interest in the MDBA infrastructure assets and water rights in line with agreements signed in June 2009 by the Commonwealth, New South Wales, Victorian, South Australian and Australian Capital Territory governments and the MDBA. These agreements were

- asset agreement for River Murray Operations assets
- agreement on addressing water over-allocation and achieving environmental objectives in the Murray-Darling Basin – control and management of Living Murray Initiative assets.

The SA Government's interest in these joint operations was valued at $1.2 billion at 30 June 2026, an increase of $42 million.

The SA Government involvement in shared management of the Murray-Darling Basin continues long-standing arrangements. Funding arrangements for the former Murray-Darling Basin Commission were established in 1992, with the MDBA assuming its functions in 2008.

The MDBA is responsible for supporting the sustainable and integrated management of the Basin's water resources under the Murray-Darling Basin Agreement. The underlying assets are held through two joint operations:

- River Murray Operations, for all the physical infrastructure assets
- Living Murray Initiative, for water rights and intangible assets.

The participating jurisdictions each hold a proportional interest in the net assets of each operation.

While participating jurisdictions jointly own and control these assets, the MDBA is responsible for their ongoing operation and maintenance. Under the asset agreements, participating governments are required to provide funding to the MDBA for the costs of managing the assets.

DEW paid $33 million to the MDBA in 2025-26.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- fees and charges revenue
- sale of goods and services
- water licence and service revenue
- grant revenue
- accounts payable
- grants and subsidies expenditure
- payroll
- cash
- fixed assets
- general ledger.

We reviewed controls over cash and assets as part of our overall controls opinion, which is discussed in Part B of this report.

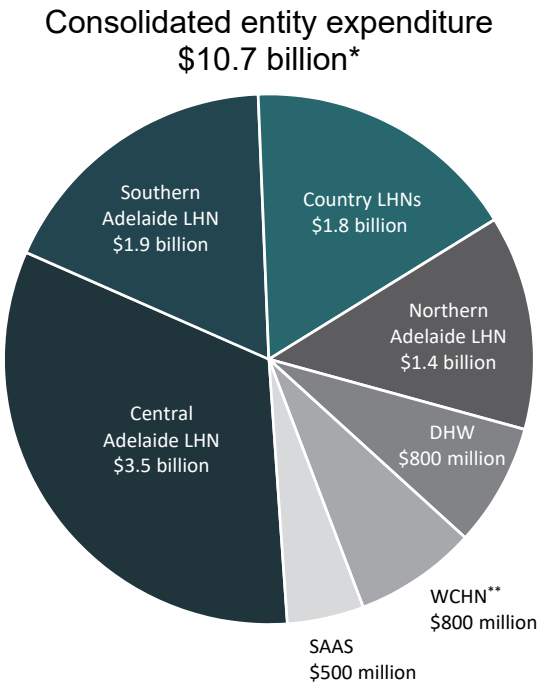
SA Health overview

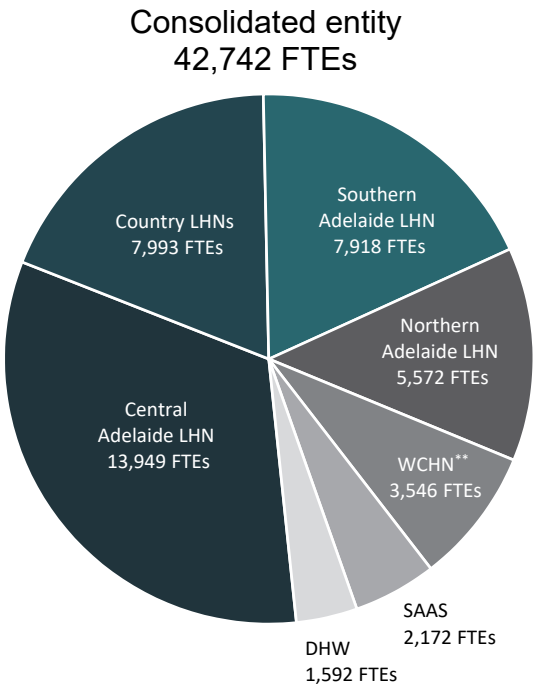
SA Health comprises:

- the consolidated entity – the Department for Health and Wellbeing (DHW), the local health networks (LHNs) and the SA Ambulance Service Inc (SAAS). The consolidated entity's financial reports are included in the DHW consolidated financial report
- two attached offices – Preventive Health SA (PHSA) and the Commission on Excellence and Innovation in Health (CEIH).

Total expenditure and FTEs for the consolidated entity

Total expenditure and FTEs for the consolidated entity are shown in the following charts.





* Excludes transactions within the consolidated entities.
** Women's and Children's Health Network.

This overview discusses:

- SA Health's governance arrangements
- the consolidated entity's budget and performance
- progress in responding to findings from the Independent Commissioner Against Corruption report
- unaudited patient activity and KPI data for the consolidated entity.

Governance arrangements

The *Health Care Act 2008* provides for the governance, management and administration of the South Australian public health system. It sets out the role, functions and powers of the Minister, the Chief Executive of DHW, the Chief Executive Officer (CEO) of SAAS, and the governing boards and CEOs of the LHNs. SAAS is a body corporate and does not have a governing board.

Delivery of public health services

The LHNs comprise:

- Barossa Hills Fleurieu Local Health Network (BHFLHN)
- Central Adelaide Local Health Network (CALHN)
- Eyre and Far North Local Health Network (EFNLHN
- Flinders and Upper North Local Health Network (FUNLHN)
- Limestone Coast Local Health Network (LCLHN)
- Northern Adelaide Local Health Network (NALHN)
- Riverland Mallee Coorong Local Health Network (RMCLHN)
- Southern Adelaide Local Health Network (SALHN)
- Women's and Children's Health Network (WCHN)
- Yorke Northern Local Health Network (YNLHN).

The responsibility of delivering public health services is devolved to the LHN governing boards and the CEO of SAAS. They have full responsibility for providing health services in their area, which includes:

- ensuring operations are effective, efficient and economical
- managing budgets
- achieving performance targets
- providing strategic oversight.

Each LHN CEO is accountable to, and subject to the direction of, their governing board for the management and operation of the LHN. Annual service level agreements between DHW and each LHN and SAAS set out relationship expectations, performance targets and funding arrangements. They are available on SA Health's website.

Role of the Department for Health and Wellbeing

DHW provides strategic leadership and statewide policy direction. It monitors and drives the performance of the public health system through high-level direction and management. It is responsible for ensuring the reform agendas and priorities set by the Minister for Health and Wellbeing are carried out. Certain functions remain under the direct control of the Chief Executive of DHW, including the employment of staff across the consolidated entity, excluding SA Pathology.

Attached offices

PHSA and CEIH are attached offices to DHW and rely on it for support, advice and a range of administrative services and systems. Responsibility for the governance of each attached office rests with its CEO.

Preventive Health SA

PHSA supports and promotes improved physical, mental and social wellbeing for all South Australians to create a balanced health and wellbeing system in South Australia.

PHSA's unaudited financial statements reported expenditure of $39 million ($37 million) and 102 FTEs (95 FTEs) in 2025-26.

Commission on Excellence and Innovation in Health

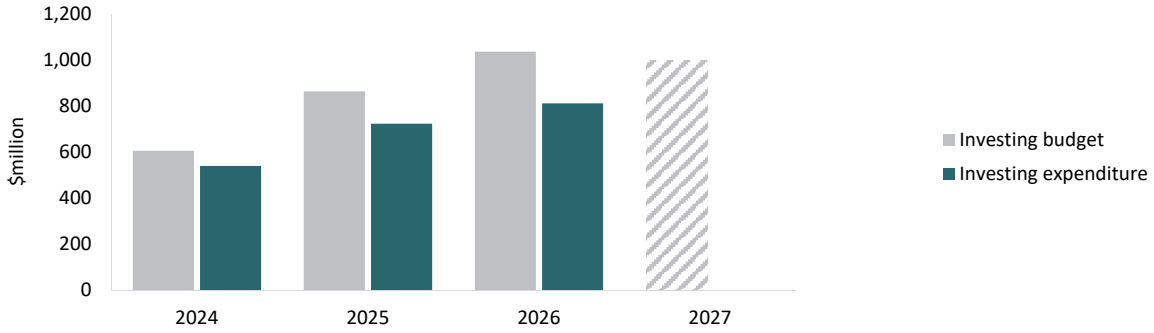
CEIH provides leadership and advice on maximising patient health outcomes, improving care and safety, monitoring performance, evidence-based practice and clinical innovation, and supporting collaboration. CEIH has signed an agreement with the Commonwealth Government to provide a South Australian Comprehensive Cancer Network, which started 1 July 2025.

CEIH's unaudited financial statements reported expenditure of $16 million ($11 million) and 67 FTEs (45 FTEs) in 2025-26.

Budget and performance

Investment

Capital works in SA Health have grown since 2024, reflecting the impact of new capital projects to increase capacity within the health system, as shown in the following chart.



SA Health has underspent its original investing budget for 2025-26 by $225 million (22%). Information about its major capital projects with the highest variances is shown in the following table.

Project	Total approved project cost*	Budget 2025-26*	Actual 2025-26	Reason for variance between budget and actual for 2025-26
New Women's and Children's Hospital	$3.2 billion	$430 million	$190 million	Delays in starting construction due to program realignment and scope review.
Flinders Medical Centre upgrade and expansion	$496 million	$144 million	$133 million	Budget was revised due to initial delays, but project is now ahead of the revised schedule, completion date remains as planned.
New Mount Barker Hospital	$365 million	$99 million	$119 million	Slightly ahead of schedule, but completion date remains as planned.

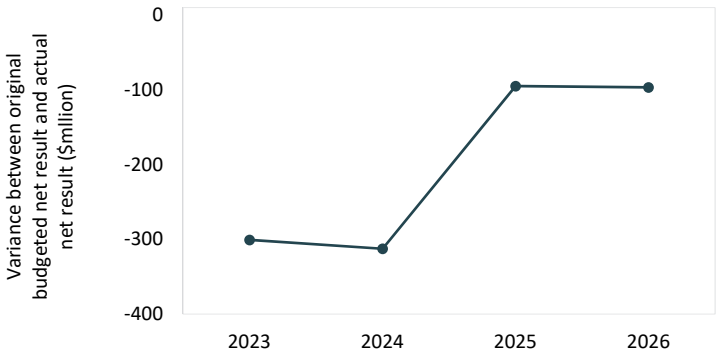
* Total approved project costs and 2025-26 budget are from the 2026-27 State Budget and are unaudited.

Budget to actual results

We reviewed whether the budget for the consolidated entity, set in the 2025-26 State Budget, was achieved and the factors that influenced the year's results. The budget information discussed in this section is unaudited.

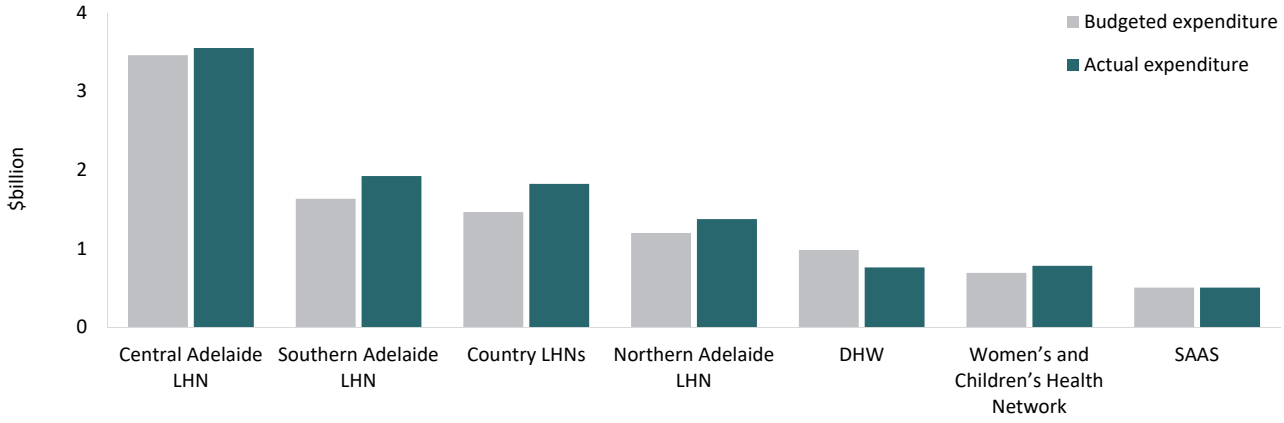
DHW's financial report includes budgetary reporting information and explanations for significant variances between the consolidated entity's original budget in the 2025-26 State Budget and the actual results in its financial report.

The consolidated entity reported a net result of $719 million in 2025-26, which was $96 million below the budgeted net result, as shown in the following chart.

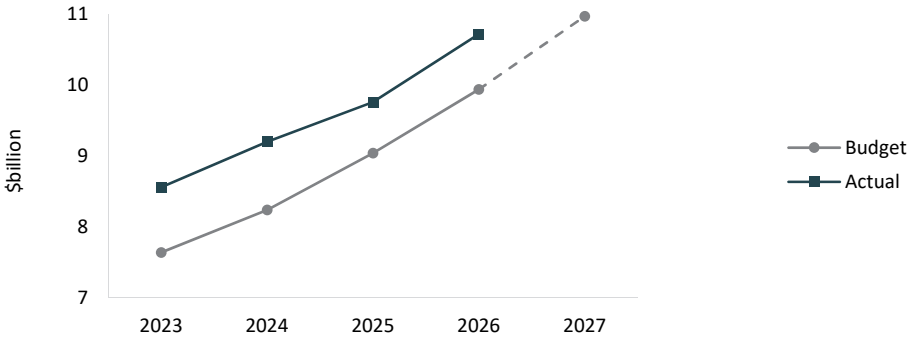


Actual revenue and expenditure were both higher than the 2025-26 State Budget due to higher national weighted activity units (NWAU) and increased service costs. However, expenditure increased by slightly more than revenue, resulting in the consolidated entity's net result being below budget.

The following chart shows budgeted expenditure from the 2025-26 State Budget compared to actual expenditure in the audited financial statements of the consolidated entities, excluding payments between consolidated entities.



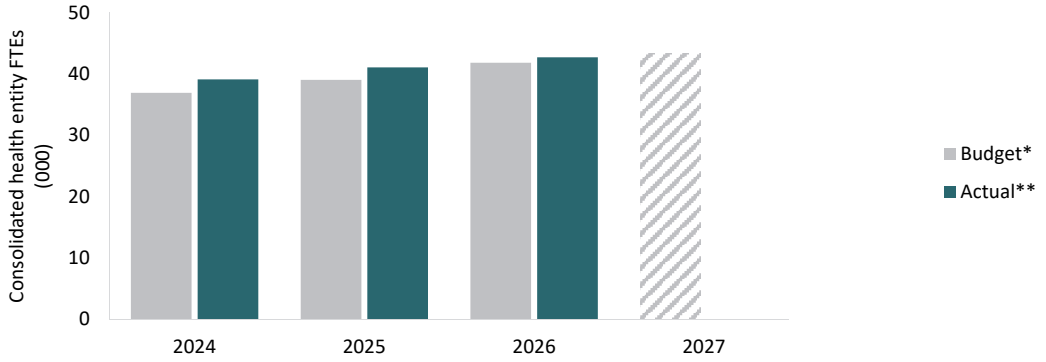
All consolidated entities, except DHW and SAAS, exceeded the expenditure budget set in the original 2025-26 State Budget. Total expenditure for the consolidated entity exceeded the original 2025-26 State Budget by $786 million, representing a 7.9% overspend. The following chart compares budgeted to actual expenditure for the last five years and shows the gap has narrowed slightly.



The 2026-27 State Budget provides for expenditure that is $255 million more than its actual expenditure in 2025-26. Salaries and wages and supplies and services remain the main contributors to the expenditure overrun.

Salaries and wages

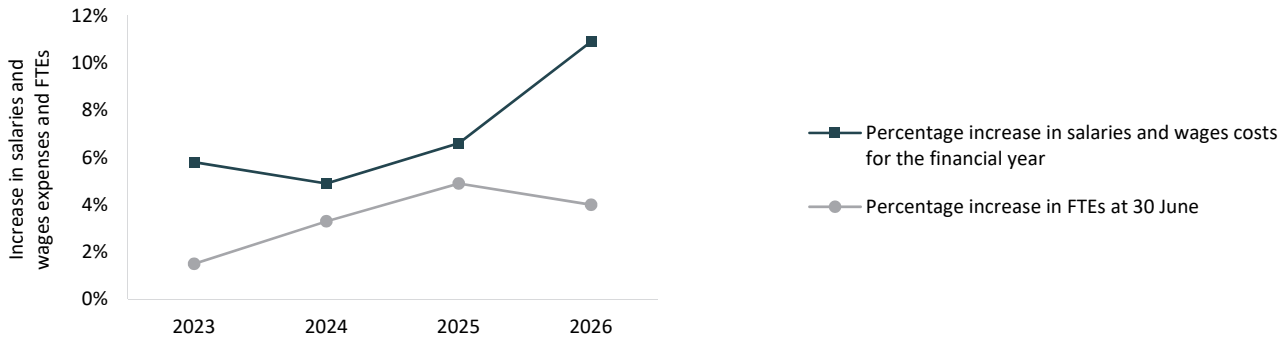
The consolidated entities' salaries and wages exceed budget by $284 million in 2025-26. The following chart shows that actual FTEs have exceeded budgeted FTEs for the last four years, largely because budget assumptions have not fully accounted for the additional FTE workforce required to meet increasing patient demand and complexity.



* Budget data was sourced from the State Budget papers and is unaudited.
** Actual data was sourced from the Commissioner for Public Sector Employment and is unaudited.

In 2025-26, the consolidated entity's workforce increased by 1,662 FTEs and exceeded the budgeted workforce by 1,100 FTEs. The 2026-27 FTE budget is 751 FTEs above the 2025-26 actual workforce. However, this increase is well below the average annual growth in FTEs in the past four years.

The following chart shows the percentage increase in salaries and wages expenses compared to the percentage increase in FTEs for the consolidated entity over the last four years. The figures exclude leave and workers compensation expense, as these involve a degree of estimation.



In 2023, salaries and wages expenses increased at a much higher rate than FTEs. Most of this increase was for higher payments per FTE following the approval of new enterprise agreements for nursing and SAAS employees.

In 2024 and 2025, salary and wages expenses increased only slightly more than FTEs. While most of the increase was due to higher FTE numbers, there was also a slight increase in the average amount paid per FTE.

In 2026, salary expenditure was affected by the outcome of wages negotiations. Several new enterprise agreements were approved in 2025-26, including:

- South Australian Allied Health Professionals, Assistants and Psychologist Enterprise Agreement 2025, approved 11 August 2025, which included a 4% pay rise backdated to 1 May 2025
- SA Health Salaried Medical Officers Enterprise Agreement 2025, approved 20 October 2025, which included a 3.5% pay rise backdated to 14 April 2025
- South Australian Public Sector South Australian Public Sector Wages Parity Enterprise Agreement: Weekly Paid 2025, approved 9 December 2025
- SA Ambulance Service Enterprise Agreement 2025, approved 16 February 2026
- South Australian Public Sector Enterprise Agreement: Salaried 2026, approved 4 March 2026.

Although no new enterprise agreement was approved for nursing/midwifery employees, they received a 4% pay rise from 1 January 2026 as an interim measure.

Several SA Health enterprise agreements expired in 2025 and remain under negotiation. The outcomes of these negotiations may affect salary expenditure in 2026-27. Agreements that have expired and have not yet been replaced include:

- SA Health Visiting Medical Specialists Enterprise Agreement 2023, expired 2 February 2025
- SA Health Clinical Academics Enterprise Agreement 2024, expired 2 February 2025
- Nursing/Midwifery (South Australian Public Sector) Enterprise Agreement 2022, expired 31 July 2025
- Visiting Dental Specialists Enterprise Agreement 2021, expired 3 March 2025.

Supplies and services

Supplies and services expenditure exceeded budget by $396 million in 2025-26. The main budget pressures were agency staff, fee-for-service arrangements and medical supplies.

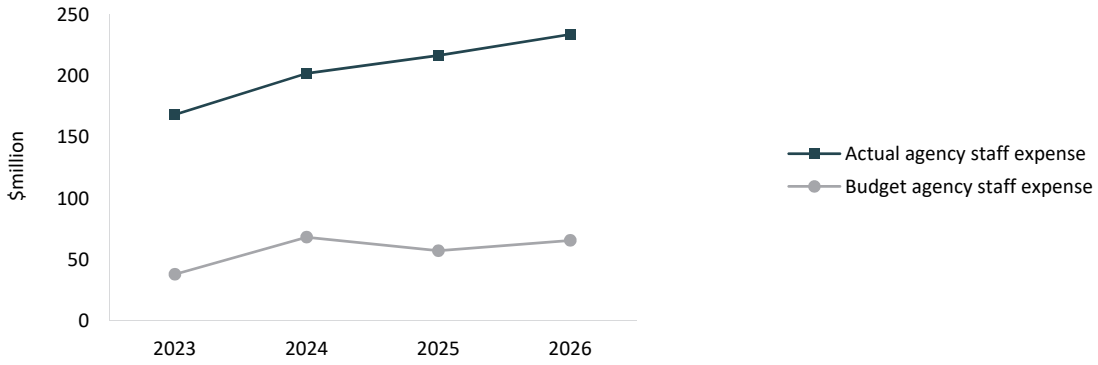
Agency staff

Agency staff are contracted to perform jobs normally performed by an SA Health employee, mainly for nursing services. Agency staff expenses have increased by $65 million (39%) over the past four years.

The use of agency staff has increased as LHNs have been unable to fill vacancies and have experienced increases in activity and patient complexity.

It was expected that reliance on agency staff would decreased after COVID-19 pandemic-related activities ceased. However, this did not occur, mainly because LHNs continued to use agency staff to cover vacant positions they could not recruit for, and the NWAU increased more than budgeted. The NWAU is the national measure of health service activity and takes into account both patient numbers and acuity.

Higher agency staff rates have also contributed to the increase in agency staff expenses. The actual and budgeted agency staff expenses are shown in the following chart.



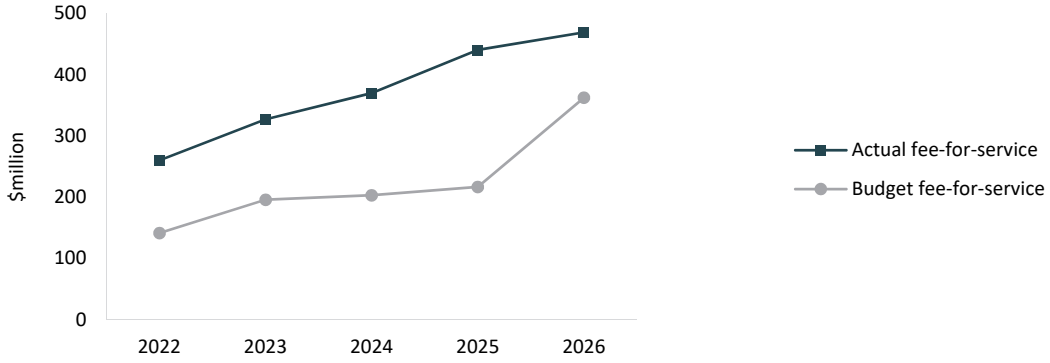
Fee-for-service

Fee-for-service payments are made to doctors, specialists, anaesthetists, allied health, dentists and radiologists who are not employed by the consolidated entity but provide services to public patients. These payments are also made to locums (temporary medical staff) when LHNs are unable to recruit suitable employees.

Fee-for-service expenditure has increased by $143 million (44%) over the past four years due to:

- the use of private hospitals to treat public patients because of increased demand or bed shortages
- difficulties recruiting medical officers, resulting in great reliance on fee-for-service arrangements
- increased costs for fee-for-service providers.

The budgeted amount increased by $146 million (67%) between 2024-25 and 2025-26 to better align the budget with actual expenditure. As a result, fee-for-service costs contributed less to the budget overrun in 2025-26 than in previous years. The actual and budgeted fee-for-service costs are shown in the following chart.

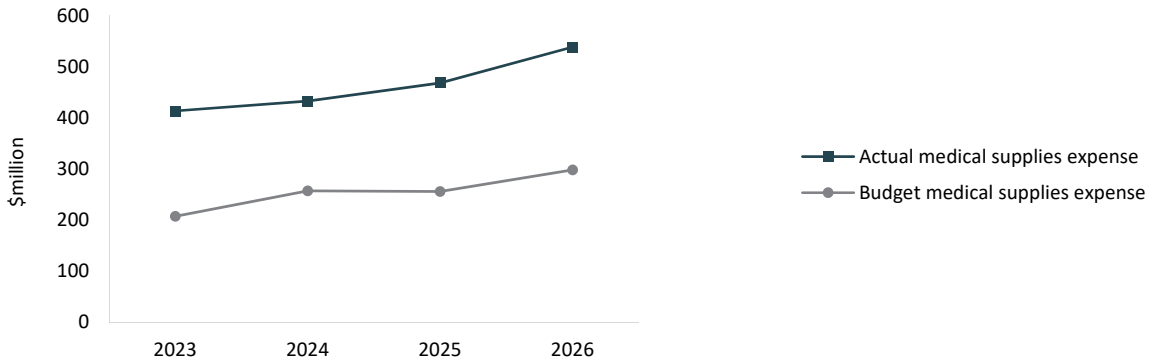


Medical supplies

Medical supplies include imaging, pathology, patient consumables, laboratory and surgical supplies. Some of these services are provided by external suppliers.

The cost of medical supplies and related services has increased by $125 million (30%) over the last four years. While the budget has increased by a similar percentage, no additional funding has been provided to reduce the gap between budgeted and actual expenditure.

This increase reflects both greater use of these goods and services to support higher NWAU activity and increases the cost of those goods and services. The actual and budgeted medical supplies expenses for the past four years are shown in the following chart.



Performance management

SA Health's performance framework sets out how DHW monitors, assesses and responds to the performance of the LHNs and SAAS. The framework provides for increasingly intensive levels of oversight and intervention, where necessary, to address poor financial performance.

Performance is measured against the KPIs specified in service agreements between DHW and each LHN and SAAS. These agreements also outline the annual budgets, expectations and financial performance targets.

Independent Commissioner Against Corruption reports

In November 2019, the Independent Commissioner Against Corruption (ICAC) tabled the *Troubling Ambiguity: Governance in SA Health* report. The report identified governance concerns within SA Health that increased the risk of corruption, misconduct and maladministration.

SA Health developed a program to address the report's findings and organised actions into several workstreams. At the start of 2021-22, SA Health reported that all workstreams had been successfully completed.

In July 2023, ICAC released an update report, *Integrity Trade-off – An update on Troubling Ambiguity: Governance in SA Health*, which identified limited progress in the industrial relations workstream.

We followed up SA Health's progress in addressing the issues raised in both reports and found that:

- the SA Health Salaried Medical Officers Enterprise Agreement 2025 changed consultants' fixed hours of duty from 'no fixed hours' to '37.5 hours for a full-time consultant'. While this provides a stronger basis for managing consultants' working hours, it relies on consultants having a job plan that specifies their hours of work, as consultants are not required to complete timesheets. As in previous years, our audits found many consultants without job plans. SA Health is reviewing its job planning procedures and templates, including introducing a digital template
- governance over rights to private practice still require improvement to increase visibility over the time clinicians spend in private practice
- a new learning management system was implemented across all SA Health entities in 2024-25. System reports indicated that the average completion rates for mandatory training were not considered reasonable. This issue was reported to relevant entities, which are implementing measures to improve completion rates.

For many years, we have reported weaknesses in controls relating to clinicians within SA Health. These weaknesses continue to increase the risk of corruption, misconduct and maladministration. In 2025-26, we again identified:

- inconsistent roster management resulting in payroll errors
- timesheets were not authorised before payment, were submitted late, were incomplete, or could not be located
- locums were being engaged and paid without appropriate procurement processes or approvals
- some country specialists were working without contracts.

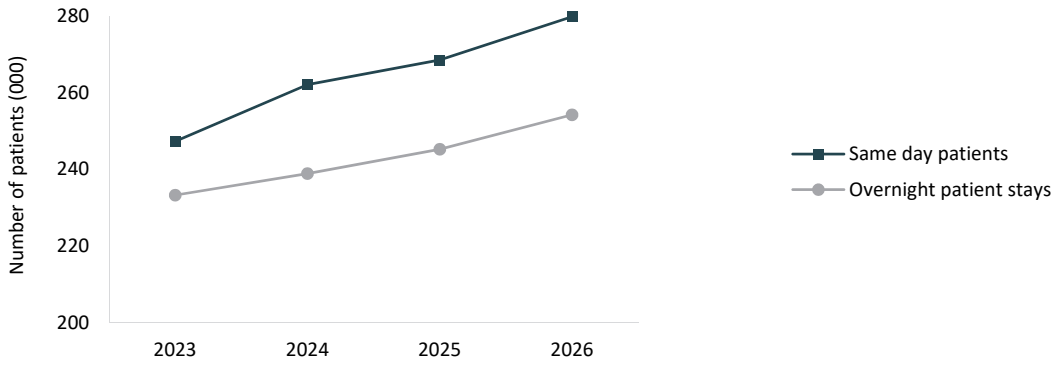
The consolidated entity's patient activity and KPI data

Patient activity data from DHW (unaudited)

DHW advised us that its 2025-26 activity data collation processes were not complete at the time of this report. As a result the figures provided are unaudited, not final and may change.

Inpatient activity (unaudited)

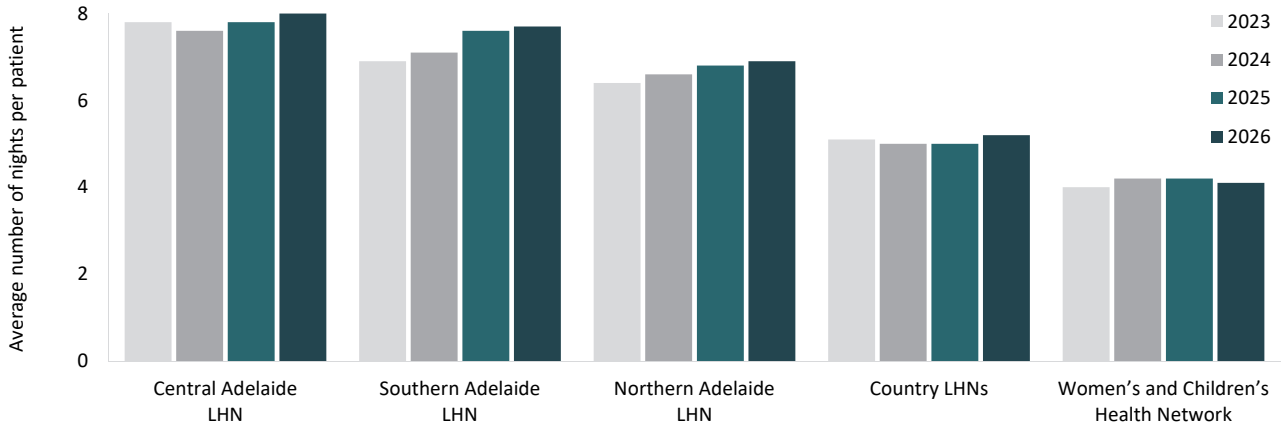
The following chart shows that inpatient activity, measured on an unweighted basis, increased by 20,279 patients (4%) in 2025-26. Unweighted activity does not take patient acuity or complexity into account.



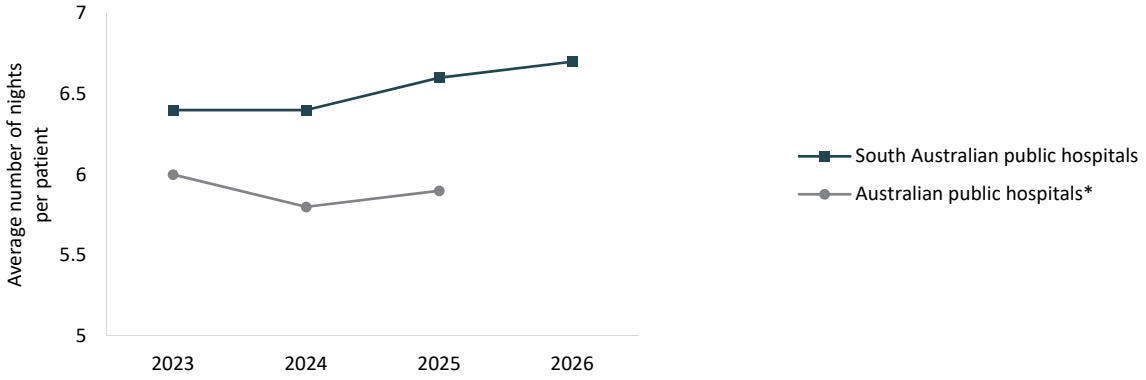
The increase in same-day patients over the last five years reflects SA Health's efforts to reduce overnight stays, improve patient flow and reduce ramping. The number of overnight patient stays has also increased, mainly due to an increase in the number of beds.

Average length of overnight hospital stays for public hospitals (unaudited)

The average length of overnight hospital stays is one indicator of hospital efficiency, with fewer nights per patient generally indicating a more efficient hospital. The following chart shows the average length of an overnight hospital stays has increased over the last four years for most LHNs.



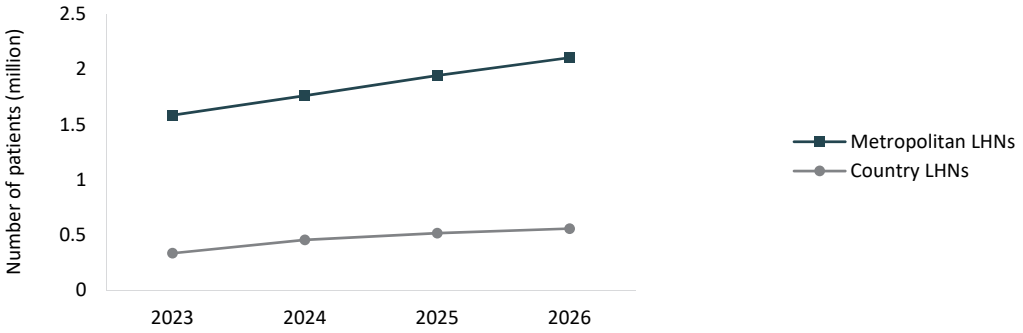
On average, patients admitted to hospital are staying longer than they were four years ago. This suggests an increase in the number of acute or complex patients requiring longer hospital stays. The following chart compares the average number of nights per overnight patient in South Australian public hospitals to Australia over the last four years. The gap has grown since 2023.



* Data was obtained from the Australian Institute of Health and Welfare's website and is unaudited.

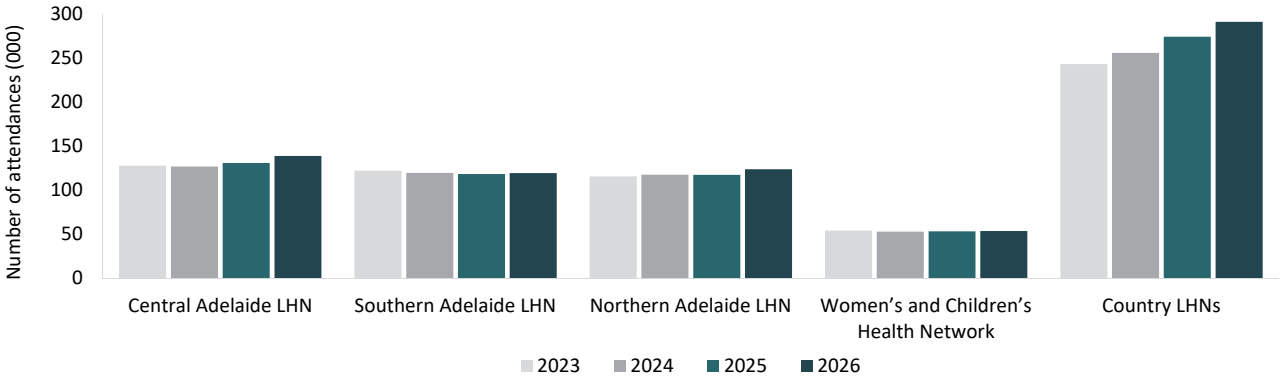
Outpatient occasions of service (unweighted and unaudited)

The following chart shows that outpatient occasions of service have increased over the last four years. Much of the growth has been attributed to higher numbers of vaccinations for respiratory syncytial virus, influenza virus and meningococcal disease.



Emergency department attendances (unaudited)

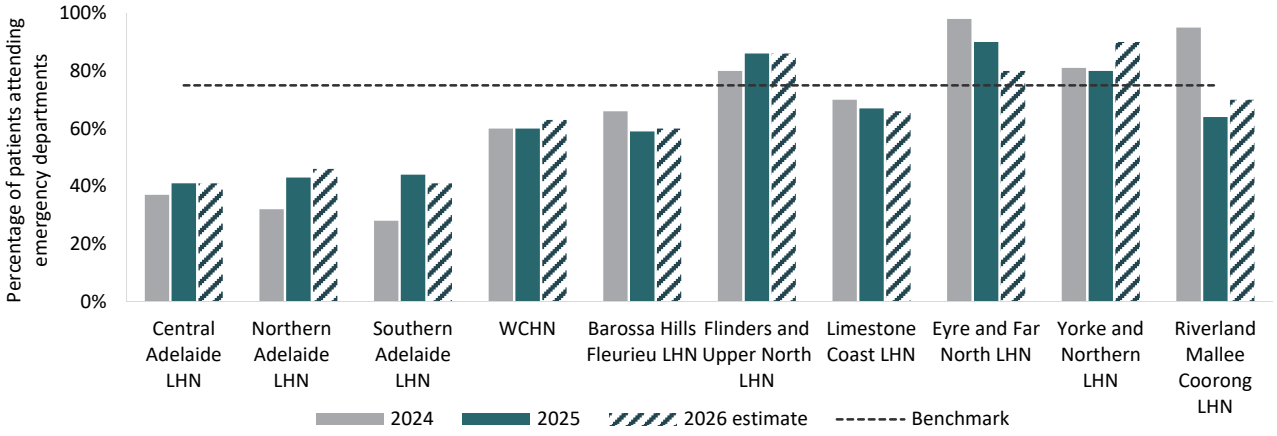
The following chart shows the emergency department attendances for LHNs over the last four years. It shows a significant increase in attendances at country LHN emergency departments over this period, including a 6% increase in 2025-26.



SA Health KPI data from the State Budget papers (unaudited)

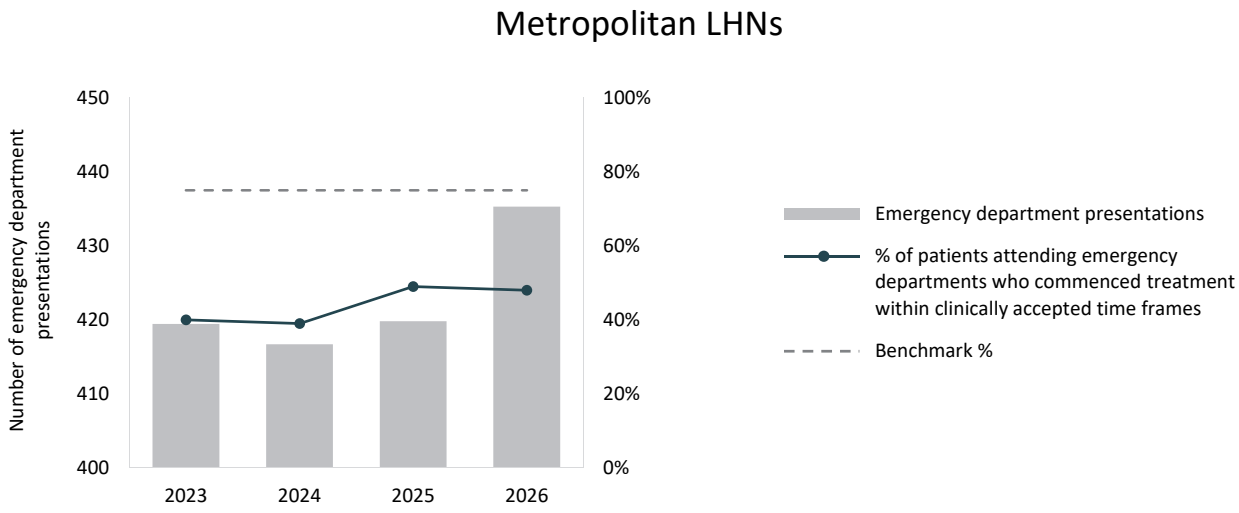
Percentage of patients attending emergency departments who commenced treatment within clinically acceptable time frames

One of the KPIs for emergency departments is the percentage of patients attending emergency departments who commence treatment within clinically acceptable time frames. The State Budget benchmark has remained at 75% for the last three years. The following chart shows the performance of all LHNs against this benchmark. Since 2024, most LHNs have not achieved the target of 75% of emergency department patients commencing treatment within clinically acceptable time frames.

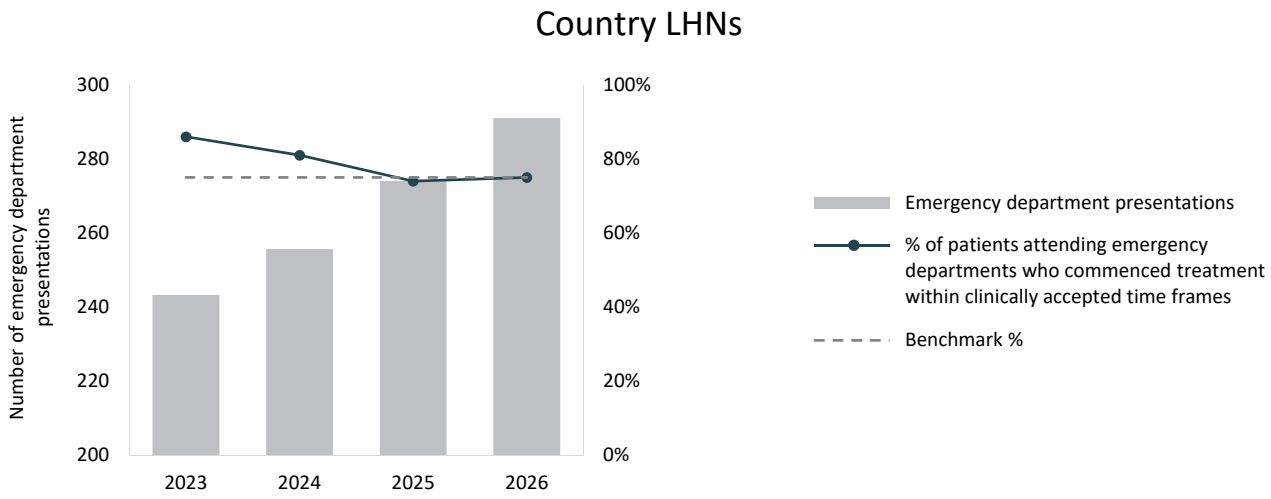


Emergency department presentations and performance

The number of emergency department presentations compared to the percentage of patients attending emergency departments who commenced treatment within clinically accepted time frames is shown in the following chart.



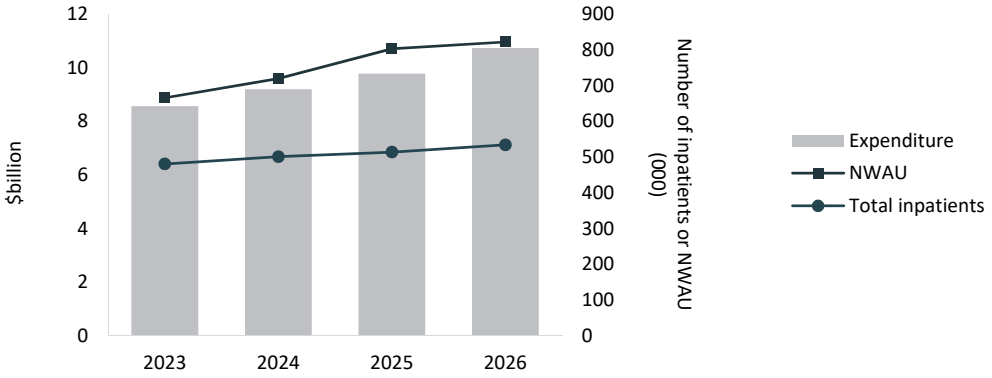
The chart shows that emergency department presentations at metropolitan LHNs increased by 15,460 (4%) in 2025-26. Despite the increase in activity, the percentage of patients who commenced treatment within a clinically accepted time frame decreased by 1%.



This chart shows that the number of patients presenting at country LHN emergency departments increased by 48,051 (20%) since 2023. Over the same time, the percentage of patients who commenced treatment within clinically accepted time frames decreased by 13%.

National weighted activity units

The following chart shows that total inpatient activity (unweighted) increased by 11% over the last four years, while the NWAU increased by 23%. The stronger growth in the NWAU indicates that SA Health is admitting more patients with higher acuity and complexity than it was four years ago.



Expenditure has increased by 25% over the last four years, which has risen faster than inpatient activity and the NWAU. This indicates that expenditure growth is being driven not only by higher patient volumes and patient complexity, but also by increasing costs of treating patients.

Consolidated entity – Health

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

We have identified a number of findings that are common across multiple entities within the consolidated health entity. These issues may benefit from a more coordinated response.

The common findings relate to asset management, procurement, contract management, revenue, payroll, expenditure and information technology.

Key statistics

$11.4 billion
Total income

$10.7 billion
Total expenditure

$8.7 billion
Property, plant and equipment

42,742
Consolidated entity FTEs

822,263
Total national weighted average units

534,147
Total inpatient activity

Significant events and transactions

Consolidated expenditure exceeded the original State Budget expenditure by $786 million.

Key findings

Asset management

- Strategic asset management plans were not updated, were not approved or did not contain required information (NALHN, SALHN and EFNLHN).
- Asset data quality needs to improve (CALHN, NALHN and SALHN).
- Annual service delivery plans, annual site inspections and condition reports need to improve (CALHN, NALHN and SALHN).
- Regular meetings with the vendor were not held or Across Government Facilities Management Arrangements issues registers were not maintained (NALHN and SALHN).
- Vendor performance and progress were not adequately monitored (NALHN and SALHN).
- User access reviews for the asset management system need to improve (NALHN and SALHN).

Procurement and contract management

- Contract or procurement information was not correctly recorded in procurement systems (DHW, CALHN, NALHN and SALHN).
- Some contract management plans were not prepared before contract commencement or did not contain key information (DHW, CALHN, NALHN and SALHN).
- Contract performance and KPIs were not adequately documented and evaluated (DHW, NALHN and SALHN).
- Contract expenditure was not monitored (BHFLHN, EFNLHN, FUNLHN and YNLHN).
- Locums were engaged and paid without an appropriate procurement process (all country LHNs).
- Some country specialists were engaged and paid without contracts (all country LHNs).
- Annual contract reviews were not performed (DHW, CALHN, and SALHN).
- Risk management plans were not up to date (DHW, CALHN and NALHN).
- Some contract managers had not completed mandatory training (DHW, NALHN and SALHN).

Revenue

- Revenue officer duties were not segregated (NALHN and SAAS).
- Debt management needs to improve (NALHN, SAAS and all country LHNs).
- Revenue was incorrectly raised (NALHN and SAAS).
- Revenue was not raised promptly (SAAS and all country LHNs).

Payroll

- Payroll and leave management controls need to improve (DHW, CALHN, NALHN, SALHN, SAAS and WCHN).
- Some employment contracts were signed after staff commenced work (CALHN and NALHN).

- Potential staff overpayments were identified (SAAS and WCHN).
- There was no evidence of timesheet review before payment (CALHN, NALHN and WCHN).
- Some senior medical officers and consultants did not have current job plans (CALHN, NALHN and SALHN).
- Some staff did not have current performance reviews (CALHN, NALHN and SALHN).
- Some staff did not have current working with children or aged care checks (NALHN and SALHN).
- Rostering practices were inconsistent and may lead to payroll errors (NALHN, SALHN, SAAS and WCHN).
- Excessive leave balances remain significant (CALHN, NALHN, SALHN and SAAS).
- Non-compliance with SA Health's immunisation policy was identified (CALHN, NALHN and SALHN).
- Non-compliance with SA Health's mandatory training policy (DHW, CALHN, NALHN and SALHN).
- Human resource authorisations require review (BHFLHN and YNLHN).

Expenditure

- Some invoices were paid without the required purchase orders (all consolidated entities).
- Financial authorisations require review (DHW and SAAS).

Information technology general controls

We reviewed the information technology general controls for key SA Health financial systems, including:

- the electronic medical record (EMR) used for patient records and billing
- Oracle, used for expenditure, revenue, the general ledger and fixed assets
- Sharp, used as a data warehouse and reporting tool for Oracle.

We found user access management controls over the EMR, Oracle and Sharp systems need to improve. These issues affect all consolidated health entities.

Financial information

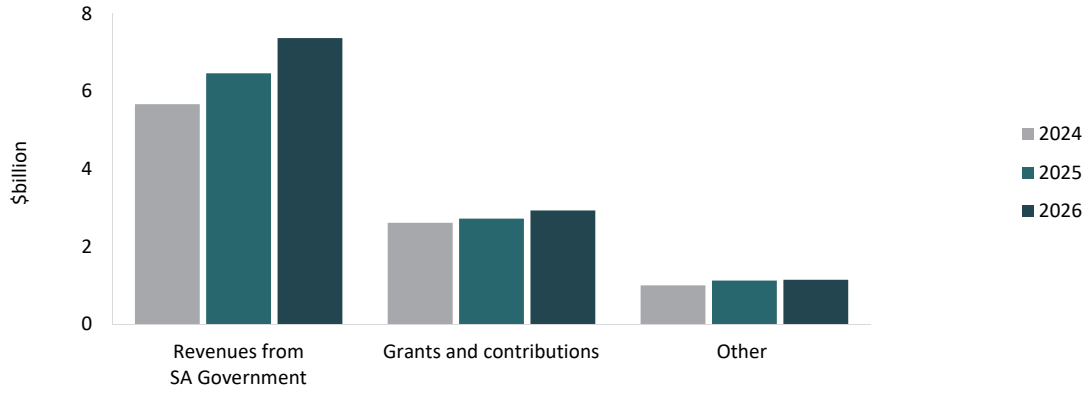
Highlights of the financial report – consolidated entity

	2026 $million	2025 $million
Income		
Revenues from SA Government	7,369	6,461
Grants and contributions	2,930	2,717
Fees and charges and other revenue	1,142	1,126
Total income	11,441	10,304

	2026 $million	2025 $million
Expenses		
Employee-related expenses	6,388	5,757
Supplies, services and other expenses	3,766	3,440
Depreciation and amortisation	373	356
Borrowing costs	195	205
Total expenses	10,722	9,758
Net result	719	546
Total other comprehensive income	732	105
Total comprehensive result	1,451	651
Assets		
Current assets	2,598	2,059
Non-current assets	8,753	7,603
Total assets	11,351	9,662
Liabilities		
Current liabilities	2,113	1,856
Non-current liabilities	3,732	3,752
Total liabilities	5,845	5,608
Total equity	5,506	4,054

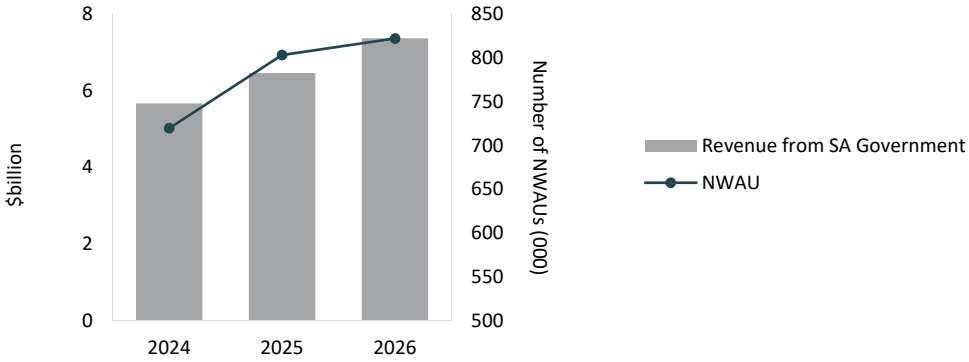
Statement of Comprehensive Income – consolidated entity

The main sources of income for the consolidated entity are shown in the following chart.



Revenue from SA Government

Revenue from the SA Government is the consolidated entity's main source of income at $7.4 billion in 2025-26. It increased by $1.7 billion (30%) over the last three years due to higher costs, rising national weighted activity units (NWAUs) and additional capital funding (see 'Overview'). Revenue from the SA Government and NWAUs are shown in the following chart.



Grants and contributions

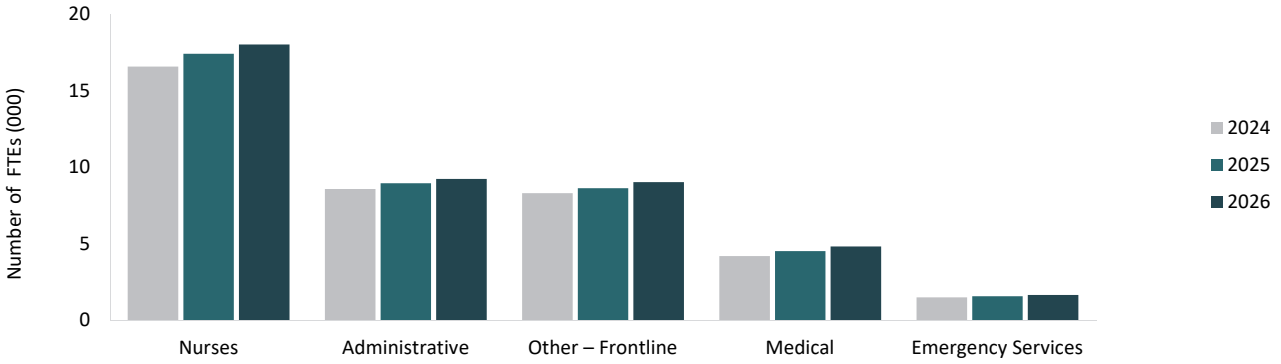
Grants and contributions were the second biggest source of income and comprised mainly Commonwealth Government funding. It increased by $213 million (8%) in 2025-26, mainly due to additional Commonwealth Government capital funding and higher NWAUs. Most Commonwealth Government funding is based on NWAUs and the national efficient price.

Fees and charges and other revenue

Fees and charges and other revenue increased by $16 million (1%) to $1.1 billion in 2025-26. The increase was mainly due to a $34 million rise in patient and client fees, reflecting higher patient activity and increased fees charged. This was offset by a $23 million decrease in interstate patient transfers due to lower interstate patient activity in South Australian public hospitals and revisions to 2024-25 amounts following the availability of more data.

Employee-related expenses

Employee-related expenses increased by $631 million (11%) to $6.4 billion in 2025-26. The increase was driven by an additional 1,662 FTEs and higher costs arising from the new enterprise bargaining agreements, including back payments. FTEs by employment category at 30 June for the last three years are shown in the following chart. The FTE data is from the Office of the Commissioner for Public Sector Employment and is unaudited.

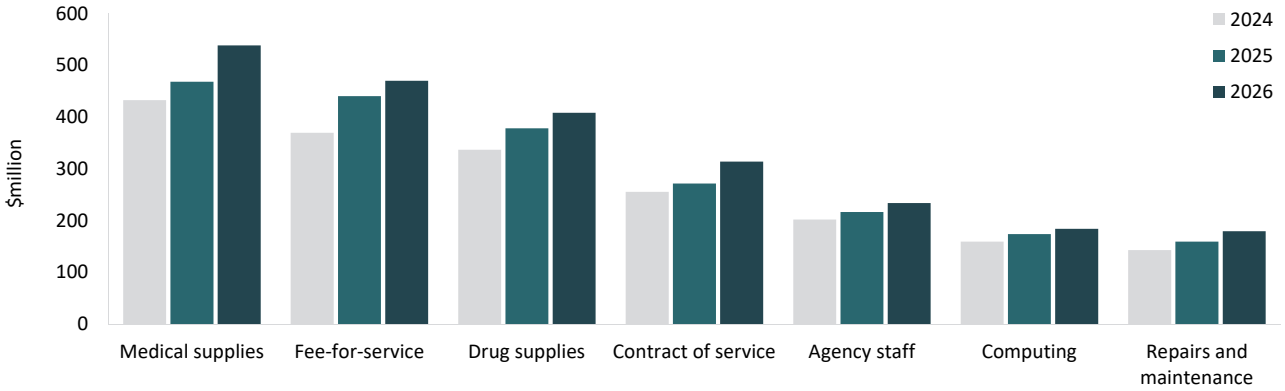


The table below shows the rise in the number of FTEs in LHNs across all staffing areas.

	2022	2023	2024	2025	2026
Total LHN FTEs	33,788	34,478	35,534	37,426	38,978
Increase (decrease)	2,278	690	1,056	1,892	1,552
Percentage increase (decrease)	7%	2%	3%	5%	4%

Supplies and services

Supplies and services increased by $301 million (9%) to $3.6 billion in 2025-26. Seven categories accounted for 65% of this expenditure, as shown in the following chart.



The largest increases in supplies and services expenditure were:

- $70 million in medical supplies due to higher patient activity, NWAUs and supply costs
- $42 million in contract of services due to higher service costs
- $30 million in drug supplies due to increased outpatient vaccinations and higher drug prices
- $30 million in fee-for-service, mainly driven by increased outsourced surgery, private bed usage, patient activity and higher service costs
- $20 million in repairs and maintenance due to the deteriorating condition of some assets.

Statement of Financial Position – consolidated entity

Cash

Cash and cash equivalents totalled $1.7 billion and represented 66% of current assets in 2025-26. These balances were held as deposits with the Treasurer and comprised:

- general operating funds of $1 billion ($640 million)
- accrual appropriation excess funds of $368 million ($368 million)
- special purpose funds of $258 million ($225 million).

Receivables

Receivables increased by $86 million (15%) to $665 million, mainly due to a $112 million increase in amounts received from interstate patient transfers. This reflected minimal payments received in 2025-26, resulting in an additional year of outstanding amounts owed by other jurisdictions for patients treated in South Australian public hospitals. This increase was offset by decreases of:

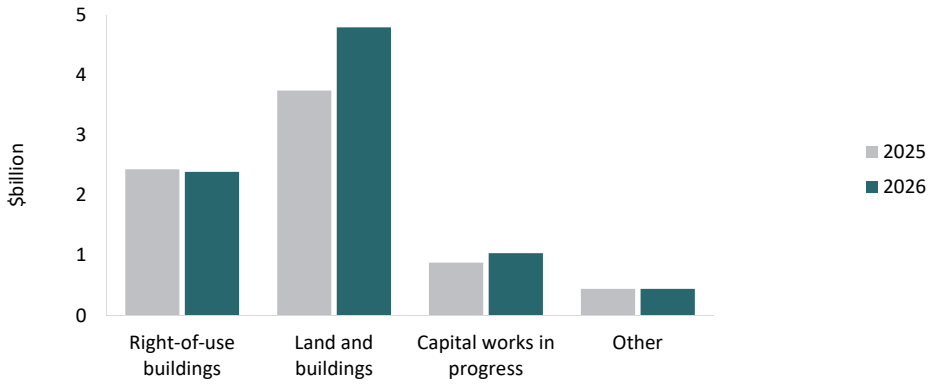
- $15 million in debtors, mainly due to several large one-off receivables from SA Government entities in 2024-25
- $15 million in GST input tax recoverable.

Other financial assets

Other financial assets increased by $15 million (10%) to $172 million, mainly due to higher aged care fees and an increase in the number of aged care patients.

Property, plant and equipment

The consolidated entity's assets are mainly for non-current property, plant and equipment assets, representing 76% of its total assets. Right-of-use buildings and owned land and buildings remained the largest categories, as shown in the following chart.



The carrying value of property, plant and equipment increased by $1.1 billion (15%) to $8.7 billion in 2025-26, mainly due to $804 million in additions and $729 million in revaluation increments for land and buildings, offset by $364 million in depreciation expense.

Payables

Payables increased by $98 million (17%) to $663 million, mainly due to:

- an $82 million increase in amounts payable to other jurisdictions for South Australian patients treated in interstate public hospitals, reflecting outstanding balances and revised 2024-25 estimates following the availability of more data
- a $14 million increase in creditors and accrued expenses associated with capital projects.

Financial liabilities

Financial liabilities decreased by $82 million (3%) to $2.5 billion, mainly because there was one less year remaining on property lease agreements.

Employee-related liabilities

Employee-related liabilities increased by $196 million (11%) to $2 billion. The increase was driven by growth of 1,662 FTEs and higher staff costs resulting from new enterprise bargaining agreements, including back payments.

Provisions

Provisions increased by $14 million (3%) to $456 million, mainly due to new medical malpractice claims.

Department for Health and Wellbeing (DHW)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Procurement and contract management need to improve.
- Financial authorisations require review.
- Important controls for payroll and leave management need to improve.
- User access management needs to improve.

Key statistics

$10 billion
Total income

$10 billion
Total expenditure

1,592
FTEs

6,800
Total patients treated by My Home Hospital

Key findings

Procurement and contract management

Capability and complexity assessments were not performed

For a sample of procurements and contracts, we found no evidence that capability and complexity assessments were performed or reassessed annually, as required by Procurement SA's procurement governance policy. These assessments determine the level of staff expertise, documentation and level of oversight required. Without them, there is an increased risk that procurements and contracts may not deliver value for money, align with DHW's requirements or comply with Procurement SA policies.

DHW advised us that it will communicate this requirement through internal processes and ensure assessments are completed and appropriately filed.

Inconsistencies between source documents and procurement systems

In the sample we reviewed we found discrepancies between the risk rating and complexity assessments recorded in source documents and those entered into procurement systems. This increases the risk that procurements and contracts are not managed effectively.

DHW advised us that it will communicate the requirement for accurate record-keeping through internal processes.

Annual contract reviews not completed

For the contracts we reviewed, DHW had not completed the required annual contract reviews. This increases the risk that issues with contract performance or opportunities for improvement are not identified.

DHW advised us that annual contract reviews will be completed and this requirement will be communicated through internal processes.

Risk management plan was not reviewed and updated

The risk management plan for a major contract had not been reviewed and updated since the procurement process in 2019 and was therefore outdated. This increases the risk that contract risks are not identified and managed effectively.

DHW advised the risk management plan has now been updated.

Insufficient documentation and evaluation of performance and KPIs

In the sample we reviewed we found insufficient evidence to demonstrate the supplier data had been evaluated and used to assess performance KPIs set in contracts. This may result in ineffective service delivery or poor performance not being detected.

DHW advised us that it will address the issues raised.

No reconciliation of procurement and contract management systems

DHW did not reconcile information between its procurement and contract management system and the Procurement SA system, resulting in many discrepancies between the two systems. This increases the risk that procurements and contracts are not managed adequately.

DHW agreed to perform regular reconciliations between the systems in future.

Financial authorisations

Annual review of the financial authorisations were not finalised

DHW had not reviewed financial authorisations since December 2024. This increases the risk that employees retain inappropriate authorisations.

DHW advised us that the review has been completed and is awaiting approval.

User delegation limits were not updated or removed

A number of employees had outdated delegation limits because they had moved within SA Health or were acting in higher roles. This increases the risk of employees inappropriately authorising payments.

DHW advised us that it has implemented a new process and will perform comparisons with other datasets.

Payroll

Important controls for payroll and leave management need to improve

We found that 35% of bona fide reports and 38% of leave taken reports were not promptly reviewed. This increases the risk that incorrect payments, flexitime balances and leave balances are not identified.

DHW advised us that it will reinforce delegate accountabilities, provide additional training to staff and strengthen monitoring and targeted follow-up.

Information technology general controls

We reviewed the information technology general controls for the following financial systems:

- electronic medical record (EMR), used for patient medical records and billing
- Oracle, used for expenses, revenue, general ledger and fixed assets
- Sharp, used as a data warehouse and reporting tool for Oracle.

We found weaknesses in user access management controls across the EMR, Oracle and Sharp systems. As these are SA Health systems, the issues affect all consolidated health entities. These weaknesses increase the risk of unauthorised access to, or changes to, data.

DHW responded that it will implement our recommendations.

Financial information

Highlights of the financial report – Department for Health and Wellbeing (parent)

	2026 $million	2025 $million
Income		
Revenues from SA Government	7,369	6,461
Grants and contributions	2,307	2,136
Fees and charges and other revenue	581	569
Total income	10,257	9,166
Expenses		
Grants and subsidies	8,826	7,966
Supplies, services and other expenses	899	872
Employee-related expenses	226	216
Total expenses	9,951	9,054
Net result	306	112
Total other comprehensive income	-	-
Total comprehensive result	306	112
Assets		
Current assets	1,519	1,105
Non-current assets	90	99
Total assets	1,609	1,204
Liabilities		
Current liabilities	479	384
Non-current liabilities	297	293
Total liabilities	776	677
Total equity	833	527

Statement of Comprehensive Income – Department for Health and Wellbeing (parent)

Revenues from SA Government

Revenues from the SA Government increased by $908 million (14%) to $7.4 billion in 2025-26. The main increases were:

- $532 million in appropriation, bringing total funding to $6.9 billion, to support higher national weighted average units (NWAUs) and increased service delivery costs
- $176 million in Commonwealth recurrent grants received through the Department of Treasury and Finance, bringing total funding to $226 million, for the National Health Reform Budget alignment
- $196 million in contingency funding, bringing total funding to $198 million, to offset increased staff costs arising from new enterprise bargaining agreements, including back payments.

Grants and contributions

Grants and contributions increased by $171 million (8%) to $2.3 billion in 2025-26. The main increases were:

- $152 million in Commonwealth National Health Reform Agreement grants, bringing total funding to $2.2 billion, due to the increased NWAUs and higher service delivery costs
- $15 million in the Commonwealth Transition Care Program, bringing total funding to $39 million, due to an increase in transition care beds.

Fees and charges and other revenue

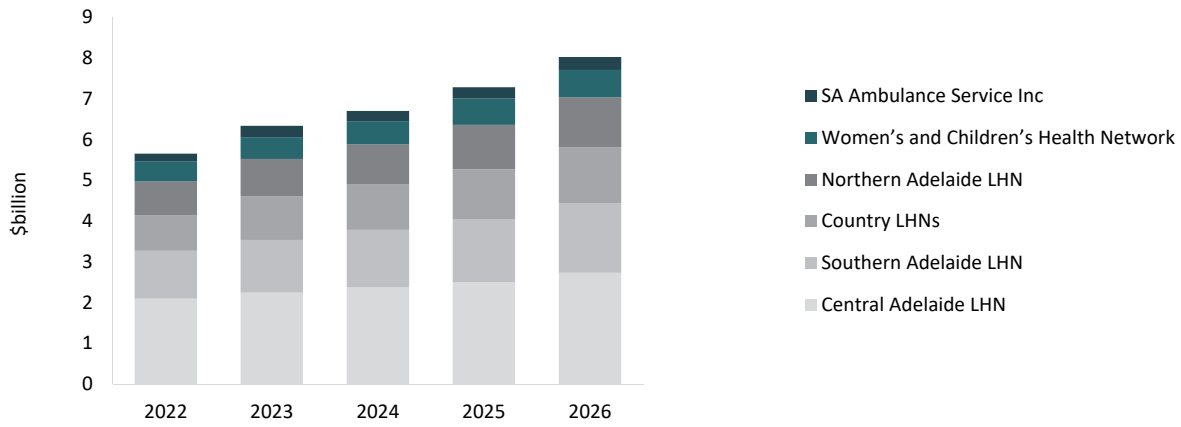
Fees and charges and other revenue increased by $12 million (2%) to $581 million in 2025-26. The main increases were:

- $16 million in health recoveries relating to internal recoveries between the consolidated entities
- $7 million in insurance recoveries for insurance costs recovered from consolidated entities
- $6 million for the sale of medical supplies due to increased NWAUs and the higher supply costs
- $5 million for land and buildings provided free of charge from Ronald McDonald House under an arrangement to relocate services closer to the new Women's and Children's Hospital.

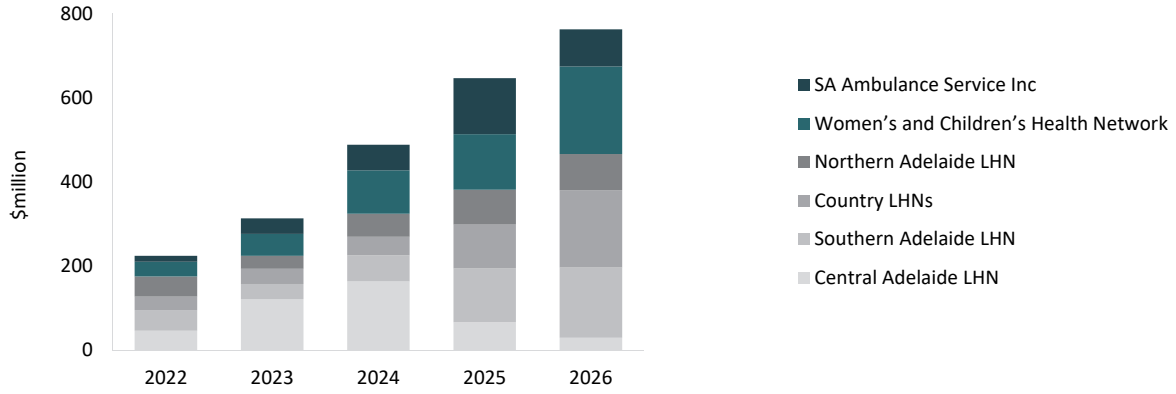
These increases were offset by a $23 million decrease in interstate patient transfer revenue due to fewer interstate patients being treated in South Australian public hospitals and revisions to 2025 amounts as additional data became available.

Grants and subsidies expense

Operating funding to health entities increased by $743 million (10%) to $8 billion in 2025-26, reflecting increased NWAUs and higher service delivery costs. Operating funding provided to health entities over the last five years is shown in the following chart.

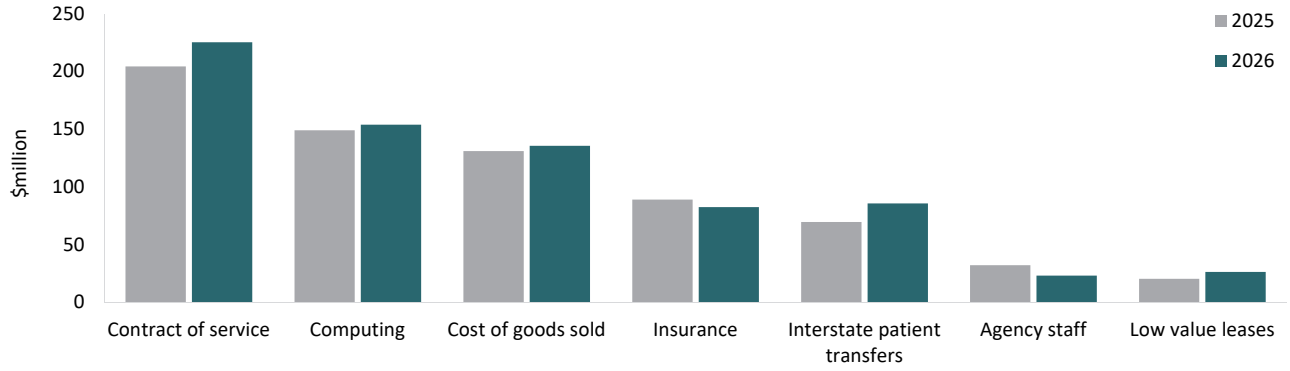


Capital funding to health entities increased by $116 million (18%) to $762 million due to an increase in projects aimed at expanding bed capacity. Capital funding to health entities for the last five years is shown in the following chart.



Supplies and services

Supplies and services increased by $22 million (2.8%) to $821 million in 2025-26. There are seven categories that account for 89% of this expenditure, as shown in the following chart.



The main increases were:

- $21 million in contract of services to expand healthcare services provided by not-for-profit entities and increased service costs
- $16 million in interstate patient transfers due to more South Australians receiving treatment in interstate public hospitals and revisions to 2025 amounts as additional data became available.

These increases were offset by:

- a $7 million decrease in insurance expenses due to the actuarial remeasurement of the medical malpractice provision
- a $9 million decrease in agency staff costs as more work was performed by employees.

Employee-related expenses

Employee-related expenses increase by $10 million (5%), mainly due to higher employee costs arising from new enterprise bargaining agreements, including back payments.

DHW's FTE workforce at 30 June for the last five years is shown in the following table. This information is provided by the Office of the Commissioner for Public Sector Employment and is unaudited.

	2022	2023	2024	2025	2026
Total DHW FTEs	1,786	1,561	1,602	1,568	1,592
Increase (Decrease)	119	(225)	41	(34)	24
Percentage increase (decrease)	7.1%	(12.5%)	2.6%	(2.1%)	1.5%

DHW's FTE workforce decreased by 225 FTEs in 2023 as COVID-19-related activities reduced. Since 2023, FTE numbers have remained relatively stable.

Statement of Financial Position – Department for Health and Wellbeing (parent)

Cash and cash equivalents

Cash and cash equivalents totalled $1.1 billion and accounted for 72% of DHW's current assets in 2025-26. They comprise:

- deposits with the Treasurer for general operating purposes of $732 million ($384 million)
- accrual appropriation excess funds of $368 million ($368 million).

Receivables

Receivables increased by $79 million (26%) to $385 million in 2025-26, mainly due to an increase in interstate patient transfers of $112 million as minimal amounts were received in 2025-26, resulting in an additional year's receivable. These amounts are owed by other jurisdictions for patients treated in South Australian public hospitals. This increase was offset by decreases in:

- debtors of $16 million due to several large one-off receivables from SA Government entities in 2024-25
- GST input tax recoverable of $15 million
- prepayments of $7 million as a number of 2025-26 grants were prepaid in June 2025.

Payables

Payables increased by $92 million (26%) to $441 million in 2025-26, mainly due to increases in:

- interstate patient transfer payables of $82 million as minimal payments were made in 2025-26, resulting in an additional year's payable. These amounts are owed to other jurisdictions for South Australian patients treated in interstate public hospitals
- creditors and accrued expenses of $11 million due to higher outstanding invoices for capital projects.

Provisions

Provisions increased by $16 million (8%) to $228 million in 2025-26, mainly due to the impact of new medical malpractice claims.

Scope of the audit

Some financial services are provided to DHW by Shared Services SA. The audit findings of this agency are provided in this report.

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable
- inventory
- revenue
- property, plant and equipment
- cash
- general ledger.

We reviewed internal controls over procurement and contract management, approval of payments, buildings and improvements, grant revenue and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Barossa Hills Fleurieu Local Health Network Incorporated (BHFLHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings – BHFLHN

- Some invoices were paid without purchase orders for them.
- Debt management needs to improve.
- Human resource authorisations need to be updated.
- A locum was engaged and paid without an appropriate procurement process.

Audit findings – Rural Support Service (RSS)

- No monitoring of contract expenditure.
- Debt management needs to improve.
- Some specialists are working without a contract.
- Backlog in billing for support at home services.

Key statistics

$634 million
Total income

$520 million
Total expenditure

14
Hospital and health service sites

2,410
FTEs

35,359
NWAUs

37,286
Total inpatient activity

Key findings

BHFLHN

Some invoices were paid without purchase orders for them

We found instances where BHFLHN paid invoices without associated purchase orders, and the purchases did not qualify for exemptions. SA Health's policy requires staff to raise requisitions and purchase orders unless the purchase is on the approved purchase exemption list or is below $2,200.

Failing to use purchase orders increases the risk of paying for goods or services that were not received or were not at the agreed price.

BHFLHN advised us that it will continue to review and educate its staff. It will also consider implementing standing orders for regular services.

Debt management needs to improve

We found instances where BHFLHN did not effectively follow up or recover longstanding debts.

Weak debt recovery practices increase the risk of lost revenue to BHFLHN.

BHFLHN advised us that payment plans are in place for some longstanding debts. To improve its oversight, responsibility for debt management will transfer from Shared Services SA to BHFLHN in August 2026.

Human resource authorisations need to be updated

BHFLHN had not reviewed and updated its human resource authorisations since December 2024. This increases the risk that its staff may have inappropriate authorisation to access human resource information and may make payment errors.

BHFLHN advised us that the review of its human resource authorisations is being finalised and it is expected to be approved in September 2026.

A locum was engaged and paid without an appropriate procurement process

We identified an instance where a locum was engaged and paid without evidence of an appropriate procurement process, approval for a direct market approach, or an exemption from SA Health.

This increases the risk that value for money is not achieved and charges may be disputed.

BHFLHN advised us that it will ensure future locum engagements comply with the required procurement processes.

Rural Support Service

The Rural Support Service (RSS) provides financial services to all six country local health networks (LHNs). However, it operates under BHFLHN governance and is reported in BHFLHN's financial statements. The finding below affects all country LHNs.

Contract expenditure is not monitored

We found that expenditure under a major contract used by most country LHNs was not monitored to ensure additional approvals were obtained when expenditure exceeded the approved contract value. Based on expenditure over the last two years, total spending is likely to have already exceeded the approved amount.

This increases the risk that value for money is not achieved.

BHFLHN advised us that they will remind country LHNs of their responsibility to monitor contract expenditure and seek revised financial authorisations where required.

Debt management needs to improve

We found instances where BHFLHN did not effectively follow up and recover longstanding debts.

Weak debt recovery practices increase the risk of lost revenue for country LHNs.

BHFLHN advised us that responsibility for debt management has transferred back to the country LHNs, which now have access to Oracle's debt management system to support debt recovery activities.

Some specialists are working without a contract

Some specialists providing medical services at country hospitals charge fees for their services, but do not have a service contract. We have reported this issue since 2018.

This increases the risk that value for money is not achieved and that charges may be disputed.

BHFLHN advised us that each country LHN continues to negotiate service contracts with the specialists.

Backlog in billing for support at home services

We identified delays in invoicing for support at home services. BHFLHN advised that these delays resulted from Commonwealth Government reforms and the reliance on highly manual billing processes. We were advised that SA Health is implementing new software to help with this issue.

This increases the risk of lost revenue for country LHNs.

BHFLHN advised us that services delivered but not invoiced before 30 June 2026 have been accrued and that several strategies have been implemented to improve the timeliness of billing.

Financial information

The BHFLHN consolidated accounts include the incorporated Health Advisory Councils within its region. These Councils represent community interests and provide advice about health services, health issues, priorities, plans and strategic initiatives.

Only the consolidated results are presented below as the differences between the consolidated and parent entity amounts are not material.

Highlights of the financial report – consolidated

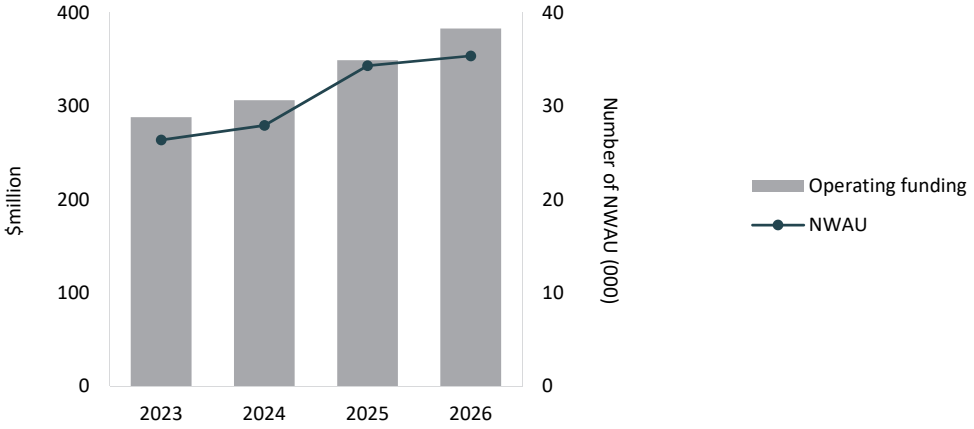
	2026 $million	2025 $million
Income		
Revenues from SA Government	519	404
Fees and charges	23	21
Grants and contributions	51	51
Other income	41	38
Total income	634	514
Expenses		
Staff-related expenses	319	283
Supplies and services and other expenses	191	182
Depreciation and amortisation	10	10
Total expenses	520	475
Net result	114	39
Total other comprehensive income	55	(8)
Total comprehensive result	169	31
Assets		
Current assets	72	65
Non-current assets	436	256
Total assets	508	321
Liabilities		
Current liabilities	106	91
Non-current liabilities	49	46
Total liabilities	155	137
Net assets	353	184

Statement of Comprehensive Income

Revenues from SA Government

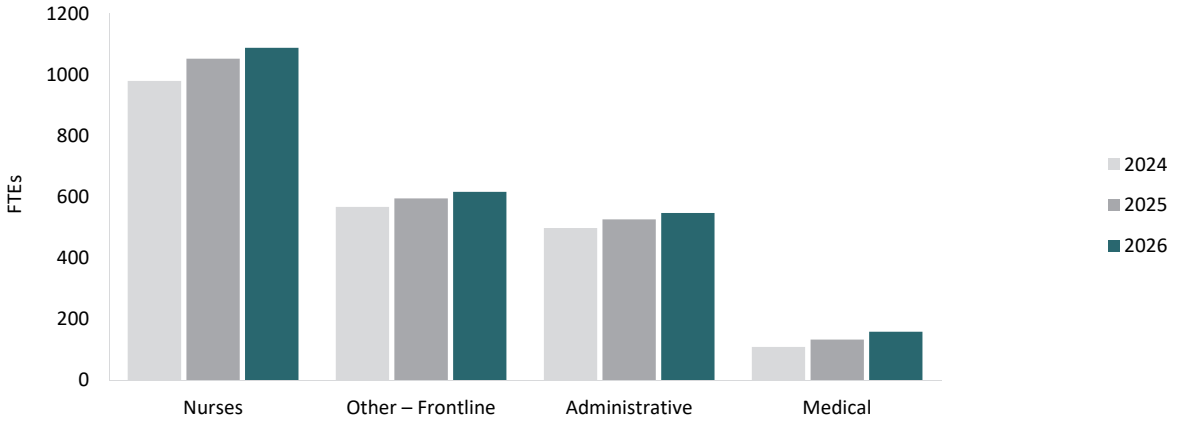
Revenues from the SA Government, which accounted for 82% of BHFLHN's income, increased by $115 million (28%) in 2025-26. Funding is received from the Department for Health and Wellbeing. It comprised:

- $383 million ($349 million) in operating funding. The increase reflects higher staff costs due to new enterprise bargaining agreements, including back payments, and the price per national weighted average unit (NWAU) and a rise in the number of NWAUs, as shown in the following chart
- $136 million ($55 million) in capital funding, mainly for the new Mount Barker Hospital.



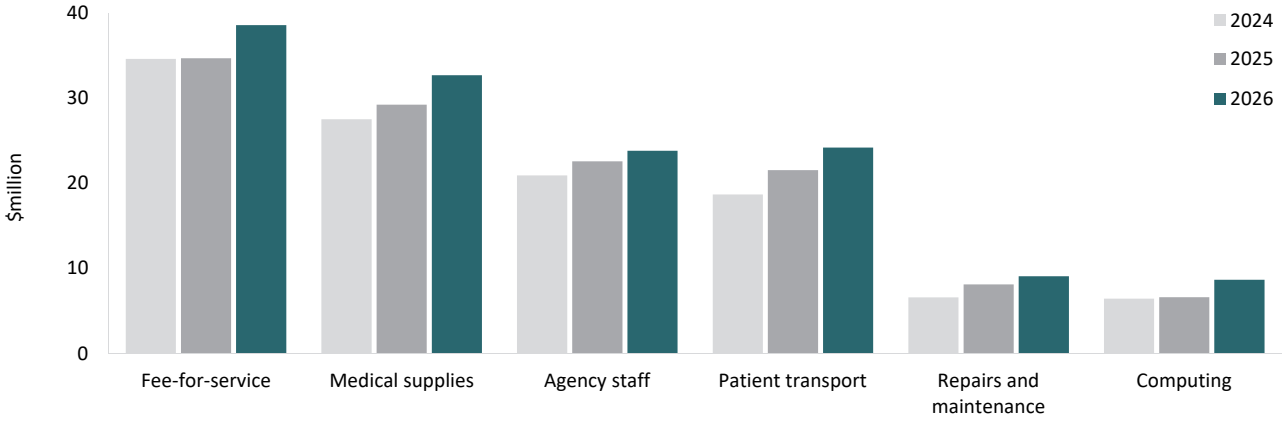
Staff-related expenses

Staff-related expenses, which accounted for 61% of BHFLHN's expenses, increased by $36 million (13%). The increase is mainly due to increases in staff of 104 FTEs (see chart below) and staff costs resulting from the new enterprise bargaining agreements, including back payments.



Supplies and services

Supplies and services, which accounted for 36% of BHFLHN's expenses, increased by $17 million (10%) in 2025-26. There are six categories that account for 72% of this expenditure, as shown in the following chart.



The main increases in supplies and services expenses were:

- $4 million in fees for service and $3 million in medical supplies, driven by increased activity and higher costs for these goods and services
- $3 million in patient transport expenses due to an increase in kilometres travelled and higher service costs. Patient transport expenses are incurred on behalf of all country LHNs
- $2 million in computing expenses, due to higher IT costs.

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment increased by $180 million (71%) to $434 million, mainly due to land and buildings being revalued up by $55 million and $135 million in additions, offset by $10 million in depreciation. The additions were mainly for capital works in progress for the Mount Barker Hospital.

Staff-related liabilities

Staff-related liabilities increased by $12 million (14%) to $97 million, due to the increase in staff of 104 FTEs and related costs.

Contract liabilities and other liabilities

Contract liabilities and other liabilities increased by $4 million (11%) to $37 million, mainly due to an increase in contract liabilities related to health care program grants.

Scope of the audit

Some financial services for BHFLHN are provided by the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

Central Adelaide Local Health Network Incorporated (CALHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Important controls for payroll and leave management need to improve.
- Employee screening checks at Statewide Clinical Support Services need to improve.
- Some medical officers started employment without a signed letter of offer.
- Some staff do not have current performance reviews.
- Asset management and maintenance processes under the Across Government Facilities Management Arrangements (AGFMA) need to improve.
- Key procurement and contract management processes need to improve.
- Financial delegation limits in financial systems need to be aligned with approved delegations.

Key statistics

$3.9 billion
Total income

$3.9 billion
Total expenditure

$190 million
Borrowing costs for the Royal Adelaide Hospital

13,949
FTEs

258,725
NWAUs

158,266
Total inpatient activity

Significant events and transactions

- A 24-bed mental health facility at Woodville opened in September 2025.
- The Royal Adelaide Hospital made quarterly service payments totalling $322.2 million to Celsus under the Public Private Partnership contract.

Key findings

Payroll

CALHN employs 13,949 FTEs and has significant payroll-related costs. At 30 June 2026, it had paid $2.2 billion in staff-related expenses and reported $755 million in staff-related liabilities and associated on-costs. Given the significance of these amounts, we review key payroll controls each year.

Important controls for payroll and leave management need to improve

We found that several payroll issues reported in previous years remain unresolved in 2025-26.

Employee screening checks at Statewide Clinical Support Services need to improve

In previous years, we reported that Statewide Clinical Support Services (SCSS) had not identified employees working in prescribed positions and approved provider positions. SCSS responded that it had reviewed its compliance and would identify and record the screening checks required for each position.

In 2025-26, we found that SCSS had not yet performed a detailed review of its prescribed positions. We were also unable to obtain evidence that screening checks had been reviewed to confirm they remained current.

SCSS advised us that overdue screening checks will be reported and monitored through the Joint Quarterly Accountability Meetings (JQAM) to support continual improvement.

Key payroll information was not always reviewed

The payroll reports used to monitor staff payments vary depending on the type of employee. Reviewing these reports is important to ensure staff payments are accurate and valid.

For staff who are automatically paid each fortnight, key payroll information is recorded on bona fide and leave return certificates. Monitoring of these certificates across CALHN worsened in 2025-26. We found:

- the proportion of bona fide certificates not reviewed increased to 32% (21%) at CALHN and 35% (27%) at SCSS
- the proportion of leave return certificates not reviewed increased to 34% (21%) at CALHN and 40% (29%) at SCSS.

Where payroll information is not reviewed, there is an increased risk of inaccurate staff payments, potential financial loss to CALHN, and leave balances not being completely and accurately recorded.

CALHN responded that it will review all outstanding 2025-26 bona-fide and leave return certificates, follow up to ensure completion and provide additional training to staff where required.

SCSS responded that it has reminded staff of the importance of regularly reviewing bona fide and leave return certificates. It is also developing reporting dashboards that will include bona fide and leave returns information. The dashboards will be used at JQAMs to monitor compliance and target communications where needed.

No process to ensure that all medical officers' timesheets are approved and submitted accurately

In previous years, we reported that there was no process to ensure medical officers' timesheets were submitted and approved before payment. This is particularly important where medical officers are automatically paid regardless of whether a timesheet is submitted.

To help address this risk, all LHNs introduced a process in 2022-23 whereby medical practitioners receive base salary payments when timesheets are not submitted. Base pay is adjusted only after a timesheet is submitted to reflect actual hours worked and any additional allowances or penalties payable.

At July 2026, we found 2,964 unsubmitted timesheets relating to 994 medical officers across CALHN and SCSS. Some timesheets had been outstanding since March 2023.

CALHN advised us that its human services team will provide further communication to medical directors reinforcing requirements and procedures for reviewing, approving and submitting timesheets each fortnight. It will also seek confirmation that medical officers who received base pay without submitting a timesheet performed the work for which they were paid.

SCSS responded that outstanding timesheets will be discussed at JQAMs and that service directors and program directors will review outstanding timesheets and work with sites and business units to take corrective action.

Medical practitioners started employment without a signed letter of offer

We found instances where letters of offer were issued or signed after employees had started work.

Where a letter of offer is not signed before employment begins, CALHN and its staff may be unclear about their obligations in the event of a dispute if a valid contract is not in place.

CALHN responded that it continues to monitor late contracts and assess their causes and incidence rates. It will provide further communication to managers on the importance of timely documentation and target business units with higher incidence rates.

SCSS advised us that it will review onboarding processes to ensure employees have signed contracts before commencing work.

Some staff do not have current performance reviews

57% (54%) of CALHN staff and 71% (57%) of SCSS staff had completed a performance review in 2025-26. CALHN's procedure requires at least 80% of employees to have performance reviews.

Effective performance reviews create a culture of accountability and continuous improvement.

CALHN responded that Human Resources Business Partners will work with programs to develop targeted improvement strategies, establish interim improvement targets and report progress at monthly program performance meetings.

SCSS advised us that its dashboard project will support discussion of performance review trends at JQAMs, enabling it to identify and monitor non-compliance and provide targeted communication where needed.

Some senior medical practitioners and consultants did not have current job plans

In previous years, we reported that some senior medical officers and consultants did not have job plans. In response, CALHN established processes to record completed job plans in its CHRIS21 payroll system and is continuing to collect and record job plan information in CHRIS21.

CALHN's job plan dashboard reported compliance rates of 66% for CALHN and 3.6% for SCSS in May 2026. CALHN's compliance rate has significantly improved from 5.8% in 2025 following a greater focus on recording job plan completion dates in CHRIS21. However, a completed job plan may not have been recorded in the system.

Without job plans, senior medical officers and consultants may perform duties that are inconsistent with their role descriptions or management's expectations.

CALHN responded that it will continue activities to ensure all senior medical officers and consultants have a current job plan recorded in CHRIS21.

SCSS responded that its service clinical service directors will work with senior medical officers and consultants to improve job plan completion rates, which will be monitored through JQAM reporting.

Non-compliance with SA Health's mandatory training policy

CALHN's learning management system records completion of mandatory training modules required for all SA Health staff and contracted staff.

The March 2026 mandatory training compliance report noted an average completion rate of 80% for CALHN and 68% for SCSS.

We do not consider this level of compliance reasonable for mandatory training requirements. SA Health's mandatory training policy requires health agencies comply with mandatory training requirements and report compliance annually to their workforce executive director.

CALHN responded that improving compliance rates remains a significant focus and reported that its completion rate had increased to more than 84% by July 2026.

SCSS responded that its dashboards will support monitoring and discussion of compliance trends at JQAMs, helping identify and monitor non-compliance and target communications where needed.

Asset management and maintenance processes under the AGFMA need to improve

CALHN has property, plant and equipment valued at $3.5 billion. Its main assets include the Royal Adelaide Hospital (RAH) and The Queen Elizabeth Hospital (TQEH). Maintenance at TQEH and other CALHN sites, excluding the RAH, is managed through the AGFMA.

We followed up the processes used to manage the maintenance of these assets.

Annual site inspection plans and asset condition reports were not provided

CALHN and SCSS have not received annual site inspection plans or asset condition reports from Ventia, the facilities services provider under the AGFMA.

Under the AGFMA, Ventia is required to provide CALHN and SCSS with an annual inspection plan for approval by CALHN and SCSS before completing inspections and issuing asset condition reports to CALHN and SCSS. These reports are important for identifying assessing asset condition supporting safety and planning preventive maintenance and asset replacements.

The absence of asset condition reports means the data in Ventia's asset system, Panorama, is incomplete and inaccurate for asset management and planning purposes.

Although Ventia is responsible for preparing the annual site inspection plan and asset condition reports, the risk associated with not having current asset condition data remains with CALHN and SCSS. Poorly maintained assets may result in operational inefficiencies, service disruption, increased downtime and regulatory non-compliance.

Ventia advised CALHN that:

- site inspections would recommence in November 2025
- initial testing of a quality assurance inspection pilot program and a new inspection tool would commence in mid- to late 2026.

However, Ventia had not recommenced site inspections as at June 2026.

CALHN advised us that:

- Ventia has not provided site inspections across all SA Government agencies
- local health networks, the Department for Infrastructure and Transport (DIT) and Department for Health and Wellbeing (DHW) are working with Ventia to ensure this contractual requirement is met
- it will continue to regularly meet with DIT and DHW to address Ventia's ongoing non-compliance contract requirements.

SCSS advised us that it:

- meets quarterly with Ventia and continues to request annual inspection and asset condition reports, although these have not yet been provided
- has provided Ventia with a list of higher-risk sites, but Ventia has not advised when inspections will be completed

- will assess the risk associated with inaccurate or incomplete condition reporting and the potential impacts on facilities management operations and longer-term strategic asset management plan priorities.

Panorama asset data is not accurate

Panorama is the key system used to record asset information and supports AGFMA planning and maintenance activities. Current and accurate asset information is necessary for effective asset management, maintenance prioritisation, budget planning and strategic asset management decisions.

We found that Panorama asset data is not systematically updated. The absence of asset inspections and asset condition reporting means the information in the Panorama system is incomplete and inaccurate.

While Ventia is responsible for maintaining asset data in the Panorama system, the risk arising from inaccurate and incomplete records remains with CALHN and SCSS. This may result in strategic asset management, annual service delivery plans reviews and long-term service planning being based on unreliable asset information. It also increases the risk that assets may be omitted from maintenance, replacement and refurbishment programs.

CALHN responded that Ventia has not provided it with timely annual service delivery plans. CALHN acknowledged the risks and potential budget impacts associated with inadequate asset management but noted that maintaining the Panorama system is outside its control. CALHN also advised that DHW is working with Ventia on behalf of all LHNs to address these issues.

SCSS responded that it will continue to raise concerns about the accuracy and completeness of asset information, including asset condition data, at quarterly meetings.

Accounts payable and goods and services expenditure

CALHN's supplies and services expenditure was $1.4 billion in 2025-26.

Contract manager not assigned and key contract management activities were not performed – SCSS

The integrated slide strainers and cover slippers contract for SCSS commenced in 2024. We found that the officer identified as the contract manager was not performing contract management responsibilities. Following our enquiries, a contract manager was appointed in July 2026.

As no contract manager had been assigned, several key contract management activities were not completed, including:

- approval of the contract management plan, which did not occur until July 2026
- annual contract reviews
- annual risk reviews before July 2026.

Procurement SA's contract management policy requires:

- all contracts to be managed by a suitably resourced and skilled contract manager

- contract management plans to be approved by the contract commencement date
- annual reviews for complex and strategic contracts longer than 12 months
- annual risk reviews.

SCSS advised us that it will review resourcing arrangements and strengthen processes to ensure contract management responsibilities are assigned and key contract management activities are embedded within the contract management cycles.

Conflict of Interest declarations were not completed and the contract management plan was not approved before contract commencement

We reviewed the procurement for the step-down healthcare model for CALHN.

The probity adviser engaged by CALHN to support the procurement evaluation process had not completed a conflict of interest declaration and confidentiality agreement.

Procurement SA's sourcing policy requires all participants in a procurement evaluation process, including probity advisers, to complete a conflict of interest declaration and confidentiality agreement. These documents help identify and manage conflicts of interest and support the integrity of the procurement process.

We also found that, although the contract for the step-down healthcare model was signed on 24 December 2025, the contract management plan remained in draft as at June 2026. CALHN advised us that this was due to:

- delays in implementing the contract, including achieving service capability milestones
- potential variations arising from changes to implementation arrangements.

Procurement's SA contract management policy requires contract management plans for all complex and strategic contracts be developed and approved no later than the contract commencement date.

CALHN responded that:

- external participants in future procurement activities will be subject to the same conflict of interest and confidentiality processes as SA Health employees
- contract delivery arrangements with Amplar Health Home Hospital were being revised weekly due to reasons beyond the control of both parties
- it considered finalising the contract management plan before the contract became operational in August 2026 would not have been effective.

Financial delegations limits in financial systems did not align with approved delegations

We identified instances where delegation limits recorded in Oracle and Basware exceeded the approved financial delegations limits or were assigned to staff without approved financial delegations. These discrepancies had not been identified through CALHN's and SCSS' periodic delegation reviews.

Treasurer's Instruction 8 *Financial Authorisations* requires commitments to incur expenditure or potential expenditure to be approved by appropriately authorised delegates.

SCSS advised us that several discrepancies related to acting arrangements or staff holding additional positions. However, our review of CHRIS21 records could not confirm these arrangements, and we were therefore unable to verify that the delegation limits in Oracle and Basware were appropriate.

SCSS responded that it will review its Oracle and Basware review processes to better identify instances where system delegations do not match the delegation register.

Payments were made to a supplier without a current contract

Payments to Workforce Solutions were processed in Basware using the purchase order exemption category 'pay on invoice as per contract'. We found that there was no current contact with this supplier as the contract was not renewed when the whole-of-government panel arrangement was renegotiated in 2023.

Without a current contract, there is an increased risk that CALHN may pay more than required for goods and services, resulting in financial loss.

CALHN responded that it was unaware the supplier was no longer a current panel provider. It has commenced discussions with the Department of Treasury and Finance to ensure compliance with panel arrangements and is working with the supplier to establish a new contract.

Financial information

Highlights of the financial report

	2026		2025	
	Consolidated $million	Parent $million	Consolidated $million	Parent $million
Income				
Revenues from SA Government	2,761	2,761	2,566	2,566
Fees and charges	618	598	572	553
Grants and contributions	356	356	325	326
Resources received free of charge	20	20	17	17
Other revenue/income	134	131	131	124
Total income	3,889	3,866	3,611	3,586
Expenses				
Staff benefits expenses	2,151	2,136	1,945	1,930
Supplies and services	1,400	1,399	1,269	1,268
Borrowing costs	190	190	200	200
Depreciation and amortisation	142	141	136	135
Other expenses	21	17	21	18
Total expenses	3,904	3,883	3,571	3,551
Net result	(15)	(17)	40	35
Total other comprehensive income	153	153	-	-
Total comprehensive result	138	136	40	35

	2026		2025	
	Consolidated $million	Parent $million	Consolidated $million	Parent $million
Assets				
Current assets	442	415	373	356
Non-current assets	3,470	3,463	3,406	3,391
Total assets	3,912	3,878	3,779	3,747
Liabilities				
Current liabilities	555	550	506	501
Non-current liabilities	2,656	2,655	2,710	2,710
Total liabilities	3,211	3,205	3,216	3,211
Net assets	701	673	563	536

Statement of Comprehensive Income

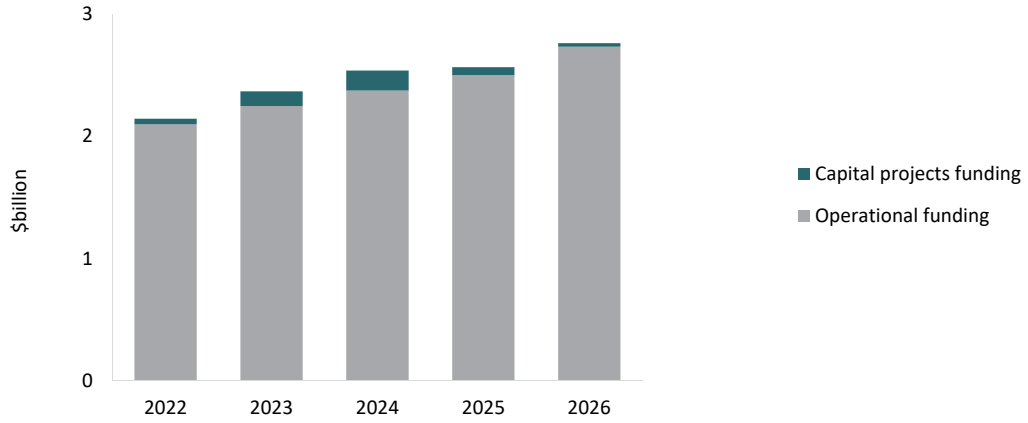
Income

Revenues from SA Government

CALHN is mainly funded through operational and capital funding from DHW. In 2025-26, CALHN received operational funding of $2.7 billion, an increase of $233.1 million. The increase was mainly due to additional funding for increased patient activity and cost indexation. CALHN also received $29 million in capital funding to support:

- additional surgical and general inpatient beds at TQEH and the Hampstead Rehabilitation Centre
- completion of the 24-bed mental health facility at TQEH
- the delivery of positron emissions topography scanners for Adelaide's western and southern suburbs.

CALHN's revenues from the SA Government over the last five years as shown in the following chart.



Fees and charges

Fees and charges increased by $46.1 million to $618 million (8.1%) in 2025-26. This was mainly due to patient and client fees rising by $40.6 million resulting from higher patient activity levels, including increases in:

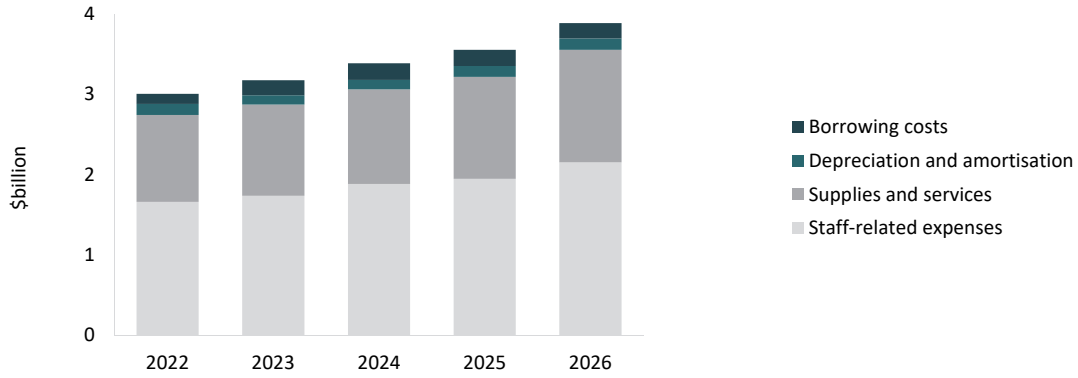
- medical imaging fees of $19.1 million
- private and public pathology fees $13.4 million, driven by increased activity levels and the introduction of a cost recovery model for pathology and medical imaging services provided by SCSS to other LHNs.

Grants and contributions

Grants and contributions increased by $30.5 million (9.3%), mainly due to a $24.5 million (8.5%) increase in the Pharmaceutical Benefits Scheme (PBS) subsidies from the Commonwealth Government. This increase was consistent with the $29.4 million increase in drug supplies expenses.

Expenses

Expenses increased by $333.8 million (9.3%) to $3.9 billion in 2025-26. The composition of expenses for the last five years is shown in the following chart.



Staff-related expenses

Staff-related expenses increased by $206.2 million (10.6%) to $2.2 billion and represented 55% of CALHN's total expenses in 2025-26. This was due to increases in:

- salaries and wages of $150.4 million, reflecting:
  - 442 additional FTEs, including extra nursing staff and medical officers to support increased activity levels
  - increases in nursing salaries and wages of $26.5 million, costs of consultants, medical officers and medical practitioners of $29.6 million, and allied health professionals of $17.8 million, due to new enterprise arrangements
- annual leave expense of $22.5 million, mainly due to higher staff numbers
- superannuation of $22.9 million, reflecting higher salaries and wages, increased annual leave expenses and an increase in the superannuation guarantee rate from 1 July 2025
- long service leave expense of $5.4 million due to the annual revaluation of the long service leave liability.

The breakdown of CALHN's total staff numbers between medical, nursing and non-medical staff since 2021-22 is shown in the following table. It shows overall growth in FTEs over the five years to 2025-26.

	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs	2025-26 FTEs
Non-medical	6,250	6,019	6,130	6,371	6,614
Nurses	4,994	5,088	5,297	5,439	5,538
Medical officers	1,525	1,561	1,629	1,697	1,797
Total FTEs	12,769	12,668	13,056	13,507	13,949

The increase since 2022-23 is due to the employment of more medical and nursing staff to support higher patient activity levels.

Supplies and services

Supplies and services increased by $131 million (10.3%) to $1.4 billion. Significant increases included:

- medical, surgical and laboratory supplies, up $43.7 million (18.7%), mainly due to increases in medical and laboratory supplies ($5.6 million), outside medical imaging costs ($20.6 million) and prostheses and implants ($9 million), as a result of higher activity levels
- drug supplies, up $29.4 million (8.1%), mainly due to an increase in drugs supplied to outpatients of $26.3 million and the supply of Section 100 drugs of $5.9 million, as there was growth in high-cost non-PBS drugs and supplier price increases
- contract of services, up $15 million (77%), mainly due to a $13.2 million increase in health services contracts
- public private practice partnership operating costs, up $13.5 million (10.9%), consistent with quarterly service payments under the finance model, including CPI indexation and contract terms
- computing, up $7 million (16.5%), mainly due to increases in computing expenses of $2.5 million and device and support charges by DHW of $1.7 million.

Statement of Financial Position

Assets

Total assets increased by $133.3 million to $3.9 billion in 2025-26.

Property, plant and equipment

Property, plant and equipment increased by $77.5 million to $3.5 billion and represented 88.2% of CALHN's total assets in 2025-26. Significant movements included:

- a revaluation increment of $153.3 million, comprising $25.4 million for land and $128.7 million for buildings
- asset additions of $63 million, including:
  - $26.9 million in work in progress, mainly for the new 24-bed mental health facility and additional surgical and general inpatient beds at TQEH

- $13.4 million in medical, surgical, dental and biomedical equipment
- $16.3 million in plant and equipment work in progress.

These increases were offset by depreciation of $138.8 million.

Cash and cash equivalents

Cash and cash equivalents increased by $53.4 million (22.5%) to $290.6 million in 2025-26. CALHN receives operating and capital funding from DHW to ensure sufficient cash is available to meet its immediate obligations. The increase in cash held reflects the timing differences between the receipt of cash funding and the settlement of current liabilities.

Liabilities

Current liabilities increased by $49.4 million to $555.2 million and exceeded current assets of $442.2 million. CALHN works with DHW to ensure sufficient funding is available to meet expected cash flow requirements for its administration and program delivery. Cash and cash equivalents of $290.6 million were sufficient to meet current payables of $105.8 million.

Staff-related liabilities

Staff-related liabilities totalled $755.1 million and represented 23.5% of CALHN's total liabilities at 30 June 2026. They comprised:

- staff-related liabilities of $691.3 million ($633.8 million)
- a workers compensation provision of $63.7 million ($59.3 million).

The increase in staff-related liabilities of $57.5 million was mainly due to the growth in nursing and medical staff numbers, including:

- long service leave liability of $18 million
- annual leave liability of $22.7 million, partly due to the increase in the salary inflation rate from 3.2% to 3.5%
- accrued salaries of $10.2 million (19.7%) due to more accrued days at year end.

The workers compensation provision increased by $4.5 million (7.5%), reflecting additions of $14.3 million, offset by payments of $8.5 million and a remeasurement adjustment of $1.4 million.

Payables

Payables increased by $7.2 million (7.3%) to $105.8 million, mainly due to increases in accruals for The Adelaide Clinic of $2.8 million, the Celsus private public partnership lifecycle component of $2.5 million and tuberculosis remissions of $1.2 million.

Financial liabilities

Financial liabilities decreased by $74.7 million to $2.3 billion. The decrease was mainly due to:

- $67.6 million in quarterly payments to the RAH
- an additional $11.8 million in lease repayments associated with right-of-use assets.

These decreases were partly offset by increases in financial liabilities of $4.8 million in new lease liabilities recognised in 2025-26.

Scope of the audit

Some financial services are provided by DHW and Shared Services SA. The audit findings of these agencies are provided in this report.

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- property, plant and equipment
- payroll and workforce management
- cash and online banking
- general ledger and financial accounting
- patient billing and rights of practice revenue
- accounts receivable and debtor management
- good and services expenditure and accounts payable
- borrowings
- SA Pharmacy revenue, expenditure and inventory management
- SA Pathology revenue
- SA Medical Imaging revenue
- corporate governance.

We reviewed controls over bank accounts, employee expenses, goods and service expenditure, financial liabilities, buildings and improvements and the AGFMA as part of our overall controls opinion, which is discussed in Part B of this report.

Eyre and Far North Local Health Network Incorporated (EFNLHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Some invoices were paid without purchase orders for them.
- Debt management needs to improve.
- EFNLHN's strategic asset management plan was incomplete.
- A locum was engaged and paid without an appropriate procurement process.

Key statistics

$208 million
Total income

$222 million
Total expenditure

15
Hospital and health service sites

880
FTEs

9,803
NWAUs

12,531
Total inpatient activity

Significant events and transactions

EFNLHN donated the Amata Wellbeing Centre valued at $6 million to the Department of Human Services.

Key findings

Some invoices were paid without purchase orders for them

We found instances where EFNLHN paid invoices without associated purchase orders and the purchases did not qualify for exemptions. SA Health's policy requires staff to raise requisitions and purchase orders unless the purchase is on the approved purchase exemption list or is below $2,200.

Failing to use purchase orders increases the risk of paying for goods or services that were not received or were not at the agreed price.

EFNLHN advised us that it will review staff's use of the purchase order exemption field and provide additional targeted training where required.

Debt management needs to improve

We found instances where EFNLHN did not effectively follow up and recover longstanding debts.

Weak debt recovery practices increase the risk of lost revenue to EFNLHN.

EFNLHN advised us that it has recruited a debt management officer and is transitioning responsibility for debt management from Shared Services SA to EFNLHN.

EFNLHN's strategic asset management plan was incomplete

EFNLHN's strategic asset management plan and asset management plan were not approved. This increases the risk that funding may not be allocated to the most critical assets and infrastructure needs.

EFNLHN advised us that its strategic asset management plan was finalised in June 2026.

A locum was engaged and paid without an appropriate procurement process

We identified an instance where a locum was engaged and paid without evidence of an appropriate procurement process, approval for a direct market approach, or an exemption from SA Health.

This increases the risk that value for money is not achieved and charges may be disputed.

EFNLHN advised us that it has now received an exemption from SA Health.

Financial information

The EFNLHN consolidated accounts include the incorporated Health Advisory Councils within its region. These Councils represent community interests and provide advice about health services, health issues, priorities, plans and strategic initiatives.

Only the consolidated results are presented below as the differences between the consolidated and parent entity amounts are not material.

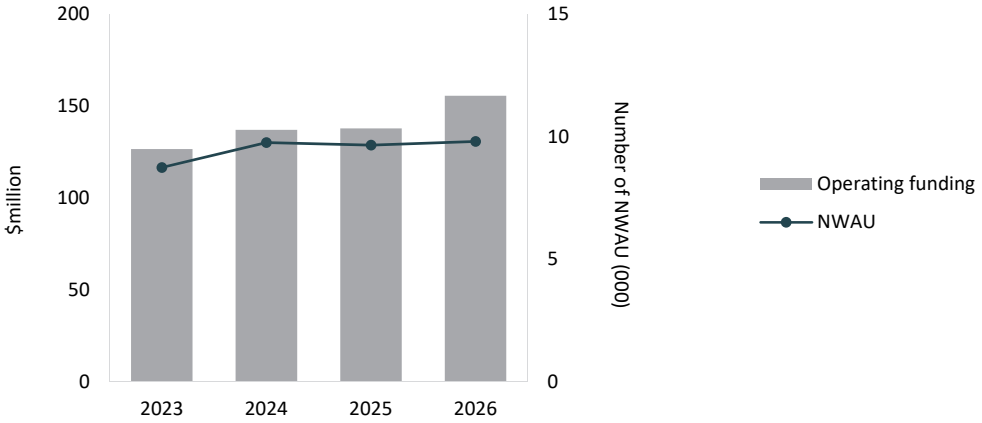
Highlights of the financial report – consolidated

	2026 $million	2025 $million
Income		
Revenues from SA Government	157	140
Fees and charges and other income	17	16
Grants and contributions	34	32
Total income	208	188
Expenses		
Staff-related expenses	103	90
Supplies and services and other expenses	108	100
Depreciation and amortisation	11	10
Total expenses	222	200
Net result	(14)	(12)
Total other comprehensive income	45	-
Total comprehensive result	31	(12)
Assets		
Current assets	51	42
Non-current assets	209	176
Total assets	260	218
Liabilities		
Current liabilities	48	38
Non-current liabilities	15	13
Total liabilities	63	51
Net assets	197	167

Statement of Comprehensive Income

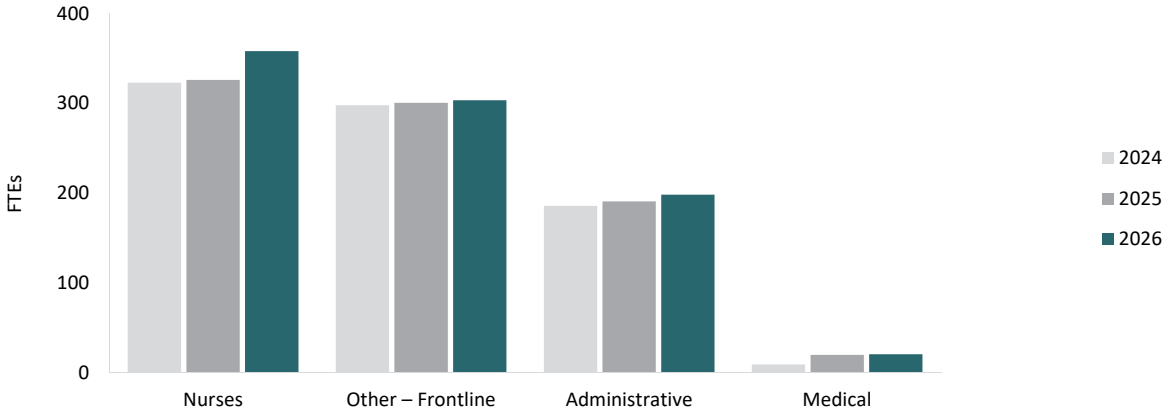
Revenues from SA Government

Revenues from the SA Government, which accounted for 76% of EFNLHN's income, increased by $18 million (13%) in 2025-26. Funding is received from the Department for Health and Wellbeing. It mainly comprised $156 million ($138 million) in operating funding. The increase reflects higher staff costs due to new enterprise bargaining agreements, including back payments, and the price per national weighted average unit (NWAU) and a rise in the number of NWAUs, as shown in the following chart.



Staff-related expenses

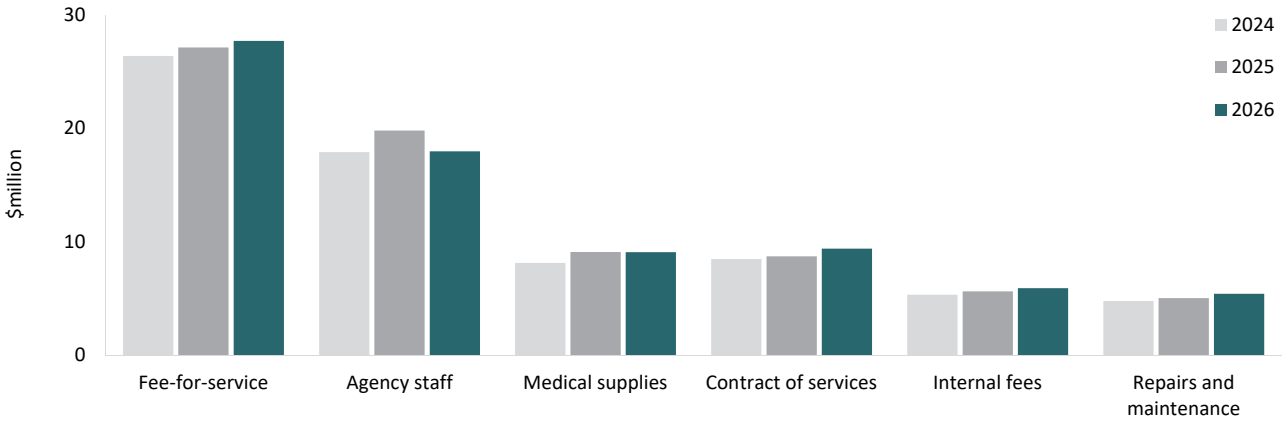
Staff-related expenses, which accounted for 46% of EFNLHN's expenses, increased by $13 million (14%). The increase was mainly due to an increase in staff of 43 FTEs (see chart below) and staff costs resulting from the new enterprise bargaining agreements, including back payments.



The rise in nursing staff was to reduce EFNLHN's reliance on agency staff.

Supplies and services

Supplies and services expenses, which accounted for 45% of EFNLHN's expenses, increased by $2 million (2%) in 2025-26. There are six categories that account for 76% of this expenditure, as shown in the following chart.



The increases of $1 million in contract of services and $1 million in fee-for-service expenses reflects the higher cost of these services. This was partly offset by a $2 million decrease in agency staff costs due to reduced agency staff usage following an increase of 33 nursing FTEs.

Other expenses

Other expenses increased by $6 million due to the Amata Wellbeing Centre being donated to the Department of Human Services.

Statement of Financial Position

Cash

Cash and cash equivalents totalled $22 million ($18 million) and accounted for 43% of EFNLHN's current assets. Cash comprised deposits with the Treasurer of $15 million ($12 million) and cash at bank or on hand of $7 million ($6 million).

Receivables

Receivables increased by $2 million (64%) due to some large outstanding debts related to aged care services at 30 June 2026.

Property, plant and equipment

Property, plant and equipment increased by $33 million (19%) to $208 million, due to a revaluation increase in land and buildings of $45 million, offset by depreciation of $10 million.

Staff-related liabilities

Staff-related liabilities increased by $4 million (15%) to $29 million, due to an increase in staff of 43 FTEs and related staff costs.

Contract liabilities and other liabilities

Contract liabilities and other liabilities increased by $6 million (32%) to $23 million, mainly due to higher residential aged care deposits resulting from increased rate charges and occupancy levels. Contract liabilities also increased as funding for the 2026-27 Support in the Home grant was received before 30 June 2026.

Scope of the audit

Some financial services for EFNLHN are provided by the Rural Support Service within the Barossa Hills Fleurieu LHN, the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

Flinders and Upper North Local Health Network Incorporated (FUNLHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Some invoices were paid without purchase orders for them.
- FUNLHN's asset management plan remains incomplete.
- Locums were engaged and paid without an appropriate procurement process.

Key statistics

$220 million
Total income

$221 million
Total expenditure

6
Hospital and health service sites

811
FTEs

19,504
NWAUs

17,689
Total inpatient activity

Key findings

Some invoices were paid without purchase orders

We found instances where FUNLHN paid invoices without associated purchase orders and the purchases did not qualify for exemptions. SA Health's policy requires staff to raise requisitions and purchase orders unless the purchase is on the approved purchase exemption list or is below $2,200.

Failing to use purchase orders increases the risk of paying for goods or services that were not received or were not at the agreed price.

FUNLHN advised us it will commence auditing invoices against exemption categories every month and provide its staff with the necessary education.

Asset management plan remains incomplete

FUNLHN's asset management plan is being developed.

Without a completed plan, there is an increased risk that funding may not be allocated to the most critical assets and infrastructure needs.

FUNLHN advised us that limited resourcing has constrained its progress on the plan, although completion of the plan remains a priority.

Locums were engaged and paid without an appropriate procurement process

We identified instances where FUNLHN engaged and paid locums without evidence of an appropriate procurement process, approval for a direct market approach, or an exemption from SA Health.

This increases the risk that value for money is not achieved and charges may be disputed.

FUNLHN advised us that it will work with the Department for Health and Wellbeing to resolve this issue.

Financial information

The FUNLHN consolidated accounts include the incorporated Health Advisory Councils within its region. These Councils represent community interests and provide advice about health services, health issues, priorities, plans and strategic initiatives.

Only the consolidated results are presented below as the differences between the consolidated and parent entity amounts are not material.

Highlights of the financial report – consolidated

	2026 $million	2025 $million
Income		
Revenues from SA Government	200	177
Fees and charges and other income	10	10
Grants and contributions	10	9
Total income	220	196
Expenses		
Staff-related expenses	100	90
Supplies and services and other expenses	108	96
Depreciation and amortisation	13	12
Total expenses	221	198
Net result	(1)	(2)
Total other comprehensive income	36	-
Total comprehensive result	35	(2)
Assets		
Current assets	18	15
Non-current assets	179	145
Total assets	197	160
Liabilities		
Current liabilities	29	24
Non-current liabilities	34	36
Total liabilities	63	60
Net assets	134	100

Statement of Comprehensive Income

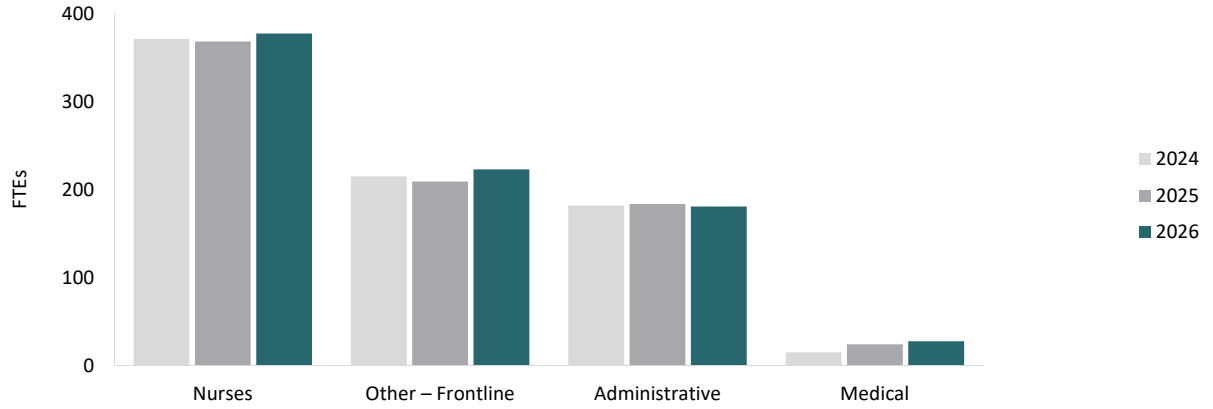
Revenues from SA Government

Revenues from the SA Government, which accounted for 91% of FUNLHN's income, increased by $23 million (13%). Funding is received from the Department for Health and Wellbeing. It comprised:

- $190 million ($171 million) in operating funding. The increase reflects higher staff costs due to new enterprise bargaining agreements, including back payments, and the price per national weighted average unit (NWAU)
- $10 million ($6 million) in capital funding, mainly for upgrades to the Port Augusta and Whyalla hospital emergency departments.

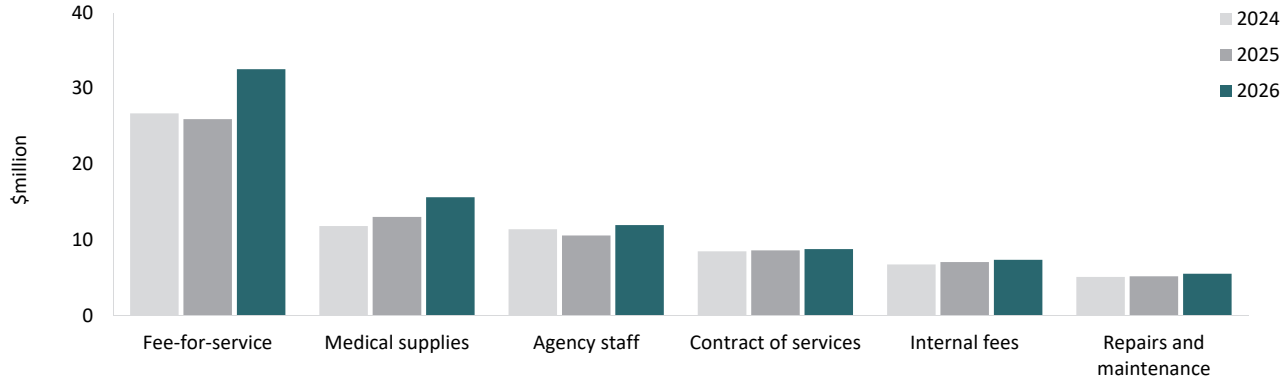
Staff-related expenses

Staff-related expenses, which accounted for 45% of FUNLHN's expenses, increased by $10 million (11%) to $100 million in 2025-26. The increase is mainly due to the increase in staff costs resulting from the new enterprise bargaining agreements, including back payments. The number of staff increased by 23 FTEs, as shown in the following chart.



Supplies and services

Supplies and services, which accounted for 48% of FUNLHN's expenses, increased by $13 million (14%) to $107 million in 2025-26. There are six categories that account for 76% of this expenditure, as shown in the following chart.



The main increases in supplies and services were $7 million in fee-for-service and $3 million in medical supplies due to the higher costs.

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment increased by $34 million (4%) to $178 million due to a revaluation of land and building of $36 million and $10 million in additions, offset by $13 million in depreciation. The additions were mainly in capital works in progress.

Financial liabilities

Financial liabilities decreased by $3 million (10%) to $23 million as there is one less year remaining on property lease agreements, mainly for the Port Augusta Hospital.

Staff-related liabilities

Staff-related liabilities increased by $3 million (10%) to $30 million due to the increase in staff costs resulting from the new enterprise bargaining agreements, including back payments.

Scope of the audit

Some financial services for FUNLHN are provided by the Rural Support Service within the Barossa Hills Fleurieu LHN, the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

Limestone Coast Local Health Network Incorporated (LCLHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Some invoices were paid without purchase orders for them.
- Debt management needs to improve.
- Locums were engaged and paid without an appropriate procurement process.

Key statistics

$300 million
Total income

$295 million
Total expenditure

10
Hospital and health service sites

1,235
FTEs

21,633
NWAUs

20,828
Total inpatient activity

Key findings

Some invoices paid were without purchase orders for them

We found instances where LCLHN paid invoices without associated purchase orders and the purchases did not qualify for exemptions. SA Health's policy requires staff to raise requisitions and purchase orders unless the purchase is on the approved purchase exemption list or is below $2,200.

Failing to use purchase orders increases the risk of paying for goods or services that were not received or were not at the agreed price.

LCLHN advised us that it will continue to monitor and provide targeted education to its staff.

Debt management needs to improve

We found instances where LCLHN did not effectively follow up and recover longstanding debts.

Weak debt recovery practices increase the risk of lost revenue to LCLHN.

LCLHN advised us that it is recruiting a debt management officer and responsibility for debt management will transfer from Shared Services SA to LCLHN in July 2026.

Locums were engaged and paid without an appropriate procurement process

We identified instances where LCLHN engaged and paid locums without evidence of an appropriate procurement process, approval for a direct market approach, or an exemption from SA Health.

This increases the risk that value for money is not achieved and charges may be disputed.

LCLHN advised us that it has revised its processes to ensure approval is sort when required.

Financial information

The LCLHN consolidated accounts include the incorporated Health Advisory Councils within its region. These Councils represent community interests and provide advice about health services, health issues, priorities, plans and strategic initiatives.

Only the consolidated results are presented below as the differences between the consolidated and parent entity amounts are not material.

Highlights of the financial report – consolidated

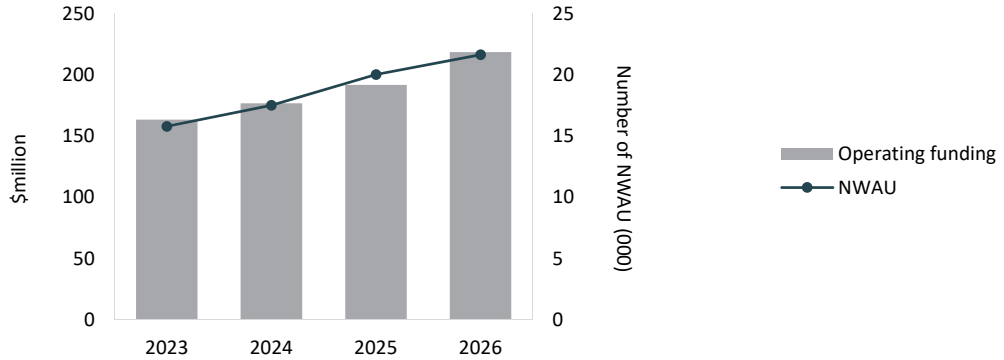
	2026 $million	2025 $million
Income		
Revenues from SA Government	237	206
Fees and charges and other income	25	24
Grants and contributions	38	36
Total income	300	266
Expenses		
Staff-related expenses	161	137
Supplies and services and other expenses	126	108
Depreciation and amortisation	8	8
Total expenses	295	253
Net result	5	13
Total other comprehensive income	23	1
Total comprehensive result	28	14
Assets		
Current assets	56	53
Non-current assets	189	155
Total assets	245	208
Liabilities		
Current liabilities	66	55
Non-current liabilities	45	47
Total liabilities	111	102
Net assets	134	106

Statement of Comprehensive Income

Revenues from SA Government

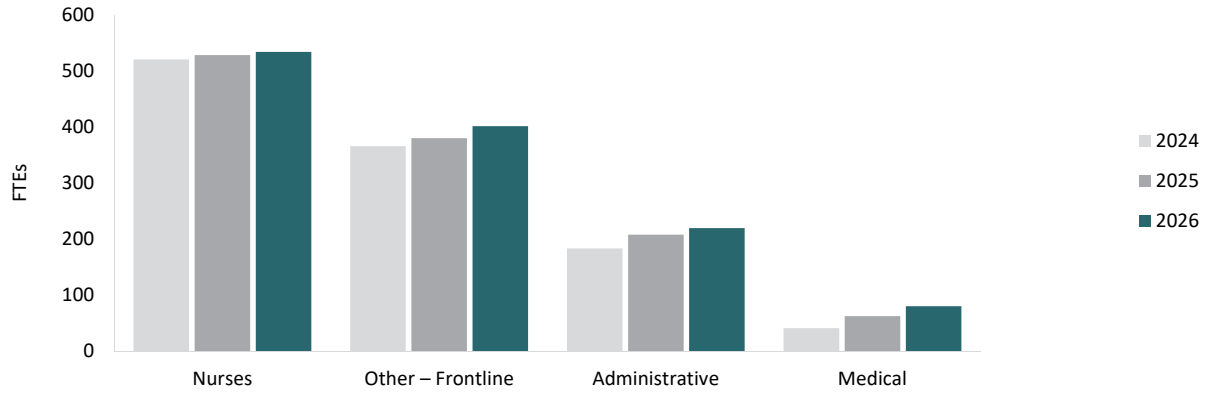
Revenues from the SA Government, which accounted for 79% of LCLHN's income, increased by $31 million (15%) in 2025-26. Funding is received from the Department for Health and Wellbeing. It comprised:

- $218 million ($191 million) in operating funding. The increase reflects higher staff costs due to new enterprise bargaining agreements, including back payments, and the price per national weighted average unit (NWAU) and a rise in the number of NWAUs, as shown in the following chart
- $19 million ($15 million) in capital funding, mainly for upgrades to the Mount Gambier Health Service, Naracoorte Hospital and SA Regional Cancer Care.



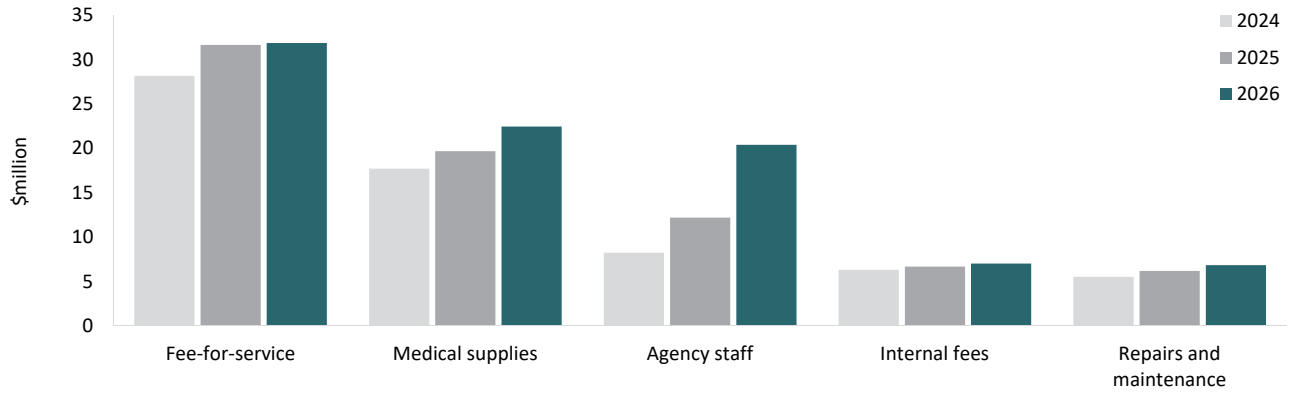
Staff-related expenses

Staff-related expenses, which accounted for 55% of LCLHN's expenses, increased by $24 million (17%) in 2025-26. The increase is mainly due to increases in staff of 57 FTEs (see chart below) and staff costs resulting from the new enterprise bargaining agreements, including back payments.



Supplies and services

Supplies and services which accounted for 43% of LCLHN's expenses, increased by $19 million (18%) in 2025-26. There are five categories that account for 70% of this expenditure, as shown in the following chart.



The main increases in supplies and services expenses were:

- $8 million in agency staff costs, driven by the increased use of agency nurses due to higher activity levels, workforce recruitment challenges and rising agency service costs
- $3 million in medical supplies, due to increased supply costs and higher activity levels.

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment increased by $34 million (22%) to $187 million in 2025-26. This was mainly due to a $23 million revaluation increase in land and buildings and $19 million in additions, offset by $8 million in depreciation. Most additions related to capital works in progress for upgrades to the Mount Gambier Health Service, Naracoorte Hospital and SA Regional Cancer Care.

Financial liabilities

Financial liabilities decreased by $3 million (10%) to $28 million because there is one less year remaining on property lease agreements, with the major lease being the Mount Gambier Hospital.

Staff-related liabilities

Staff-related liabilities increased by $5 million (12%) to $44 million, due to an increase in staff of 57 FTEs and related staff costs.

Contract and other liabilities

Contract and other liabilities increased by $3 million (13%) to $25 million, mainly due to an increase in residential aged care deposits, reflecting higher occupancy levels and increased rate charges.

Scope of the audit

Some financial services for LCLHN are provided by the Rural Support Service within the Barossa Hills Fleurieu LHN, the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

Northern Adelaide Local Health Network Incorporated (NALHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Procurement and contract management processes need to improve.
- Some expenditure was incurred without appropriate authority.
- Asset management and maintenance processes under the Across Government Facilities Management Arrangements (AGFMA) need to improve.
- NALHN's strategic workforce plan is not supported by an implementation strategy.
- Important controls for payroll processing and leave management need to improve.
- Some staff do not have current performance reviews or have not completed mandatory training.
- Billing and debt management processes need to improve.

Key statistics

$1.4 billion Total income	$1.4 billion Total expenditure	$705 million Value of buildings	$868 million Staff-related expenses
5,572 FTEs	87,771 Total inpatient activity	146,425 NWAUs	

Significant events and transactions

- Construction of the $130 million Modbury Hospital Health Precinct was completed in February 2026. The project included new mental health services, a cancer centre and a multi-level car park.
- A new 20-bed inpatient unit at Lyell McEwin Hospital was completed in December 2025 at a cost of $17 million.

Key findings

Supplies and services expenditure

Procurement and contract management processes need to improve

NALHN spent $458 million on supplies and services in 2025-26. We reviewed its controls over procurement, contracting and purchasing of goods and services. This included procurement processes for cleaning services at NALHN's mental health sites and patient services.

NALHN's procurement and contract management procedures do not reflect some mandated requirements

NALHN's procurement and contract management procedures do not reflect the requirements of:

- the SA Health internal procurement framework
- Procurement SA (PSA) policies
- the South Australian Industry Participation policy.

These procedure gaps increase the risk that mandatory requirements are overlooked or applied inconsistently, reducing the assurance that procurement activities are conducted in a fair, transparent and accountable manner.

NALHN responded that it will update its procedures and local work instructions to align with current SA Health and PSA requirements, including those relating to industry participation plans.

Evaluation criteria in the request for quote were not consistent with the approved acquisition plan

The request for quote for cleaning services included evaluation criteria that were not included in the approved acquisition plan. NALHN could not provide evidence that the additional evaluation criteria had been approved.

PSA policies require agencies to follow the acquisition strategy approved during the planning stage when approaching the market. Not following the approved strategy increases the risk that the procurement objectives are not achieved and contracts do not deliver value for money.

NALHN advised us that it will implement ongoing compliance audits and staff education to strengthen procurement evaluation and documentation practices.

Evaluation of quotes received was not documented

For the cleaning services procurement, the purchase recommendation compared suppliers on price but did not include an assessment of the other evaluation criteria. While the purchase recommendation stated all suppliers met the mandatory and weighted criteria, NALHN could not provide evidence of the assessment undertaken.

Without documented evaluations, there is an increased risk that procurement objectives are not achieved and contracts do not deliver value for money.

NALHN responded that it will implement ongoing compliance audits and staff education to strengthen procurement evaluation and documentation practices.

Purchase recommendations not approved by all evaluation members

We found that the purchase recommendation for cleaning services was not signed by all members of the evaluation team before the contract was executed.

Where there is no evidence that all team members support the purchase recommendation, there is an increased risk that procurement processes are not conducted in a fair, transparent and accountable manner.

NALHN responded that it will implement ongoing compliance audits and staff education to strengthen procurement evaluation and documentation practices.

No evidence the secondary procurement of patient services complied with the buyer's guide

NALHN could not provide evidence that the provider had been assessed against the criteria in SA Health's patient services panel buyers guide (buyer's guide).

The buyer's guide requires agencies to assess potential providers to determine which provider is best suited to deliver the required service. Without this assessment, there is an increased risk patient services do not achieve value for money.

NALHN responded that it will assess and document provider suitability against the clinical mix and service requirements of outsourced activities and retain supporting documentation on file.

Appropriate governance over executed contracts was not established

We reviewed NALHN's controls to determine whether key contract management activities were being performed. This included reviewing the contract management processes for three contracts relating to medical imaging and medical equipment maintenance.

No effective control to monitor whether key activities are occurring

Last year, we reported that NALHN did not have an effective control to ensure contract managers complied with the PSA and SA Health requirements. At the time, NALHN advised us it would perform an annual review of all contracts registered in its procurement and contract management system (PCMS) each January. However, as at March 2026, NALHN had not performed this review. As a result, there were no controls to ensure contract managers were:

- completing contract management plans
- monitoring contract expenditure against approved amounts
- monitoring contract performance against KPIs

- reviewing identified risks and effectiveness of treatment plans
- completing the required training
- ensuring contract details were accurately recorded in PCMS.

Without oversight of these key contract activities, there is an increased risk that contracts will not achieve value for money or intended outcomes.

NALHN responded that it would implement a biannual review of its procurement, supply and contract management register, with outcomes reported through appropriate governance mechanisms. It will also update its procedures to reflect review requirements.

Contract management plan did not include key information

NALHN's contract management plan (CMP) for its medical imaging contract did not include:

- a complexity assessment
- a description of key deliverables, including outcomes, outputs and how outcomes will be measured
- contract-specific risks and a risk management plan
- previous contract variations.

PSA and SA Health requirements mandate that this information be included in the PSA CMP template. NALHN did not use the PSA template.

When key information is not included in a CMP, there is an increased risk that important contract management activities are overlooked and issues are not identified and addressed promptly, resulting in poor contract outcomes.

NALHN responded that it will mandate the use of the SA Health CMP and risk assessment templates for all applicable contracts.

Risks relating to the medical imaging contract were not clearly documented and monitored

Despite the medical imaging contract being classified as a strategic contract, NALHN did not have a risk management plan for the contract. Risks were also not documented in the CMP.

SA Health's contract management framework requires complex and strategic contracts to have a risk management plan, with identified risks incorporated into the CMP. Without a documented risk management plan, contract risks may not be effectively identified, monitored and managed.

NALHN responded that the risks associated with the medical imaging contract will be documented using the PSA contract management and risk management templates.

Performance against some KPIs could not be reliably measured

For the medical imaging contract, NALHN could not reliably measure the provider's performance against two of its KPIs requiring scans and reports to be completed within specific time frames. The provider's system does not adjust for patient transfer delays or other factors outside its control, meaning reported compliance rates may not accurately reflect its actual performance.

Without alternative reporting to confirm whether scans and reports are completed within expected time frames, performance issues may not be identified and addressed promptly.

NALHN advised us that it will work with the provider to develop revised performance measures that appropriately account for patient flow and other factors outside of the provider's control.

Contract details recorded in PCMS were incorrect

NALHN did not correctly record the commencement and expiry dates for the medical equipment contracts in its PCMS. It also does not have a review process to ensure contract details are accurately entered into PCMS for procurements over $55,000.

Incorrect contract dates may result in incorrect forecasting of contract expenditure and delays in contract reviews and renewals.

NALHN responded that it will undertake an ongoing administrative review to ensure all required PCMS fields are accurately completed and updated from source contract documents.

Some contract managers had not completed mandatory training

Five out of NALHN's 36 contract managers had completed mandatory training. NALHN also does not have documented procedures covering mandatory training requirements, including how the training completion is monitored and how the training register is maintained.

Contract managers who have not completed mandatory training may not have the skills and knowledge needed to manage contracts effectively.

NALHN advised us that it will audit mandatory training completion for all contract managers as part of its biannual review of procurement, supply and contract management register, with compliance reported to the appropriate governance committee. It will also update its procedures to reflect these review requirements.

The annual contract review did not include SA Health requirements

NALHN's annual review of its medical imaging contract did not include the following SA Health requirements:

- an assessment of the resources allocated to manage the contract
- an assessment of contract outcomes, including value for money
- a summary of approved contract variations
- a review of risks and how they were being managed.

NALHN did not use the PSA annual review template, which includes these requirements. The use of the PSA template is mandated by SA Health.

An incomplete contract review increases the risk that opportunities for improvement are not identified and that contracts do not achieve value for money and intended outcomes.

NALHN responded that it will mandate the use of SA Health annual review templates for all applicable contracts and report annual review outcomes to the appropriate governance committee.

Some expenditure was processed without appropriate authority

Between 1 July 2025 and 31 January 2026, NALHN paid a private hospital $3 million for patient services. However, the hospital's request for services specification form (RFSSF) was not signed until February 2026.

This hospital is a provider under the SA Health Patient Services Panel Contract. The buyer's guide for this contract requires agencies to complete an RFSSF that specifies the services to be provided, commencement and expiry dates and pricing arrangements. Treasurer's Instruction 8 *Financial Authorisations* also requires agencies to obtain contract authorisation before incurring expenditure under contractual arrangements.

Without a signed RFSSF, there is an increased risk of inaccurate or disputed charges because the terms of the arrangement and agreed pricing are not clearly documented.

NALHN responded that it will update and implement a work instruction for managing patient panel contracts. It will also incorporate authorisation requirements into its contracts policy to reinforce the need for appropriate approval before engaging services or incurring expenditure.

Asset management and maintenance

Processes under the AGFMA need to improve

NALHN reported property, plant and equipment valued at $881 million at 30 June 2026. As part of our 2025-26 audit, we reviewed the processes used to manage the maintenance of these assets. Our review of the AGFMA focused on the controls exercised by NALHN.

The strategic asset management plan and related asset management plan were missing key information

NALHN updated its strategic asset management plan (SAMP) and asset management plan (AMP) in 2025-26. However, these plans did not include:

- asset management maturity information
- a forecast asset sustainment program, including funding sources and completion timelines.

SA Health's asset management policy requires this information to be included in asset management plans. Incomplete plans increase the risk that assets are not managed in line with legislative, technical and service requirements, and that maintenance and replacement costs may not be accurately estimated.

NALHN responded that it will update its current SAMP and AMP to include an asset management maturity assessment and ensure future revisions comply with all mandatory policy requirements.

No policies and procedures for key AGFMA controls

NALHN did not have documented policies and procedures for several AGFMA controls, including:

- reviewing and approving jobs in the Panorama system
- disputing claims
- reviewing of invoices before payment, including assessing the reasonableness of rates
- verifying asset data following Ventia site inspections
- reporting non-compliance and other issues
- reviewing the annual service delivery plan (ASDP), including monitoring work performed against the ASDP
- reviewing the traffic light report
- reviewing Panorama system user access.

Without documented policies and procedures, there is an increased risk that key controls are not performed. This may result in inappropriate payments, potential waste of public funds and reduced assurance over asset condition and service delivery.

NALHN responded that it will document and formalise key AGFMA control processes to support consistent governance, oversight and compliance.

Meetings with Ventia did not occur regularly

The Memorandum of Administrative Arrangement between the Department for Infrastructure and Transport and NALHN requires NALHN to meet with Ventia quarterly at the Participating Agency Focus Group Forum (PAFGF). The PAFGF is intended to address strategic and operational matters, including asset management, service delivery and performance management.

We found that no PAFGF meetings were held between October 2025 and March 2026. NALHN also intended to hold monthly meetings with Ventia to discuss operational matters, including KPIs, financial performance and risks. However, no meetings were held between November 2025 and March 2026.

Without regular meetings with Ventia, issues may not be escalated and resolved promptly. This increases the risk of service delivery failures where maintenance is not performed as needed and financial loss where payments are made for services that are not delivered or are ineffective.

NALHN responded that it will maintain a documented schedule of meetings with Ventia. Meeting minutes, action plans and progress updates will be recorded and retained to ensure issues are identified, tracked and resolved promptly.

Annual service delivery plan was not approved

NALHN did not approve the 2025-26 ASDP because of concerns about the costs and the accuracy of the data used to prepare the plan. Instead, Ventia performed maintenance jobs as jobs were approved in the Panorama system.

Under the AGFMA and Memorandum of Administrative Arrangement, Ventia is responsible for developing the ASDP in consultation with NALHN. The ASDP is intended to ensure maintenance required by legislation, regulations and standards is completed for relevant assets.

Without an approved ASDP, required maintenance may be delayed or missed, increasing safety risks for staff and patients. Issues may be more difficult to resolve because there is no agreed scope of works or expected costs.

In addition, NALHN did not have an effective process to monitor Ventia's reported progress on jobs requested in the Panorama system, and there was no evidence that progress reports were reviewed to confirm Ventia's performance met expectations.

NALHN responded that the 2026-27 ASDP has been accepted and is being used to support asset management planning and performance monitoring. It also advised that it will continue working with Ventia to ensure future ASDPs are developed, reviewed and approved within the required time frames.

User access reviews for asset systems need to improve

Ventia uses the Panorama system to record asset data, while agencies use the system to request, approve and track maintenance jobs to be performed by Ventia.

NALHN previously advised us that it performs quarterly user access reviews of the Panorama system. However, it could not provide evidence that these reviews were performed in 2025-26.

Without regular user access reviews, there is an increased risk that inappropriate or unauthorised changes to asset data are not identified and that jobs are raised without appropriate authority.

NALHN responded that it will implement quarterly user access reviews and update its local work instructions to document Panorama system role responsibilities and review requirements.

There is no effective control to ensure reactive maintenance jobs are properly approved

NALHN does not have an effective control to ensure reactive maintenance jobs are approved by the appropriate delegate before the job is approved in the Panorama system.

To provide oversight of maintenance requests, access to approve jobs in the Panorama system is restricted to the engineering and buildings services team. It has a contract authority limit of $2,200 and is required to obtain approval for reactive maintenance jobs above this amount.

However, we found that there was no mechanism to ensure this occurred. We also found two out of six work orders we reviewed had not been approved by the appropriate delegate.

Without an effective approval control, there is an increased risk that maintenance work is performed without appropriate authorisation.

NALHN responded that it will implement a biannual audit of a sample of reactive maintenance jobs to verify approvals were obtained. Any exceptions identified will be investigated and corrective actions implemented as required.

Risks under the AGFMA should be managed better

NALHN's strategic and operational risk registers did not address risks arising from gaps in Ventia's services, including issues with the Panorama system, limited site inspections and data validation and delays in implementing ASDPs.

Without identifying and documenting these risks, NALHN may not effectively manage risks associated with the AGFMA, which could result in financial loss or safety risks for staff and patients.

NALHN responded that it will review and update its strategic and operational risk registers to ensure key AGFMA risks are formally documented, monitored and reviewed.

Payroll

NALHN spent $868 million on staff-related expenses in 2025-26 and employed 5,572 FTE staff at 30 June 2026.

Strategic workforce plan not implemented

For several years, we reported that NALHN did not have a strategic workforce plan. Although NALHN finalised its strategic workforce plan in June 2025, the plan's initiatives have not been implemented because the implementation plan remains in draft.

This increases the risk that NALHN may not have the workforce required to achieve its strategic objectives, resulting in greater reliance on temporary staff at higher cost and potential impacts on service delivery where resources are unavailable.

NALHN responded that its workforce planning working group is developing the implementation plan as part of an ongoing program of work.

Payroll planning, monitoring and approval processes need to improve

Key payroll information was not always reviewed

NALHN uses several payroll reports to review key payroll information, which helps ensure staff payments are accurate and valid.

In 2025-26, we found that:

- managers were not reviewing bona fide and leave reports promptly. As at March 2026, 24% of bona fide reports and 30% of leave reports had not been reviewed
- managers did not regularly review payments made to staff who submit manual timesheets and are not included on bona fide reports.

Without these reviews incorrect payroll information may not be identified, increasing the risk of fraudulent or incorrect payments.

We also found that:

- some manual timesheets contained incomplete information, preventing us from confirming whether the timesheet approver had appropriate authority
- as at March 2026, an average of 12% of ProAct timesheets were not approved before payment. ProAct covers nursing, midwifery, allied health and some salaried staff.

Unapproved timesheets increase the risk of invalid payments and overpayments to staff.

NALHN responded that it will remind managers of their responsibilities for reviewing and approving timesheets, bona fide reports and leave reports. It will also implement a control to identify and verify unapproved reports and timesheets and remind approvers to retain supporting rosters.

Inconsistent medical rostering practices across divisions

Medical rostering practices continue to vary across NALHN divisions. As there is no dedicated rostering system for medical officers and no central training for staff preparing rosters, local practices have developed across divisions.

These inconsistencies increase the risk that complex enterprise agreement provisions are interpreted differently across NALHN.

We understand that the Department for Health and Wellbeing (DHW) is investigating the introduction of an electronic rostering and timesheet system for medical officers to support more consistent approval processes and rostering practices.

NALHN responded that it will work with DHW on implementing the electronic system for medical officers. A project oversight group has been established by DHW and includes NALHN representatives.

No evidence of job plans being completed

NALHN could not provide evidence that job plans had been completed for any of the five medical officers we sampled.

The SA Health Salaried Medical Officers Enterprise Agreement 2025 and SA Health job planning procedure require consultants, clinical academics, visiting medical specialists and senior medical practitioners to have current job plans that are reviewed annually.

Without approved job plans, expectations, commitments and support requirements may not be clearly defined and resources may not align with service priorities and plans.

NALHN responded that it will remind divisional directors of their responsibility to ensure job plans are completed and has requested copies of consultant medical staff job plans from divisions.

Ineffective management of excessive leave

A significant number of staff had excessive annual leave balances exceeding two years' entitlement. In April 2026, 682 employees had annual leave balances over 300 hours and five employees had balances exceeding 800 hours.

NALHN policy requires staff with annual leave balances of more than two years' entitlement to have leave reduction plans, approved by a divisional director. We reviewed five staff with excessive annual leave balances and found that only one had a leave reduction plan.

Excessive annual leave balances can affect staff wellbeing and productivity and may indicate issues with the completeness of leave records.

NALHN responded that it will continue working with the divisions to ensure leave reduction plans are in place for employees with reported excess leave balances.

Some employees do not have current performance reviews or have not completed mandatory training

As at March 2026, 60% of NALHN's divisions had achieved mandatory training completion requirements in its learning management system. NALHN's procedure requires at least 80% compliance within each division in the required time frames.

We also found that only 73% of staff had completed a performance review as at April 2026. NALHN's procedure requires 80% of employees to have a performance review every six months.

Failure to complete mandatory training and performance reviews increases the risk that staff are not adequately trained and are unaware of expected performance standards, which may affect NALHN's ability to achieve its strategic priorities.

NALHN responded that mandatory training and performance review compliance rates have improved through weekly monitoring and additional compliance reporting provided to divisional and executive directors. It also noted that divisional performance is discussed at monthly performance meetings.

Offers of employment were provided or signed after commencement

We found several instances where staff signed offers of employment after they had commenced work. In some cases, the offer was not provided until after commencement. We also noted instances where onboarding forms were approved after staff started work.

Failure to ensure documented employment offers are received and signed by employees before they start work increases the risk of non-compliance and disputes about employment conditions.

NALHN responded that it will remind its hiring managers that new starters must not commence work until onboarding requirements are completed.

Patient billing

NALHN received $48 million in patient and client fees in 2025-26, including revenue from private patients, compulsory third-party claims for motor vehicle accidents, Return to Work recoveries for workplace-related injuries and non-Medicare eligible patients. NALHN also managed more than $16 million in patient and client fee debts at 30 June 2026.

Billing and debt management processes need to improve

There is inadequate segregation of duties in the revenue system

Since 2022-23. we have reported that revenue officers could amend key patient data used for invoicing in the patient management system (Sunrise EMR). In 2025-26, we found that NALHN had still not implemented a system control to prevent this access, or a process to identify and review inappropriate adjustments.

Without appropriate segregation of duty controls, revenue officers may make inappropriate changes to patient information, affecting fees charged to patients and third parties.

NALHN responded that it has implemented a monthly review of the Sunrise EMR system repricing reports to identify and investigate any inappropriate adjustments.

Follow-up of outstanding debt needs to improve

For several years, we have reported issues with NALHN's follow-up of outstanding debt. While NALHN has reduced short-term debt, 42% of outstanding debts were more than six months old at June 2026. NALHN has also not finalised its debt management treatment plans.

Ineffective debt recovery practices reduce the likelihood of collecting hospital billing debts.

NALHN responded that it will strengthen debt recovery processes, increase opportunities for upfront collection where appropriate and finalise its debt management treatment plans.

Invoices for hospital in the home services were incorrectly raised

NALHN incorrectly invoiced an insurer for hospital in the home (HITH) services that were not covered under the insurer's arrangements. It later identified additional unpaid HITH invoices that had been incorrectly issued to other insurers for non-covered HITH services, some of which had been outstanding for more than six months. These debts have since been cancelled.

NALHN had not finalised HITH agreements with some major health insurers to confirm coverage arrangements and information requirements for processing future claims.

This lack of clarity increases the risk that invalid debts are recognised and creates inefficiencies in the debt recovery process.

NALHN responded it has developed, or is developing, individual HITH agreements with health insurers. It has also reviewed existing HITH debts and written off debts where recovery is not possible.

Financial information

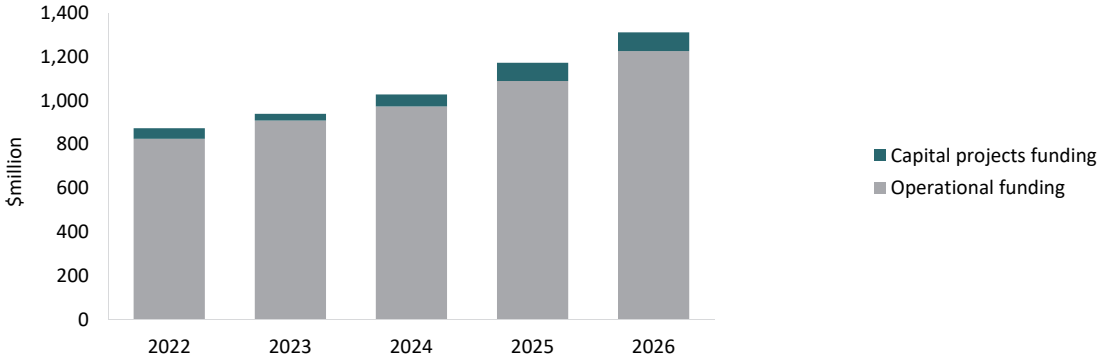
Highlights of the financial report

	2026 $million	2025 $million
Income		
Revenues from SA Government	1,311	1,173
Fees and charges	65	60
Other income	24	20
Total income	1,400	1,253
Expenses		
Staff-related expenses	868	755
Supplies and services	458	411
Depreciation and amortisation	53	43
Other expenses	7	6
Total expenses	1,386	1,215
Net result	14	38
Other comprehensive income	56	40
Total comprehensive result	70	78
Assets		
Current assets	72	62
Non-current assets	885	785
Total assets	957	847
Liabilities		
Current liabilities	200	173
Non-current liabilities	176	163
Total liabilities	376	336
Net assets	581	511

Statement of Comprehensive Income

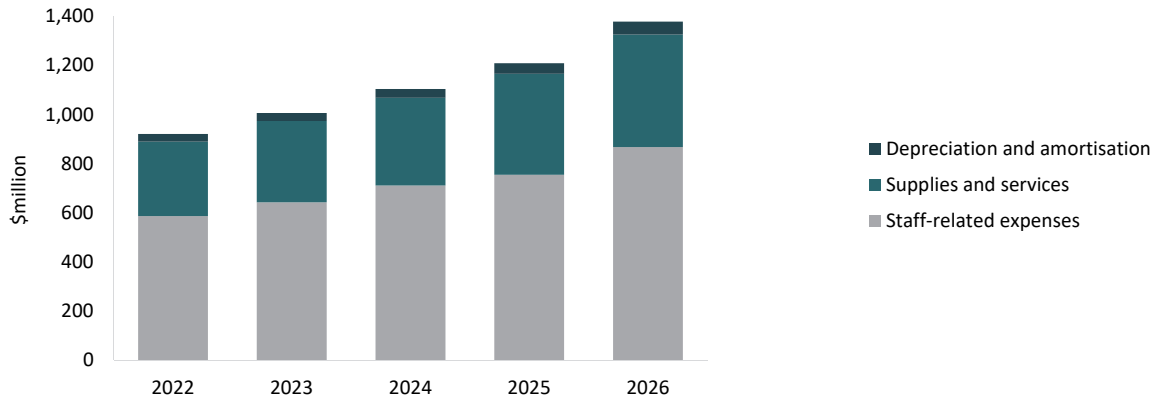
Revenues from SA Government

NALHN is mainly funded by DHW. In 2025-26, NALHN received operational funding of $1.2 billion ($1.1 billion) and capital funding of $86 million ($83 million). The capital funding significantly contributed to NALHN's net result of $14 million, mainly for the Modbury Hospital redevelopment and the project to build the Crisis Retreat Facility next to the Lyell McEwin Hospital. The overall growth in funding from the SA Government over the last five years is shown in the following chart.



Expenses

Expenses increased by $171 million (14%) to $1.4 billion in 2025-26. The composition of expenses for the last five years is shown in the following chart. It show that all major expense categories increased over this period.



Staff-related expenses

Staff-related expenses increased by $113 million to $868 million, which represented 63% (62%) of NALHN's total expenses in 2025-26. This increase was mainly due to a rise in salaries and wages expenses and on-costs of $100 million, drive by an increase in staff of 360 FTEs and salary increases under the new enterprise agreements, including:

- 6.9% to 12% for staff under the SA Health Salaried Medical Officers Enterprise Agreement 2025
- 3.8% for staff under the South Australian Public Sector Enterprise Agreement 2026.

The breakdown of total staff numbers between medical, nursing and non-medical staff for the past five years is shown in the following table. It shows the overall growth in FTEs over this time.

	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs	2025-26 FTEs
Nurses	2,442	2,600	2,639	2,856	3,064
Non-medical	1,278	1,379	1,411	1,491	1,593
Medical officers	749	750	809	865	915
Total FTEs	4,469	4,729	4,859	5,212	5,572

Supplies and services expenses

Supplies and services expenses increased by $47 million to $458 million. This increase is mainly due to increased patient activity and additional services at the new Modbury Hospital health precinct and 20 additional inpatient beds at Lyell McEwin Hospital. Significant expenses include:

- a $17 million increase in medical, surgical and laboratory supplies charged by Statewide Clinical Support Services for imaging and pathology services
- a $6 million increase in housekeeping, with increased labour costs and indexation
- a $9 million increase in repairs and maintenance.

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment increased by $100 million to $881 million and represented 92% of NALHN's total assets in 2025-26. This increase is mainly due to:

- $96 million in additions, mainly for the construction of the Modbury Hospital health precinct, the new inpatient unit at the Lyell McEwin Hospital and the Crisis Retreat Facility
- a $56 million increase in the fair value of land and buildings following an annual review using indices supplied by the Valuer-General.

These increases were offset by $52 million in depreciation and amortisation expenses.

Staff-related liabilities

Staff-related liabilities of $273 million represented 73% of NALHN's total liabilities in 2025-26. They increased by $42 million mainly due to increases in:

- the annual and long service leave liabilities of $19 million, reflecting higher staff numbers at 30 June 2026 and increased salary rates used to calculate leave entitlement balances
- accrued salaries and wages of $19 million, due to an additional day accrued for each pay type and $9 million in unpaid medical consultants call-back allowances.

Scope of the audit

Some financial services are provided by the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- governance
- payroll and workforce management
- accounts payable, including procurement and contract management
- the AGFMA
- revenue, including debt management
- property, plant and equipment
- cash
- general ledger.

We reviewed controls over payroll, the AGFMA and procurement and contract management activities as part of our overall controls opinion, which is discussed in Part B of this report.

Riverland Mallee Coorong Local Health Network Incorporated (RMCLHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Some invoices were paid without purchase orders for them.
- Debt management needs to improve.
- Locums were engaged and paid without an appropriate procurement process.

Key statistics

$289 million
Total income

$295 million
Total expenditure

14
Hospital and health service sites

1,301
FTEs

18,335
NWAUs

19,061
Total inpatient activity

Key findings

Some invoices were paid without purchase orders for them

We found instances where RMCLHN paid invoices without associated purchase orders and the purchases did not qualify for exemptions. SA Health's policy requires staff to raise requisitions and purchase orders unless the purchase is on the approved purchase exemption list or is below $2,200.

Failing to use purchase orders increases the risk of paying for goods or services that were not received or were not at the agreed price.

RMCLHN advised us that it will continue to monitor and provided education to its staff.

Debt management needs to improve

We found instances where RMCLHN did not effectively follow up or recover longstanding debts.

Weak debt recovery practices increase the risk of lost revenue to RMCLHN.

RMCLHN advised us that it will continue to improve its debt collection processes and will either pursue recovery of longstanding debts or write them off where appropriate.

Locums were engaged without an appropriate procurement process

We identified instances where RMCLHN engaged and paid locums without evidence of an appropriate procurement process, approval for a direct market approach, or an exemption from SA Health.

This increases the risk that value for money is not achieved and charges may be disputed.

RMCLHN advised us that it will implement additional controls to ensure the appropriate procurement processes, approvals and supporting documentation are obtained and recorded before engaging locums.

Financial information

The RMCLHN consolidated accounts include incorporated Health Advisory Councils within its region. These Councils represent community interests and provide advice about health services, health issues, priorities, plans and strategic initiatives.

Only the consolidated results are presented below as the differences between the consolidated and parent entity amounts are not material.

Highlights of the financial report – consolidated

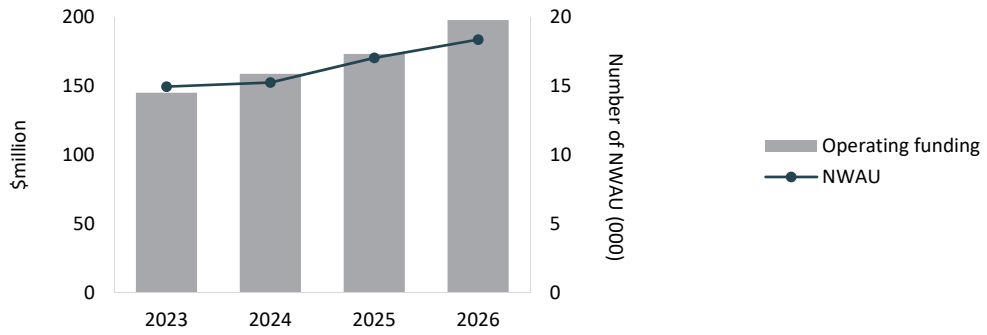
	2026 $million	2025 $million
Income		
Revenues from SA Government	202	182
Fees and charges and other income	27	24
Grants and contributions	60	56
Total income	289	262
Expenses		
Staff-related expenses	162	140
Supplies and services and other expenses	123	108
Depreciation and amortisation	10	10
Total expenses	295	258
Net result	(6)	4
Total other comprehensive income	54	-
Total comprehensive income	48	4
Assets		
Current assets	75	66
Non-current assets	234	184
Total assets	309	250
Liabilities		
Current liabilities	82	72
Non-current liabilities	24	23
Total liabilities	106	95
Net assets	203	155

Statement of Comprehensive Income

Revenues from SA Government

Revenues from the SA Government, which accounted for 70% of RMCLHN's income, increased by $20 million (11%) in 2025-26. Funding is received from the Department for Health and Wellbeing. It comprised:

- $197 million ($173 million) in operating funding. The increase reflects higher staff costs due to new enterprise bargaining agreements, including back payments, and the price per national weighted average unit (NWAU) and a rise in the number of NWAUs, as shown in the following chart
- $5 million ($9 million) in capital funding.

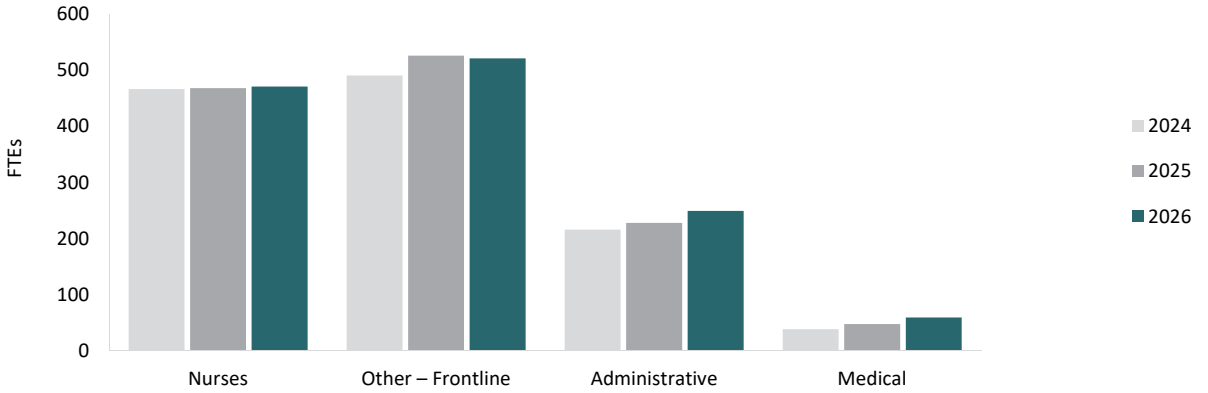


Grants and contributions

Grants and contributions, which accounted for 21% of RMCLHN's income, increased by $4 million (7%) in 2025-26. The increase was mainly due to a higher number of aged care beds and increased funding received for providing aged care services.

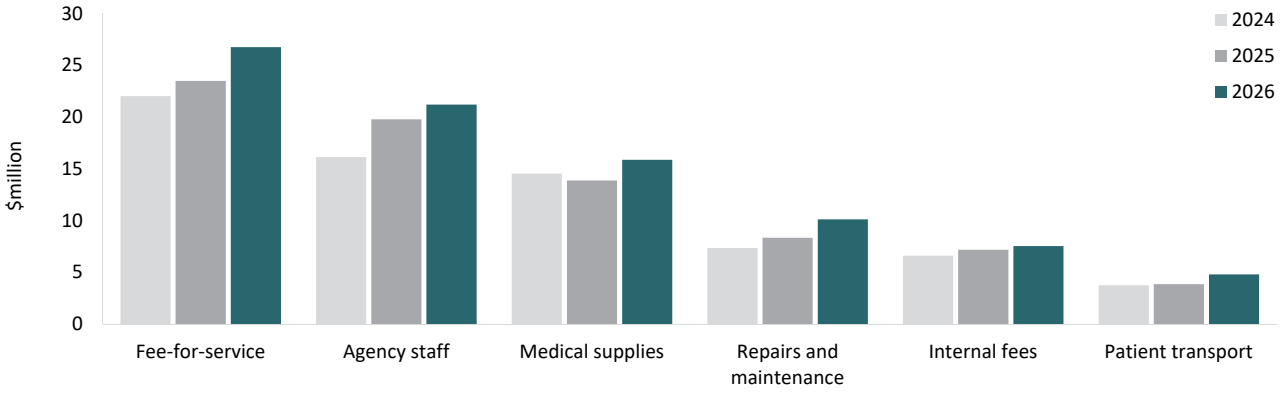
Staff-related expenses

Staff-related expenses, which accounted for 55% of RMCLHN's expenses, increased by $22 million (16%) in 2025-26. The increase is mainly due to increases in staff of 31 FTEs (see chart below) and staff costs resulting from the new enterprise bargaining agreements, including back payments.



Supplies and services

Supplies and services, which accounted for 41% of RMCLHN's expenses, increased by $15 million (14%) in 2025-26. There are six main categories that account for 71% of this expenditure, as shown in the following chart.



The main increases in supplies and services expenses were:

- $3 million in fees for service and $1 million in agency staff costs, which relate to difficulties in recruiting staff, increased activity levels, changes to staffing requirements and higher service costs
- $2 million in medical supplies, due to increased activity and higher supply costs
- $2 million in repairs and maintenance, due to ageing infrastructure.

Statement of Financial Position

Cash

Cash and cash equivalents totalled $24 million ($19 million) and accounted for 33% of RMCLHN's current assets in 2025-26. Cash comprised deposits with the Treasurer of $18 million ($13 million) and cash at bank or on hand of $6 million ($6 million).

Other financial assets

Other financial assets of $44 million ($39 million) represented 58% of RMCLHN's current assets and mainly comprised term deposits held for aged care refundable deposits. The number of deposits held increased in 2025-26 due to higher occupancy levels.

Property, plant and equipment

Property, plant and equipment increased by $50 million to $231 million in 2025-26. This was mainly due to a $54 million revaluation increase in land and buildings and $6 million in additions, partially offset by $10 million in depreciation. Most additions related to capital works in progress.

Staff-related liabilities

Staff-related liabilities increased by $4 million (11%) to $45 million, due to the increases in staff of 31 FTEs and related costs.

Contract and other liabilities

Contract and other liabilities increased by $3 million (8%) to $44 million in 2025-26, mainly due to an increase in residential aged care deposits, reflecting higher occupancy levels and increased rate charges.

Scope of the audit

Some financial services for RMCLHN are provided by the Rural Support Service within the Barossa Hills Fleurieu LHN, the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contract accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

SA Ambulance Service Inc (SAAS)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- SAAS's financial authorisations were inconsistent with authorisations established by the Department for Health and Wellbeing.
- There were no effective controls to ensure key policies, procedures and frameworks are regularly reviewed and updated.
- Risk management processes need to improve.
- Governance arrangements for the SA Ambulance Fund were not documented to demonstrate compliance with the trust deed and ATO requirements.
- Billing and debt management processes need to improve.
- Rostering practices should be reviewed to ensure compliance with award requirements and work health and safety obligations.
- Key controls over payroll processing and leave management need to improve.

Key statistics

$613 million
Total income

$550 million
Total expenditure

2,172
FTEs

Significant events and transactions

- SAAS completed its new $134 million ambulance headquarters at Mile End, including a new emergency operations centre, which opened in December 2025.
- The state-wide ambulance station rebuild and upgrade program continued, with Adelaide, Campbelltown and Gawler ambulance stations completed in 2025-26.
- Development of an electronic patient care record system continued. The system will replace SAAS's paper-based patient records.

Key findings

Financial authorisations

SAAS's financial authorisations were inconsistent with authorisations from DHW

The Chief Executive of the Department for Health and Wellbeing (DHW) has delegated financial authority to the Chief Executive Officer of SAAS, including specific approval limits for different types of expenditure.

We found SAAS's financial authorisations were not fully aligned with these delegations. In particular, approval limits for travel expenses exceeded the limits established by the CE of DHW, and no approval limits were specified for grant payments. As a result, there is a risk that travel and grant expenditure may not have been properly approved.

SAAS advised us that it updated its June 2026 financial instrument of delegations to address these inconsistencies.

Some purchase card users did not have contract authority

We found that some SAAS staff who held purchase cards did not have the required contract authority. This increases the risk of inappropriate spending and potential financial loss.

Treasurer's Instruction 12 *Purchase Cards* requires chief executives to ensure purchase cards are issued only to employees with contract authority and that card limits do not exceed those authority levels.

SAAS responded that it has reviewed and updated its financial authorisations and confirmed that all purchase card holders now have the appropriate level of contract authority.

Governance

Controls over reviewing and updating policies and procedures need to improve

SAAS did not have effective controls to ensure its policies and procedures were regularly reviewed and updated. We found a number of policies and procedures had passed their review date, and key frameworks, including the integrated compliance and policies frameworks, had remained in draft for more than a year.

Outdated or incomplete policies, procedures and frameworks may result in inconsistent practices and ineffective controls. Treasurer's Instruction 2 *Financial Management* and Treasurer's Instruction 28 *Financial Management Compliance Program* require agencies to document, maintain and regularly review policies, procedures, systems and controls.

SAAS responded that it is reviewing its policy and procedure framework and will develop an application to streamline the approval process for policies, procedures and other key documents.

Monitoring of risk treatment plans needs to improve

We found weaknesses in the monitoring of risk treatment plans. Some risks assessed above SAAS's target and tolerance risk levels did not have risk treatment plans, while other plans were incomplete with original due dates more than five years overdue.

Without timely treatment plans, risks exceeding tolerance levels may not be adequately managed, increasing SAAS's exposure to control failures and disruptions to service delivery.

SAAS responded that it will prioritise a review of treatment plans for extreme and high risks to confirm they remain relevant, effective and achievable. Reviews of moderate and low risks will be incorporated into existing annual risk review processes.

SAAS is not complying with ATO requirements for the SA Ambulance Fund

SAAS is not complying with the ATO's public ancillary fund guidelines for the SA Ambulance Development Fund, which is registered as a public ancillary fund and endorsed as a deductible gift recipient (DGR).

The guidelines require trustees to prepare annual financial statements in line with accounting standards and have those statements audited. It also requires other obligations, such as minimal annual distribution requirements.

Failure to comply may result in administrative penalties and the loss of the Fund's DGR status.

SAAS advised us that it will further investigate legal requirements that apply to the Fund.

Governance arrangements for the SA Ambulance Development Fund were not documented

SAAS does not have a documented policy or procedure governing the operation of the SA Ambulance Development Fund.

Without a formal policy and procedure, there is an increased risk that funds may be used for unapproved purposes and that reported balances may not be accurate.

SAAS responded that it will develop the controls and documentation needed to support the appropriate management of the Fund.

Revenue

Billing and debt management needs to improve

Fees and charges were $196 million ($188 million) and accounted for 32% (31%) of SAAS's total income in 2025-26.

Controls over billings adjustments and write-offs need to improve

We found that staff in the billings and collections team could raise, adjust and write off invoices without appropriate approval. SAAS has not implemented controls to ensure adjustments were appropriate and approved in line with its instrument of financial authorisations.

Without an effective control to segregate duties, inappropriate or unauthorised adjustments may occur due to error or fraud and may not be identified.

SAAS responded that it will discuss potential system enhancements with its system provider. It will also review its current segregation of duties and approval processes and investigate exception reporting and quality assurance reviews to identify and address inappropriate or unauthorised adjustments.

Transport fee concessions were not formally approved

SAAS reported $65 million in ambulance transport fee concessions in 2025-26, representing 21% of total fees raised.

SAAS provides a 50% discount on transport fees to patients with a valid South Australian pensioner concession card. However, this practice has not been formally approved and is inconsistent with Minister-approved gazetted fees. SAAS also does not have a documented policy or procedure governing the application of these concessions.

Without formal approval and governance arrangements over concessions, there is a risk that unauthorised fee concessions may be applied, resulting in a loss of revenue.

SAAS responded that it will review its current concession arrangements to ensure they comply with legislative and Ministerial requirements and will formalise its policies and procedures for applying concessions.

There were no controls over validating ambulance cover concessions

SAAS reported $89 million in ambulance transport fee concessions in 2025-26, representing 29% of total fees raised.

We found that SAAS does not have effective controls to verify that customers applying for concession-rate membership through the web portal or Australia Post meet eligibility requirements. For one of the eight concession transactions that we tested, SAAS could not provide evidence of a valid pensioner concession card number.

Without validation controls, ineligible customers may receive concession pricing, resulting in reduced revenue and inequitable pricing.

SAAS advised us that it will engage with Centrelink to identify options for validating concession eligibility, including periodic data matching or file validation processes.

Delays in issuing patient transport invoices continue

Ambulance transport income totalled $155 million ($150 million) in 2025-26 and accounted for 79% (80%) of SAAS's total fees and charges revenue.

Delays in issuing patient transport invoices remain an ongoing issue for SAAS. At 30 June 2026, around $14 million in invoices had not been raised for services provided since October 2025.

Delays in invoicing reduce the likelihood of recovering outstanding debts and increase the risk that transport revenue and receivables are misstated in SAAS's financial statements.

SAAS responded that, at 1 August 2026, it has reduced the invoicing backlog from 160 days to 36 days. It will continue to monitor and report on its processing performance and identify further opportunities to improve efficiency.

Monitoring of patient clinical records needs to improve

Patient clinical records (PCRs) can be reconciled to call centre records to identify missing records. However, SAAS does not regularly review and report unmatched call centre records to detect missing PCRs.

PCRs are completed manually in the field, scanned centrally and used as the basis for billing. They also contain confidential patient information.

Without effective controls, SAAS may not detect missing PCRs, increasing the risk of breaches of patient confidentiality. Missing PCRs can also result in services not being billed, leading to lost revenue.

SAAS responded it has implemented a monthly process to identify, review and follow up unprocessed cases, including instances where a PCR cannot be located.

Patients with ambulance cover are incorrectly invoiced

SAAS had not implemented a control to prevent patients with active ambulance cover from being invoiced for transport costs. In 2025-26, SAAS wrote off $12 million relating to prior-year services after determining the customers held ambulance cover.

Incorrectly invoicing covered patients can damage SAAS's reputation and increases the risk of overstating revenue and receivables in its financial statements.

SAAS advised us that it will implement regular quality assurance reviews to confirm ambulance cover checks are being performed appropriately, and will focus on reducing processing delays that contribute to incorrect invoicing.

Billing processes need to improve

We identified weaknesses in the design of SAAS's billing processes. Invoices do not clearly state the period covered by the service or membership, and they do not present a single, consistent amount payable that aligns with the BPAY payment amount.

These inconsistencies increase the risk of payment errors and add complexity to debt collection processes.

SAAS responded that it will formally provide DHW its billing system modification requirements and seek confirmation of the feasibility, cost and implementation time frames for those changes.

Exception reports were not reviewed

SAAS does not review Ambulance Membership & Billing Oracle System (AMBOS) exception reports relating to BPAY, refunds, duplicate transactions and web portal applications. In addition, SAAS did not investigate errors in customer payments processed through Australia Post and receipted by Shared Services SA, which resulted in some customers being incorrectly invoiced.

Without regular review of exception reports and payment processing errors, SAAS may not identify and correct processing issues, increasing the risk of inaccurate receipting, incorrect invoicing and misstated revenue.

SAAS responded that it will formalise its review and reconciliation processes to ensure exceptions are investigated and resolved.

Revenue and debt management policy remains incomplete

SAAS wrote off $27 million of debt in 2025-26. However, its revenue and debt management policy, which sets out revenue management practices, debt recovery processes and write-off requirements, has not been finalised. The policy is intended to provide guidance on:

- processes for submitting outstanding accounts to the Fines Enforcement and Recovery Unit (FERU) for collection
- the approval requirements for writing off uncollectable debts
- acceptable reasons for debt write-offs.

We also found that SAAS excludes certain debts from referral to FERU, but this practice has not been approved.

Treasurer's Instruction 5 *Debt Recovery and Write-Offs* requires agencies to establish and implement debt recovery policies and to ensure debts are not written off unless the required debt recovery processes have been followed and the required approvals obtained.

Without a formal revenue and debt management policy, there is an increased risk of inconsistent debt recovery practices and lost revenue.

SAAS advised us that it will work with FERU to finalise the policy, including the debt recovery processes for specific groups, and will seek further approvals from the Minister as required.

Waived debts are not clearly distinguished from written-off debts

SAAS does not clearly distinguish debts that have been waived from those that have been written off in its AMBOS and Oracle systems.

Treasurer's Instruction 5 treats waivers and write-offs differently:

- Waivers require Treasurer-approved reasons and permanently extinguish the debt.
- Write offs require debt policy compliance and approval where debts exceed $50,000, but the debt remains recoverable.

Without a clear distinction between waived and written-off debts, there is a risk that debts may be processed, approved or reported incorrectly, reducing transparency and limiting effective oversight of debt management activities.

SAAS responded that it will investigate options to implement separate waiver codes in the AMBOS and Oracle systems to clearly distinguish waived debts from written-off debts. This will help ensure the appropriate approval authority is applied and recorded for each transaction.

Bad debt recovery revenue was incorrectly recognised

SAAS did not have an effective process to ensure recoveries of previously written-off debts (bad debts) were accurately recorded in the general ledger. We found instances where SAAS had double counted and misclassified some transport revenue because:

- recoveries were recognised as transport revenue when invoices were re-raised in AMBOS, and manual journals were also processed to recognise the recoveries
- re-raised invoices were not reconciled to debt recovery and transport revenue accounts in the general ledger
- recoveries of previously written-off debts were recorded as current-year transport revenue.

SAAS materially corrected the misclassifications between debt recovery income and transport revenue in its 2025-26 financial statements.

SAAS responded that it will update its procedures to document the correct process for recording bad debt recoveries. It will also reconcile previous recovery transactions to identify any instances of double counting or incorrect classification and process journals to correct any identified issues.

Payroll

Staff-related expenses of $370 million represented 67% of SAAS's total expenses in 2025-26.

Rostering practices need to be reviewed

Continuous shift practices have not been formally approved

SAAS has implemented rostering practices to support service delivery in remote areas. However, these arrangements have not been formally approved or documented in a policy. These include:

- allocating vacant country shifts to metropolitan staff as continuous cover shifts, including one instance where an employee was rostered for a continuous 130-hour shift
- rostering casual staff to continuous cover shifts under the single paid shift model, including one instance where a casual employee was rostered for a continuous 182-hour shift.

Timesheet records indicate that staff did not take breaks during these shifts. In the examples reviewed, employees were recorded as working continuously for 130 hours and 182 hours, respectively.

The SA Ambulance Service Award requires a 10-hour break between shifts. The award also prescribes the different shift length cycles, with a maximum shift length of 14 hours.

These practices increase the risk of non-compliance with award requirements and work, health and safety obligations. Extended work periods may also increase the risk of fatigue, which can affect employee wellbeing and service delivery.

SAAS responded that no further review or approval of these rostering practices is required, as it considers them to be compliant with the award and its overtime shift rules procedure, under which staff are paid overtime when working consecutive shifts.

SAAS also advised us that it has appropriate measures in place to ensure employees receive a minimum 10-hour break between the end of overtime and the start of the next shift. SAAS also noted that, due to operational requirements, employees on continuous cover shifts may not be actively responding to incidents for the entire shift and may instead be working under on-call arrangements. However, it will strengthen the current documentation and procedural application of these practices.

However, SAAS's existing rostering procedures do not clearly explain when employees working continuous cover shifts that exceed 24 hours are expected to take a 10-hour break, or how compliance with this requirement is monitored. We also noted that the award does not provide for shifts under on-call conditions and instead treats shifts, overtime, on-call and recall as separate working arrangements.

Timesheets should accurately record hours worked

We found employees working continuous cover shifts did not separately record actual hours worked, on-call hours, rest periods or breaks on their timesheets.

Accurate records of hours worked on timesheets are a key control to ensure employees are correctly paid and that working hours are appropriately monitored.

SAAS's overtime shift rules limit overtime to 50% of an employee's normal roster and limits individual overtime shifts to 24 hours. However, SAAS's rostering system does not include a control to enforce the 50% overtime cap. As a result, additional monitoring is required to ensure compliance. We found no evidence that SAAS formally monitors whether employees exceed the 50% overtime cap.

All hours worked during continuous cover shifts were recorded as overtime in CHRIS21. As a result, CHRIS21 data may not accurately reflect actual hours worked, limiting SAAS's ability to monitor compliance with overtime caps, demonstrate that required rest breaks have been taken and ensure payroll payments are accurate.

SAAS responded that it will not amend timesheets to separately record actual hours worked, on-call hours, breaks and overtime for continuous shifts, as the timesheets are designed to capture information required for payment purposes and employees are paid for crib breaks. However, SAAS advised us that it will review the timesheet format to enable additional information about shift configurations, providing additional control to support the approval process.

SAAS also responded that it will formalise arrangements to monitor overtime and ensure employees do not exceed the 50% cap unless approved by an appropriately authorised delegate.

No evidence that SAAS has approval to pay staff allowances above award rates

SAAS pays employees working on continuous cover shifts at overtime rates for all hours, including any on-call periods and rest breaks. However, it could not demonstrate that this arrangement had received the approval required for payments that exceed award entitlements.

The award provides for a 15% on-call allowance. In addition, SAAS's human resource delegations require approval from the CE of DHW and the Commissioner for Public Sector Employment for above-award allowances.

SAAS procedures allow employees covering vacant shifts to be paid overtime, but it is unclear whether these arrangements extend to continuous shifts of more than 24 hours or what overtime rates should apply in these instances.

As a result, there is a risk that employees may be receiving payments that have not been appropriately authorised.

SAAS responded that no additional approvals are required because it considers the payments to be consistent with industrial agreements. It also advised that, apart from Barmera and Loxton, which operate as on-call stations, SAAS considers all shifts covered at country stations to be treated as overtime cover shifts.

However, SAAS had previously advised us that employees working these shifts may be operating under on-call conditions depending on operational requirements. Given this, we consider that further approval should be obtained to confirm that periods spent on call during an active shift can be paid at overtime rates.

Formal arrangements for hospital cover shifts are needed

SAAS provides emergency department cover to country hospitals. However, there are no formal agreements with these hospitals or approved internal procedures that define:

- how paramedics are engaged and what approvals are required
- the qualifications required to work these shifts
- expected shift lengths, including overtime and on-call arrangements
- reimbursement rates agreed with the hospitals.

Our review of timesheets identified employees working consecutive 24-hour shifts and being paid overtime rates for the entire period. While SAAS offers these shifts as overtime, there was no evidence that this practice has been formally approved.

Without formal arrangements, there is an increased risk of unclear accountability, disputes with hospitals, inconsistent rostering and unauthorised overtime payments.

SAAS responded that it is working with the Yorke and Northern Local Health Network to formalise the arrangements and model of care for SAAS staff providing emergency department cover. SAAS advised this will provide a framework for engagement with all six regional local health networks.

Documentation for vacancy hierarchy of coverage and overtime approval needs to improve

SAAS does not consistently document how it applies the hierarchy of coverage outlined in its country operations employee rostering procedure before offering vacant shifts as overtime. The procedure requires vacancies to be filled using spare staff, neighbouring teams, shift banks and casual employees before overtime is offered.

Failure to follow and document the hierarchy may result in additional overtime expenses and could affect staff wellbeing and productivity through increased overtime hours.

SAAS responded that it will update its rostering work instructions to require approval and documentation before overtime is offered outside the vacancy hierarchy. SAAS will also implement a seven-day team leader coverage within the rostering team to provide additional resources and strengthen oversight and performance management of the team's responsibilities.

Global Rostering System user access review not performed

SAAS has not performed regular user access reviews of its global rostering system (GRS), despite its internal procedure requiring access audits every six months.

GRS stores personal information about operational staff and is used by managers to verify hours worked and leave taken. Without regular reviews, inappropriate user access may not be identified and removed promptly.

SAAS responded that it is updating the GRS user access procedure to require user access reviews every six months. It also intends to implement a seven-day team leader coverage within the rostering team to improve oversight and performance management.

Important payroll and leave management controls need to improve

Staff-related liabilities were $131 million ($120 million) at 30 June 2026 and accounted for 59% (54%) of SAAS's total liabilities.

Misstatement in leave liabilities reported in SAAS's financial statements

Unrecorded leave in the CHRIS21 payroll system has been a significant issue for SAAS for several years. To avoid overstating staff liabilities in financial reporting, SAAS adjusts reported leave balances using discrepancies identified through reconciliations performed by its workforce team.

At 30 June 2026, SAAS estimated that leave balances recorded in CHRIS21, excluding sick leave, were overstated by 210,177 hours, equivalent to $14 million.

Because SAAS does not have an automated reconciliation tool, it manually compares GRS and CHRIS21 leave records, increasing the risk of error. Due to time constraints, leave transactions processed in CHRIS21 are included in the financial statement adjustment rather than being re-reconciled.

In addition, SAAS has not reconciled leave records for the period 1 January 2026 to 30 June 2026. As a result, staff liabilities reported in financial statements may be overstated by any unrecorded leave for this period.

SAAS responded that it will continue performing annual leave audits and adjusting its financial statements to reflect these audit outcomes. SAAS has also commenced a project to establish an interface between CHRIS21 and GRS.

Significant leave record errors have not been resolved

While SAAS has taken steps to improve the accuracy of leave payments on termination, it has not actively addressed leave variances identified through leave reconciliations for current employees. These discrepancies relate to leave records dating from 2011 to December 2025.

If leave discrepancies are not corrected, employees may take more leave than they are entitled to. Delays in resolving these issues also increase the risk that these overpaid amounts cannot be recovered.

SAAS advised us that it is finalising a Cabinet submission on potential remediation options to resolve the leave discrepancies. It has also recalled archived timesheets and leave forms, where available, before records are destroyed in line with records management requirements.

Leave reconciliation processes need to improve

Although SAAS has introduced annual leave reconciliation processes and reviews of termination payments, it does not have documented procedures, formal review and approval controls, or a consistent approach to these processes.

Without documented procedures and controls over the reconciliation processes, staff may make incorrect or inappropriate changes to leave balances. This increases the risk of misstated staff liabilities in SAAS's financial statements and incorrect leave payments on termination. Delays in processing termination payments may also result in non-compliance with award requirements.

SAAS responded that it will develop workforce instructions and a process flowchart for managers that clearly define the review and approval process, and roles and responsibilities.

Leave reports are not reviewed promptly

Some managers do not review leave reports promptly to confirm that leave taken is accurately recorded in CHRIS21. At 31 May 2026, 13% of leave reports for 2025-26 had not been reviewed and a further 29% were reviewed more than a month after the reports became available.

Failure to review leave reports promptly may result in unrecorded leave not being identified. This increases the risk that employees take more leave than they are entitled to and may result in financial loss to SAAS.

SAAS responded that the SAAS Service Delivery Committee is overseeing this issue and monitoring manager's compliance with leave report review requirements.

Management of excessive annual leave balances needs to improve

We identified a significant number of non-operational employees with excessive annual leave balances. At March 2026, 91 employees (21% of SAAS's 440 non-operational employees) had annual leave balances exceeding two years' entitlement.

SAAS policy requires employees with excessive leave balances to have a leave reduction plan. However, no plans had been registered with the workforce services team.

We also noted that employees covered by the SA Ambulance Service Award are excluded from the excessive leave reports as their leave balances in CHRIS21 are known to be incorrect. SAAS has not implemented alternative processes to monitor excessive leave balances for these employees.

Excessive leave may affect staff wellbeing and productivity and may also indicate that leave records are incomplete or inaccurate.

SAAS advised us that monthly excessive leave reports are provided to managers and quarterly reports are provided to SAAS's Service Delivery Committee for oversight and monitoring. Human Resource Business Partners will continue to meet with leaders monthly to ensure leave reduction plans are in place for employees not covered by the SA Ambulance Services Award. SAAS also advised that it is unable to effectively manage excessive leave balances while the operational leave audit remains ongoing because recorded balances may not be accurate.

Bona fide reports are not reviewed promptly

Some managers do not review bona fide reports promptly to confirm the validity of payments made to automatically paid staff.

At 31 May 2026, 9% of bona fide reports for 2025-26 had not been reviewed. A further 29% were reviewed more than one month after the end of the relevant pay period, making it more difficult to verify that payments were correct. This increases the risk that incorrect or fraudulent payments are not detected and addressed in a timely manner.

SAAS responded that the SAAS Service Delivery Committee is overseeing this issue and monitoring manager's compliance with leave report review requirements.

Financial information

Highlights of the financial report

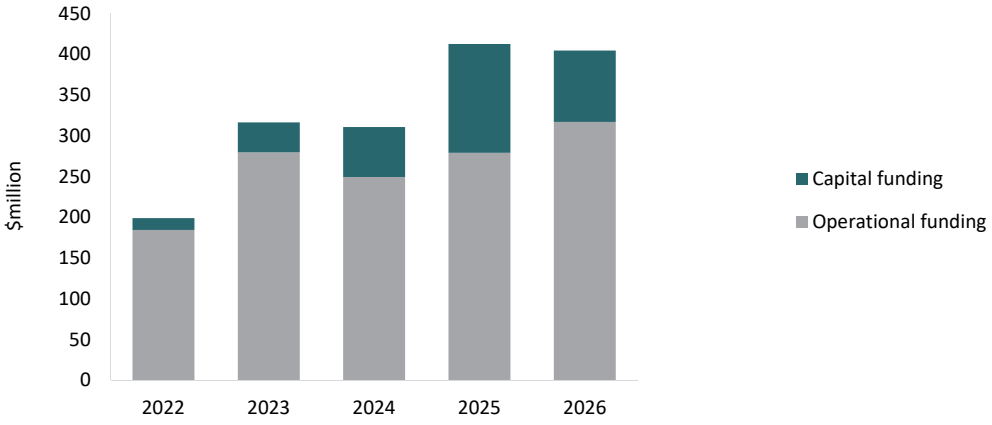
	2026 $million	2025 $million
Income		
Revenues from SA Government	404	413
Fees and charges	196	188
Other income	13	12
Total income	613	613
Expenses		
Staff-related expenses	370	350
Supplies and services	116	103
Depreciation and amortisation	22	21
Other expenses	42	36
Total expenses	550	510
Net result	63	103
Other comprehensive income	48	10
Total comprehensive income result for the year	111	113
Assets		
Current assets	80	79
Non-current assets	515	405
Total assets	595	484
Liabilities		
Current liabilities	108	108
Non-current liabilities	115	115
Total liabilities	223	223
Net assets	372	261

Statement of Comprehensive Income

Revenues from SA Government

SAAS relies on revenue from the SA Government, which accounted for 66% of its total revenue in 2025-26. This funding comprised $317 million ($279 million) in operational funding and $87 million ($133 million) in capital funding.

SA Government funding to SAAS over the last five years is shown in the following chart. While the composition of SA Government funding has changed over this period, total funding increased overall between 2022 and 2025, mainly to fund 2022 election commitments. Capital funding reduced by $46 million in 2025-26, mainly due to the completion of major construction projects including SAAS's new headquarters, new ambulance stations and upgrades to existing stations. Despite this reduction, capital funding continued to make a significant contribution to SAAS's net result of $63 million in 2025-26.



Revenues from fees and charges

Revenues from fees and charges increased by $8 million to $196 million in 2025-26, mainly due to an increase in ambulance transport revenue. Significant components were:

- ambulance cover revenue of $33 million ($30 million)
- ambulance transport revenue of $155 million ($150 million).

Ambulance cover revenue is generated from member subscriptions to the SAAS ambulance cover scheme. This scheme provides members with cover for the cost of ambulance transport in South Australia, while Ambulance Cover Plus also provides cover for ambulance transport throughout Australia.

Ambulance transport revenue is earned from the provision of first aid and patient transport services. Revenue increased by $5 million in 2025-26, due to a 3% increase in ambulance transport fees and higher service demand.

Staff-related expenses

Staff-related expenses increased by $20 million to $370 million and represented 67% of SAAS's total expenses in 2025-26. Salaries and wages expense increased by $22 million to $281 million due to an increase in staff of 86 FTEs and salary increases under the new enterprise agreements, including:

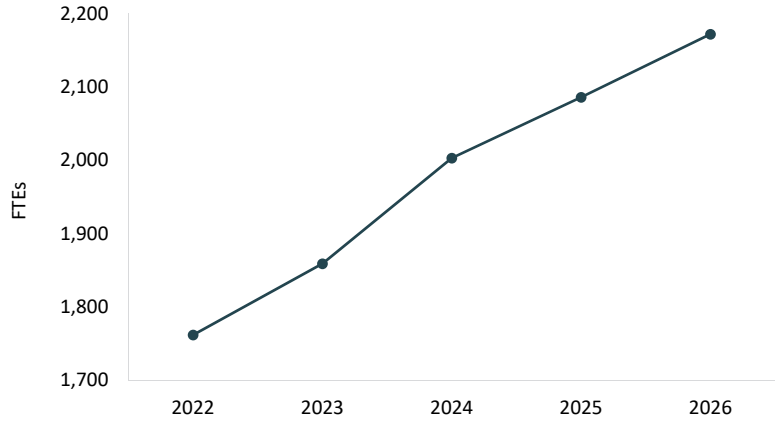
- 6.1% for employees covered by the SA Ambulance Service Enterprise Agreement 2025
- between 6.9% and 12% for employees covered by the SA Health Salaried Medical Officers Enterprise Agreement 2025
- 3.8% for employees covered by the South Australian Public Sector Enterprise Agreement: Salaried 2026.

Over the five years to 30 June 2026 SAAS's staff increased by 410 FTEs to 2,172 FTEs. At 30 June 2026, this comprised:

- 1,655 (1,573) emergency services staff
- 26 (24) medical staff
- 38 (39) nursing staff
- 453 (450) non-medical staff.

This information is based on the Office of the Commissioner for Public Sector Employment data and is unaudited.

The overall growth in FTEs over the past five years is shown in the following chart.



Supplies and services expenses

Supplies and services expenses increased by $14 million to $117 million in 2025-26. This is mainly due to:

- a $6 million increase in aeromedical fixed-wing inter-hospital transfer costs, following a full-year operation of a new contract with the Royal Flying Doctor Service, which includes higher fixed fees
- a $2 million increase in computing expenses, mainly due to costs payable to Telstra for the new telephone system (PABX) at the new emergency operations centre.

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment represented 76% of SAAS's total assets in 2025-26. The carrying value increased by $100 million to $454 million, mainly due to:

- a $45 million increase in the fair value of land and buildings resulting from an annual valuation review using indices supplied by the Valuer-General
- $67 million in additions for building works in progress, including $42 million for construction of the new emergency operation centre and $25 million for new ambulance stations and upgrades or rebuilds of existing stations across South Australia
- $10 million in additions for plant and equipment works in progress, of which $9 million related to new ambulances.

These increases were offset by depreciation and amortisation expenses of $22 million.

Other assets

Receivables of $84 million represented 14% of SAAS's total assets in 2025-26. Receivables decreased by $3 million, mainly due to an $8 million increase in impairment loss on transport service debtors reflecting a higher proportion of debts outstanding for more than 360 days and higher expected credit losses for those debts. This was offset by a $2 million increase in the defined benefit superannuation scheme receivable resulting from an actuarial review.

Contract assets increased by $6 million to $11 million due to an increase in the backlog of unprocessed patient transport invoices.

Staff-related liabilities

Staff-related liabilities totalled $182 million and represented 82% of SAAS's total liabilities in 2025-26. These liabilities comprised:

- staff benefits liabilities and related on-costs of $131 million ($120 million)
- provisions for workers compensation of $51 million ($57 million).

Staff benefits liabilities increased by $11 million to $131 million, mainly due to a $9 million increase in the annual leave and long service leave liabilities. This reflects higher staff numbers at 30 June 2026 and increased salary rates used to calculate leave entitlements.

The workers compensation provision decreased by $6 million to $51 million following an independent actuarial assessment.

Scope of the audit

Some financial services for SAAS are provided by the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- revenue
- payroll
- expenditure
- fixed assets
- cash
- general ledger.

Southern Adelaide Local Health Network Incorporated (SALHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Important controls for payroll processing need to improve.
- Asset management and maintenance processes under the Across Government Facilities Management Arrangements (AGFMA) need to improve.
- Some contract management processes need to improve.

Key statistics

$2 billion
Total income

$1.9 billion
Total expenditure

7
Hospital and health service sites

7,918
FTEs

202,325
NWAUs

117,994
Total inpatient activity

Significant events and transactions

- SALHN completed capital works of $105.8 million at the Flinders Medical Centre and Noarlunga Hospital.
- Capital works in progress of $193 million continued on the expansion and upgrade of the Flinders Medical Centre.
- The annual revaluation of SALHN's land and buildings resulted in a $184.2 million increase in their fair value.

Key findings

Payroll

Important controls for payroll processing need to improve

SALHN employs around 7,918 FTEs and has significant payroll-related costs. In 2025-26, it incurred $1.2 billion in staff-related expenses and reported staff-related liabilities of $448.7 million at 30 June 2026.

SALHN monitors its compliance with policy and legislative requirements through a weekly workforce reporting dashboard. The dashboard incorporates data on prescribed employees, working with children checks (WWCCs), aged care checks and immunisations.

In 2025-26, we identified several payroll issues, including matters reported in previous years.

Prescribed employees working without a current working with children check

We have previously reported instances of staff working in prescribed positions without a current WWCC. In 2025-26, we identified 120 of 6,656 staff (1.8%) who did not hold the required WWCC.

This increases the risk of harm to children and may expose SALHN to penalties for non-compliance with legislative requirements.

SA Health's criminal history screening policy requires all staff to hold a valid WWCC before they start work in a prescribed position, consistent with the *Child Safety (Prohibited Persons) Act 2016*.

SALHN responded that it will continue to address outdated employment checks, work with relevant divisions and the Department of Human Services to resolve the outstanding matters, and review the workflow to ensure compliance issues are identified and addressed as part of normal business processes.

Aged care staff working without a current aged care check

We have previously reported instances of staff working in aged care roles without a valid aged care check. In 2025-26, we identified seven out of 307 staff (2.3%) who did not hold a valid aged care employment check.

This increases the risk of harm to older people and may expose SALHN to penalties for non-compliance with legislative requirements.

The *Aged Care Act 1997* requires screening checks for staff working in Commonwealth-funded aged care roles.

SALHN advised us that it will continue to address outdated employment checks, work with relevant divisions and the Department of Human Services to resolve the outstanding matters and review the workflow to ensure compliance issues are identified and addressed as part of normal business processes.

Non-compliance with SA Health's immunisation policy

In 2025-26, we found that 96 of 731 employees (13.1%) had not received all mandatory vaccinations.

SA Health's addressing vaccine preventable disease policy requires staff in specific roles to be vaccinated to protect themselves, patients and the community from specified vaccine-preventable diseases. Higher vaccination requirements apply to staff who provide direct patient care.

SALHN responded that its clinical work health and safety division has developed and implemented a target action plan to improve compliance with SA Health's policy and will continue measures aimed at reducing the non-compliance rate.

Performance reviews were not completed for all staff

We found 3,325 of 10,456 employees (32%) did not have a current performance review in 2025-26. As a result, only 68 % of employees had an up-to-date performance review, which is below SALHN's target of 80%.

Regular performance reviews support accountability, employee development and continuous improvement. SALHN requires all staff to participate in an annual performance review, supported by performance discussions held every six months.

SALHN responded that it will continue to manage performance review completion within its strategic risk tolerance, and monitor compliance and escalate non-compliance through its executive leadership committee and excellence meetings.

Non-compliance with SA Health's mandatory training policy

In 2025-26, 28,206 (13%) of 213,291 mandatory training courses had not been promptly completed. Data from its learning management system (iLearn) showed that 7,277 of 10,525 employees (69%) were fully compliant with mandatory training requirements.

SA Health's mandatory training policy requires each health agency to comply with mandatory training requirements and report annually to its workforce executive director. Non-compliance increases the risk that employees may be unaware of public sector values and the code of ethics, which could contribute to corruption, misconduct or maladministration.

Mandatory training and completion status records are managed through the iLearn system, which. includes mandatory training modules that all SA Health employees and contractors must complete when they start work.

SALHN responded that it will continue to monitor compliance and escalate non-compliance through its executive leadership committee and excellence meetings.

Significant numbers of bona fide and leave reports were not reviewed

For several years, we have reported that a significant number of bona fide and leave reports were not reviewed and approved promptly. In 2025-26, the number of unapproved reports significantly increased, with 17% of bona fides reports and 34% of leave reports remaining unapproved.

Timely review and approval of these reports helps to ensure payments made to automatically paid staff are valid and that leave taken is accurately recorded in the payroll system.

SALHN responded that it is reviewing its workflow processes to address the increase in unapproved reports as part of normal business processes and strengthening ongoing compliance.

Inconsistent medical rostering practices

We have found inconsistent rostering practices across SALHN for the past seven years. Different processes, tools and approaches continue to be used across the network. To address this, SALHN implemented a compliance framework that includes local roster monitoring, escalation processes and management oversight.

Accurate rostering helps ensure that staff resources are available for high-quality and efficient patient care and that allowances paid to medical staff are complete and accurate.

SALHN advised us that it has developed roster practice guides for trainee medical officers and senior medical practitioners. It is also considering developing roster guides for medical consultants as part of a broader project to implement an electronic rostering system across SA Health.

Some senior medical officers and consultants do not have current job plans

For the past four years, we have identified that some senior medical officers and consultants do not have current job plans. To address this issue, SALHN has established weekly reporting, a formal compliance register and escalation processes.

Despite these measures, compliance declined in 2025-26. The percentage of senior medical officers and consultants without a current job plan increased to 60%, up from 51% in 2024-25.

Current job plans help ensure senior medical officers and consultants perform duties consistent with their role descriptions and management's expectations and service priorities.

SALHN responded that weekly compliance reports are distributed and escalated through its excellence framework. It also plans to undertake a project to ensure payroll reporting more accurately reflects actual job plan completion.

No supporting documentation provided to support allowance payments

During our testing of medical officers' pays and allowances in 2025-26, we could not verify the accuracy and completeness for two of the 16 allowance payments selected because supporting documentation was not available.

We also found that some payments covered several fortnights and were approved and paid in a single pay run. This increases the complexity of the approval process and the risk of overpayments resulting in financial loss to SALHN.

SALHN responded that it will review the missing documentation to determine the cause and consider whether additional controls or processes are required.

Across Government Facilities Management Arrangements

The Memorandum of Administrative Arrangement (MoAA) between the Department for Infrastructure and Transport (DIT) and SALHN sets out the purpose of the AGFMA, including the objectives, roles, responsibilities and relationships of the parties involved in delivering facilities management services.

Asset management and maintenance processes under the AGFMA need to be improve

SALHN holds property, plant and equipment with a fair value of $1.5 billion. In 2025-26, we assessed SALHN's controls over the management and maintenance of these assets.

Asset management processes should be improved

Consistent with last year, we found that:

- financial delegation limits in the Panorama system used to order maintenance work were not aligned with SALHN's approved financial delegations
- a significant number and value of contractor invoices remained in dispute and were not approved for payment promptly
- 17 of 63 payments to its facilities management service provider (Ventia), totalling $12.8 million (55%), were not paid within the 14-day time frame required under the MoAA
- newly completed assets, including infrastructure developments valued at more than $94 million, had not been added to maintenance service delivery plans in the Panorama system
- DIT had not provided SALHN with operational and maintenance manuals for some new assets
- Panorama system user access reviews were not performed regularly to ensure all delegations and user access are accurate and appropriate
- Ventia had not provided SALHN with a long-term service delivery plan, annual service delivery plan and any asset condition assessment reports, as required under the MoAA.

In 2025-26, we also found that:

- meetings with Ventia were not held regularly as required by the MoAA
- Ventia did not provide SALHN with monthly reports on the progress of outstanding preventative maintenance works
- a current AGFMA operational risks register was not maintained to support the identification, assessment and monitoring of risks related to facilities and asset management activities

- the AGFMA issues register was not consistently updated and did not accurately reflect the status of key issues or expected resolution dates
- SALHN did not have a current strategic asset management plan
- Ventia had not provided annual site inspection plans, limiting SALHN's ability to confirm that all required assets were inspected.

Collectively, these issues reduce SALHN's oversight of Ventia's facilities management service delivery and contractor performance. This increases the risk that maintenance may be delayed or not performed, leading to asset deterioration, asset failures, service disruption and increased safety risks for staff and patients.

SALHN responded that it will:

- work with Ventia to ensure financial delegation in the Panorama system are updated and align with approved delegations
- perform regular Panorama system user access reviews, so that all delegations and active change-agent roles are audited to ensure access and control are appropriate
- re-establish quarterly participating agency focus group forum (PAFGF) meetings and monthly facilities management governance group meetings with Ventia and DIT
- formally raise the absence of monthly maintenance progress reporting with Ventia and DIT through the PAFGF and request reporting in line with MoAA requirements
- maintain and review the AGFMA operational risk register
- update the AGFMA issue register in a report to the PAFGF and implement monthly reviews of the register to ensure information remains current
- finalise its strategic asset management plan, which is progressing through governance approval
- continue to seek asset condition assessment reports and annual site inspection plans from Ventia by April 2027, and escalate unresolved matters to DIT as needed
- continue working with Ventia and DIT to promptly resolve the identified issues.

Contract management

Some contract management processes need to improve

SALHN paid more than $651 million for supplies and services in 2025-26. We continued to identify deficiencies in SALHN's contract management activities. Our review of three key contracts identified weaknesses in contract management processes. We found that:

- contract information recorded in the procurement and contract management system (PCMS) was incomplete
- the 2024-25 annual contract review was not finalised or approved
- reconciliations for contracted fees were not completed for 2023-24 and 2024-25
- a complex contract was incorrectly classified as 'routine' in the PCMS and did not have a contract management plan
- three other contracts classified as 'complex' did not have approved contract management plans.

These issues do not comply with Procurement SA and SA Health requirements and increase the risk that contracts are not effectively monitored, managed or assessed for value for money.

SALHN responded that it will:

- review and update contract records in the PCMS
- complete the 2024-25 reconciliation of contracted fees in line with the time frames specified in the contract
- continue its project to improve contract management maturity and clarify responsibilities for annual contract reviews
- develop and launch a new tool to improve the consistency of contract classification and continue monitoring outstanding CMPs.

Financial information

Highlights of the financial report

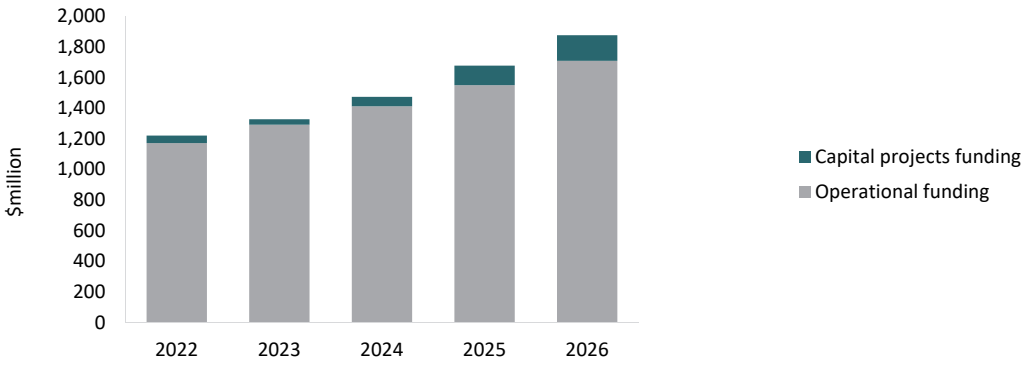
	2026 $million	2025 $million
Income		
Revenues from SA Government	1,875	1,678
Revenue from fees and charges	107	91
Grants and contributions	6	8
Other income	38	37
Total income	2,026	1,814
Expenses		
Staff-related expenses	1,219	1,110
Supplies and services	651	584
Depreciation and amortisation	61	56
Other expenses	6	7
Total expenses	1,937	1,757
Net result	89	57
Changes in property, plant and equipment asset revaluation surplus	184	58
Total comprehensive result	273	115
Assets		
Current assets	117	99
Non-current assets	1,471	1,179
Total assets	1,588	1,278
Liabilities		
Current liabilities	283	257
Non-current liabilities	226	216
Total liabilities	509	473
Total equity	1,079	805

Statement of Comprehensive Income

Income

Revenues from SA Government

SALHN is mainly funded through recurrent and capital funding from the Department for Health and Wellbeing (DHW). Revenues from the SA Government accounted for 93% (93%) of SALHN's total income in 2025-26. Revenues from the SA Government over the last five years are shown in the following chart.



Revenues from the SA Government increased by $197 million (12%) to $1.87 billion in 2025-26, due to increases in:

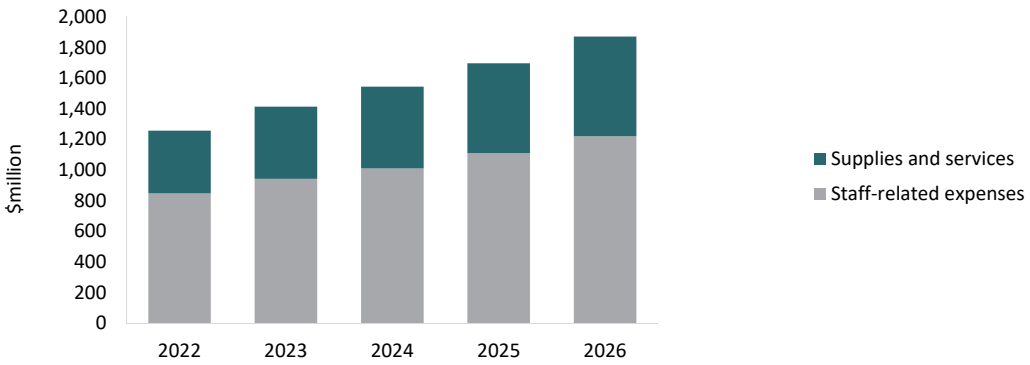
- operational funding of $158 million (10%) to $1.71 billion, reflecting increased costs for providing more services
- capital funding of $39 million (30%) to $167 million for investing expenses, including the Flinders Medical Centre upgrade and expansion project and more mental health beds in the Noarlunga Hospital.

Revenue from fees and charges

Revenue from fees and charges increased by $16 million (18%) to $107 million in 2025-26, mainly due to increased inpatient and client fees of $14.5 million (24%), mainly from higher patient activity and private hospital patient stays.

Expenses

Expenses increased by $180 million (10%) to $1.94 billion in 2025-26. SALHN's main expenses for the last five years are shown in the following chart.



Staff-related expenses

Staff-related expenses increased by $109 million (10%) to $1.22 billion and represented 63% of SALHN's total expenses in 2025-26. This is mainly due to increases in:

- salaries and wages of $98 million (11%) to $957 million
- annual leave of $11 million (12%) to $100 million
- staff superannuation on-costs of $14 million (13%) to $124 million.

This was offset by a decrease in workers compensation of $15 million (73%) to $5 million.

The increases in salaries and wages and staff superannuation on-costs are mainly driven by an increase in staff of 384 FTEs and new enterprise bargaining agreements in 2025-26.

Workers compensation decreased due to an increase in the discount rate. There were no changes in the actuarial assumptions and allocation method used to calculate the worker compensation provisions.

The breakdown of FTEs between medical, nursing and non-medical staff over the last five years is shown in the following table. It shows an overall growth in FTEs over this time.

	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs	2025-26 FTEs
Nurses	3,335	3,463	3,633	3,913	4,121
Non-medical	2,140	2,247	2,317	2,484	2,599
Medical officers	981	1,040	1,064	1,137	1,198
Total FTEs	6,456	6,750	7,014	7,534	7,918

Supplies and services

Supplies and services increased by $67 million (11%) to $651 million and represented 34% of SALHN's total expenses in 2025-26. This is mainly due to increases in:

- fee-for-service expense of $17.6 million (16%) to $132 million, mainly from more payments to visiting specialists and outsourced beds
- medical, surgical and laboratory supplies of $26 million (15%) to $202 million, mainly from increased imaging charges, prosthesis and implants, pathology charges, medical and laboratory supplies and patient consumables.

The increase in supplies and services is consistent with the increased provision of services across SALHN.

Statement of Financial Position

Assets

Cash and cash equivalents

Cash and cash equivalents increased by $10.6 million (18%) to $68 million and represented 58% of SALHN's current assets in 2025-26. This is mainly due to increases in the:

- deposits to the Treasurer's general operating account of $6 million (18%) to $41 million. These are funds transferred from DHW timed to ensure that there is sufficient cash to meet SALHN's immediate obligations
- deposits to the Treasurer's special purpose funds account of $4 million (18%) to $24 million.

Property, plant and equipment

Property, plant and equipment represents 92% of SALHN's total assets in 2025-26. Its carrying value increased by $291 million (25%) to $1.46 billion, mainly due to:

- valuation increments of $184 million resulting from the annual fair value assessment of land and buildings using indices provided by the Valuer-General
- additions of $169 million, mainly for capital works in progress at the Flinders Medical Centre and the Noarlunga Hospital of $153 million.

This was offset by depreciation charges of $61 million.

Liabilities

Liabilities increased by $36 million (8%) to $509 million in 2025-26. Current liabilities increased by $26 million (10%) to $283 million and exceeded current assets by $166 million. Cash and cash equivalents of $68 million were sufficient to meet the current payables of $53 million at 30 June 2026. SALHN works with DHW to ensure sufficient funding is provided to meet the expected cash flows for its administration and program delivery.

Staff liabilities of $449 million represented 88% of this balance, comprising staff-related liabilities of $397 million ($357 million) and workers compensation provisions of $52 million ($55 million).

Staff-related liabilities increased by $39 million (11%) mainly due to increases in:

- annual leave liabilities of $14 million
- long service leave liabilities of $11 million
- staff on-costs payable of $6 million.

The increases in staff liabilities are primarily driven by an increase in staff of 384 FTEs and new enterprise bargaining agreements in 2025-26.

Further commentary on operations

SALHN infrastructure changes

SALHN reported completed buildings valued at $104.5 million at 30 June 2026, including:

- $38.3 million at the Flinders Medical Centre, mainly for the Margaret Tobin Centre extension and building works ($35.4 million)
- $66.7 million at Noarlunga Hospital, mainly for the general medicine ward and mental health rehabilitation unit building works ($63.9 million).

SALHN also reported capital works in progress of $193 million for the Flinders Medical Centre upgrade and expansion project.

Scope of the audit

Some financial services are provided by the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- governance
- accounts payable and goods and services expenditure
- payroll and workforce management
- patient billing and debtor management
- medical officer professional development
- cash and online banking
- general ledger and financial accounting
- property, plant and equipment.

We reviewed controls over employee expenses, goods and services expenses, buildings and improvements and the AGFMA as part of our overall controls opinion, which is discussed in Part B of this report.

Women's and Children's Health Network Incorporated (WCHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Important controls for payroll processes need to improve.
- Rostering practices for medical officers need to improve.

Key statistics

$966 million
Total income

$791 million
Total expenditure

3,546
FTEs

79,804
NWAUs

37,652
Total inpatient activity

Significant events and transactions

- The design phase of the new Women's and Children's Hospital (nWCH) continued in 2025-26, with ground and structural works expected to start in 2026-27. Construction of the eight-story carpark also progressed in 2025-26 and is expected to be completed in 2027.
- The SA Government provided $59 million in sustainment funding from 2021 to 30 June 2026 for specific initiatives at the existing hospital while nWCH is being delivered.

Key findings

Important payroll controls need to improve

Bona fide report review processes need improvement

For several years, we have reported that WCHN managers and team leaders have not consistently reviewed bona fide reports after each pay period to confirm the accuracy and completeness of payments to staff who receive automatic pay. This year, there was a significant number of reports remaining outstanding.

At June 2026, 5,482 (4,766) reports had been outstanding for more than 12 months and a further 735 (530) reports had been outstanding for between six and 12 months.

During the year, WCHN requested Shared Services SA (SSSA) to manually close 4,676 historical bona fide approvals relating to staff who had left WCHN or experienced changes in reporting lines. While this backlog was cleared, the increasing number of reports outstanding for more than 12 months indicates ongoing non-compliance with review requirements.

Failure to promptly review payroll information in bona fide reports increases the risk that fraudulent, incorrect or inappropriate payroll payments will not be identified.

WCHN responded that it will continue to promote the importance of regularly reviewing bona fide reports to verify the accuracy and completeness of staff pay information. It will also continue working with SSSA to finalise outstanding historical bona fide approvals, with a specific focus on reports outstanding for more than 12 months.

Timesheets were not always approved before staff were paid

Consistent with prior years, the interface between the ProAct rostering system and the payroll system does not prevent unapproved timesheets from being transmitted and paid. We found that 6% of ProAct timesheets processed in 2025-26 were unapproved at the time they were paid. This is consistent with our 2024-25 reported findings.

Paying staff based on unapproved timesheets increases the risk of invalid payments and overpayments.

WCHN responded the reported 6% may include timesheets where managers have approved hours worked, but minor changes made after approval reverted the timesheet status to unapproved. WCHN advised us that it will review its current processes to identify opportunities to further reduce the number of unapproved timesheets transmitted to payroll.

Payroll processes need to improve to minimise salary overpayments

We found 190 payroll overpayments to staff with a total value of $730,970 at May 2026.

Salary and wage overpayments can occur from payroll processing by WCHN and SSSA. Common causes include:

- late submission of, or amendment to, employee contracts
- delayed processing of leave without pay forms
- roster changes not promptly reflected in manual rostering systems.

Weaknesses in payroll controls and checks, including delayed reviews of bona fide reports and the processing of unapproved timesheets, increase the risk of overpayments occurring and remaining undetected.

WCHN responded that it will review its internal processes and implement targeted communication and training for managers to reinforce the timely submission of leave forms and contract amendments, and the maintenance of current rosters. WCHN also advised that it will continue to analyse the causes of overpayments and take action to reduce those resulting from staff-related processes.

Inconsistent rostering practices for medical officers

We have previously reported that WCHN applies inconsistent rostering practices across its divisions for medical officers, with some areas relying on manual spreadsheet-based processes.

During 2025-26, WCHN introduced a clinical rostering resource manual to establish better practice and clarify responsibility for roster management. Some divisions are also using rostering functions available in existing Microsoft products.

While these are positive steps to address some of the concerns, they do not provide better controls than a dedicated electronic rostering system.

WCHN responded that it is working with the Department for Health and Wellbeing (DHW) through a steering committee overseeing the implementation of a new electronic medical rostering system. The preferred provider is currently being finalised, with pilot implementation expected to commence in July 2027 and full implementation planned by June 2028.

Financial information

Highlights of the financial report

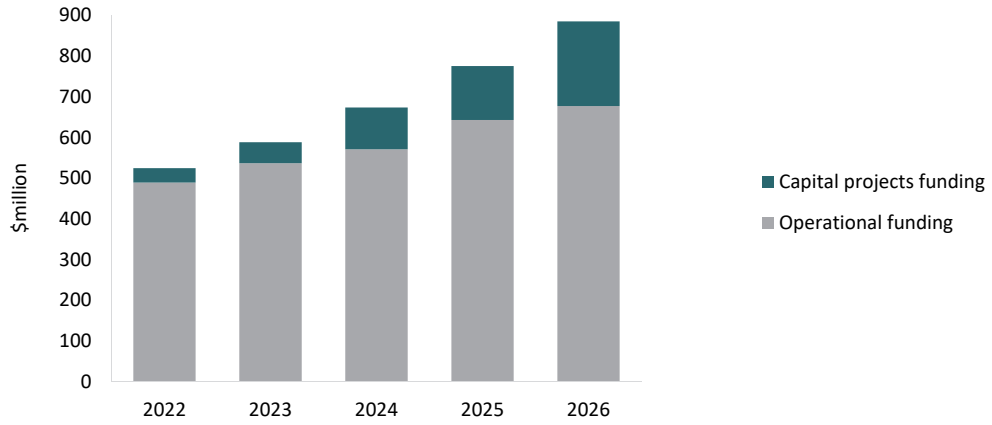
	2026 $million	2025 $million
Income		
Revenues from SA Government	884	775
Fees and charges	48	47
Grants and contributions	18	17
Other income	16	43
Total income	966	882

	2026 $million	2025 $million
Expenses		
Staff-related expenses	558	504
Supplies and services and other	212	208
Depreciation and amortisation	21	20
Total expenses	791	732
Net result	175	150
Other comprehensive income	7	8
Total comprehensive result	182	158
Assets		
Current assets	56	57
Non-current assets	834	642
Total assets	890	699
Liabilities		
Current liabilities	111	105
Non-current liabilities	103	100
Total liabilities	214	205
Net assets	676	494

Statement of Comprehensive Income

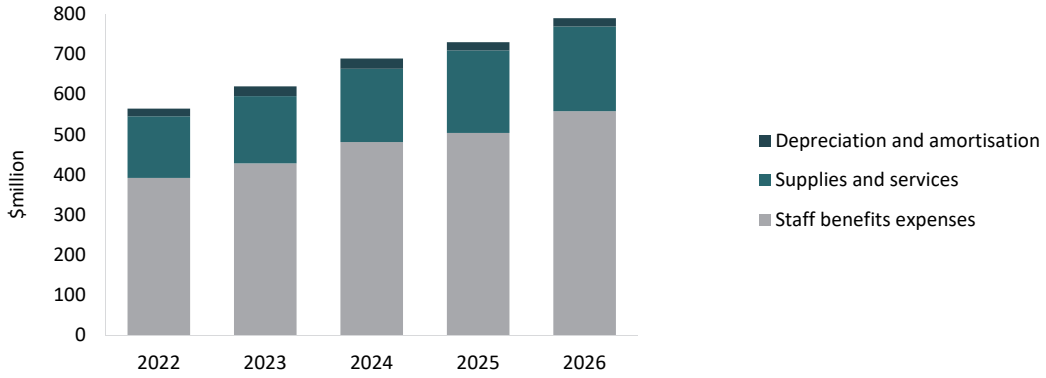
Revenues from SA Government

WCHN is principally funded by DHW. It received operational funding of $677 million ($643 million) and capital funding of $208 million ($132 million) in 2025-26. The capital funding contributed significantly to WCHN's net result of $175 million ($150 million). Capital funding mainly related to the nWCH and sustainment works at the current hospital to address high priority clinical and infrastructure requirements while the nWCH is being built. Revenues from the SA Government over the last five years are shown in the following chart.



Expenses

Expenses increased by $59 million to $791 million in 2025-26. The significant components of expenses and the growth in all components over the last five years are shown in the following chart.



Staff-related expenses

Staff-related expenses increased by $54 million to $558 million, which represented 71% of WCHN's total expenses in 2025-26. This increase was mainly due to a rise in salaries, wages and on-costs expenses of $43 million, driven by:

- an increase in staff of 92 FTEs
- salary increases under the new enterprise agreements, including:
  - 6.9% to 12% for staff under the SA Health Salaried Medical Officers Enterprise Agreement 2025
  - 3.8% for staff under the South Australian Public Sector Enterprise Agreement 2026.

The breakdown of total staff numbers between medical, nursing and non-medical since 2021-22 is shown in the following table. It shows the overall growth in FTEs over five years.

	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs	2025-26 FTEs
Nurses	1,501	1,557	1,580	1,696	1,715
Non-medical	1,184	1,196	1,226	1,267	1,330
Medical officers	378	383	439	491	501
Total FTEs	3,063	3,136	3,245	3,454	3,546

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment increased by $197 million to $812 million and represented 91% of WCHN's total assets in 2025-26. The increase is mainly due to:

- $206 million in additions to building work in progress, mostly for the nWCH and sustainment works at the existing hospital
- a $7 million increase in the fair value of land following an annual valuation review using indices provided by the Valuer-General.

These increases were offset by $20 million in depreciation and amortisation expenses.

Staff-related liabilities

Staff-related liabilities increased by $15 million to $177 million and represented 82% of WCHN's total liabilities in 2025-26. The increase is mainly due to an $11 million increase in annual and long service leave liabilities. This reflects higher staff numbers at 30 June 2026 and increased salary rates used to calculate leave entitlement balances.

Further commentary on operations

The SA Government has committed more than $3.2 billion to build the nWCH at the former Thebarton Police Barracks site, with completion expected in 2031.

Construction of the nWCH car park facilities has commenced and other site preparation works are progressing. Further detail on this project is provided in Part A of this report.

Scope of the audit

Some financial services for WCHN are provided by the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- cash
- payroll
- purchasing, procurement and payments
- fixed assets
- revenue
- general ledger.

Yorke and Northern Local Health Network Incorporated (YNLHN)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Some invoices were paid without a purchase order for them.
- Debt management needs to improve.
- Human resource authorisations need to be updated.
- Locums were engaged and paid without an appropriate procurement process.

Key statistics

$300 million
Total income

$309 million
Total expenditure

20
Hospital and health service sites

1,357
FTEs

15,538
NWAUs

18,269
Total inpatient activity

Key findings

Some invoices were paid without purchase orders for them

We found instances where YNLHN paid invoices without associated purchase orders and the purchases did not qualify for exemptions. SA Health's policy requires staff to raise requisitions and purchase orders unless the purchase is on the approved purchase exemption list or is below $2,200.

Failing to use purchase orders increases the risk of paying for goods or services that were not received or were not at the agreed price.

YNLHN advised us that it will publish a staff memo about the purchase order requirements, monitor purchase order exemptions and provide targeted education to its staff.

Debt management needs to improve

We found instances where the YNLHN did not effectively follow up and recover longstanding debts.

Weak debt recovery practices increase the risk of lost revenue to YNLHN.

YNLHN advised us that it will bring the debt management function in-house during 2026-27, which is expected to improve its performance.

Human resource authorisations need to be updated

YNLHN had not reviewed and updated its human resource authorisations since November 2024. This increases the risk that its staff may have inappropriate authorisation to access human resource information and may make payment errors.

YNLHN advised us that it is restructuring its business services and will review its human resource authorisations in September 2026.

Locums were engaged and paid without an appropriate procurement process

We identified instances where locums were engaged and paid without evidence of an appropriate procurement process, approval for a direct market approach, or an exemption from SA Health.

This increases the risk that value for money is not achieved and charges may be disputed.

YNLHN advised us that an SA Health exemption was approved after the locums had commenced work. It has also advised us that, in future, exemptions will be obtained before positions are advertised.

Financial information

The YNLHN consolidated accounts include the incorporated Health Advisory Councils within its region. These Councils represent community interests and provide advice about health services, health issues, priorities, plans and strategic initiatives.

Only the consolidated results are presented below as the differences between the consolidated and parent entity amounts are not material.

Highlights of the financial report – consolidated

	2026 $million	2025 $million
Income		
Revenues from SA Government	235	216
Fees and charges and other income	24	21
Grants and contributions	41	41
Total income	300	278
Expenses		
Staff-related expenses	158	145
Supplies and services and other expenses	137	115
Depreciation and amortisation	14	14
Total expenses	309	274
Net result	(9)	4
Total other comprehensive income	70	(3)
Total comprehensive result	61	1
Assets		
Current assets	49	53
Non-current assets	275	206
Total assets	324	259
Liabilities		
Current liabilities	57	53
Non-current liabilities	24	24
Total liabilities	81	77
Net assets	243	182

Statement of Comprehensive Income

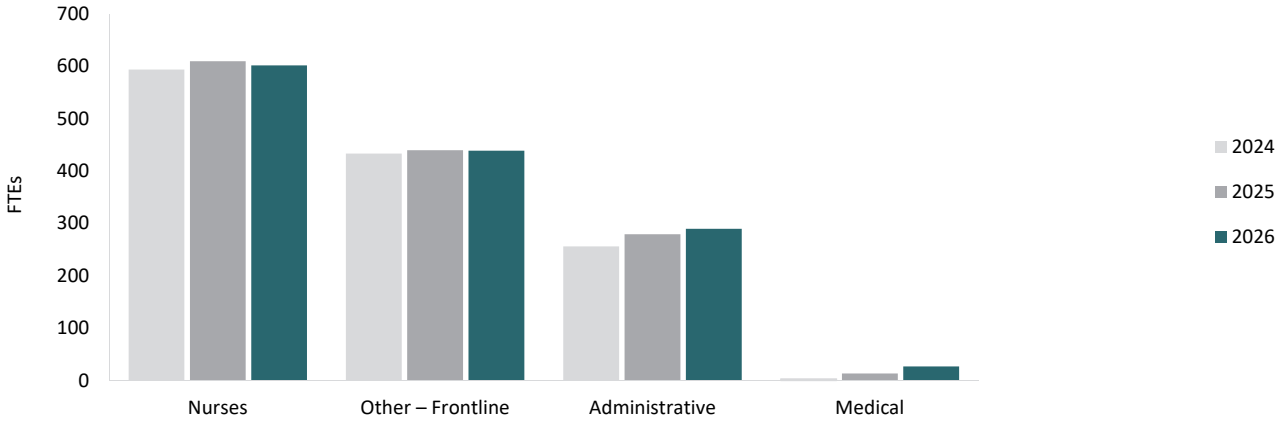
Revenues from SA Government

Revenues from the SA Government, which accounted for 78% of YNLHN's income, increased by $19 million (8.7%) in 2025-26. Funding is received from the Department for Health and Wellbeing. It comprised:

- $222 million ($200 million) in operating funding. The increase reflects higher staff costs due to new enterprise bargaining agreements, including back payments, and the price per national weighted average unit (NWAU)
- $13 million ($16 million) in capital funding.

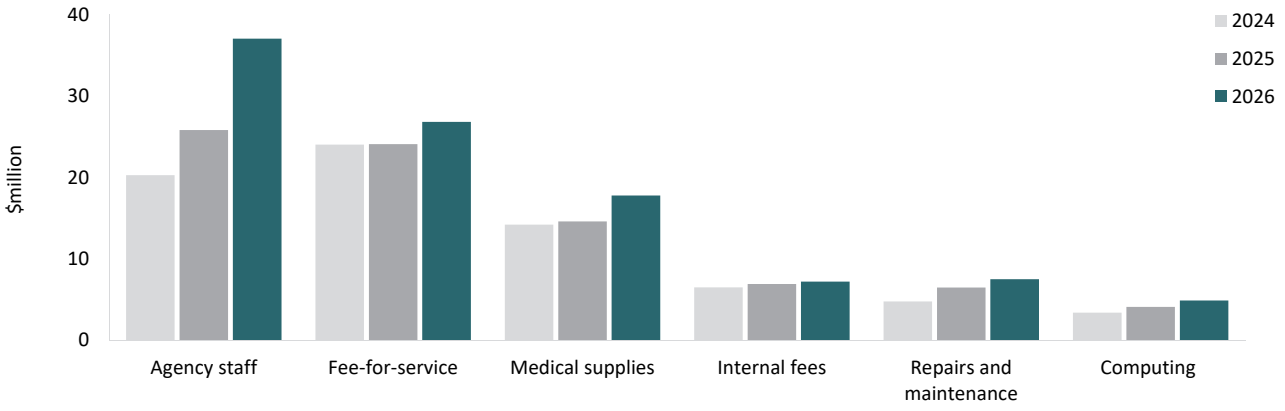
Staff-related expenses

Staff-related expenses, which accounted for 51% of YNLHN's expenses, increased by $12 million (8.6%). The increase is mainly due to the increase in staff costs resulting from the new enterprise bargaining agreements, including back payments. The number of staff increased by 15 FTEs, as shown in the following chart.



Supplies and services

Supplies and services, which accounted for 44% of YNLHN's expenses, increased by $22 million (19%). There are six categories that account for 74% of this expenditure, as shown in the following chart.



The main increases in supplies and services expenses were:

- $11 million in agency staff costs and $3 million in fees for service related to staff and general practitioner recruitment challenges and increased service costs
- $3 million in medical supplies, due to increased costs.

Statement of Financial Position

Cash

Cash and cash equivalents totalled $19 million ($25 million) and accounted for 39% of YNLHN's current assets in 2025-26. Cash comprised deposits with the Treasurer of $14 million ($19 million) and cash at bank or on hand of $5 million ($6 million). Cash decreased as YNLHN was holding less aged care refundable deposits.

Property, plant and equipment

Property, plant and equipment increased by $69 million (34%) to $273 million in 2025-26. This was mainly due to a revaluation increase in land and buildings of $70 million and additions of $13 million, offset by $14 million in depreciation. The additions were mainly for capital works in progress.

Payables

Payables increased by $3 million (36%) to $11 million, due to increases in outstanding invoices for locums, agency staff costs and asset maintenance expenses at 30 June 2026.

Staff-related liabilities

Staff-related liabilities increased by $2 million (5%) to $46 million, due to the increase in staff costs resulting from the new enterprise bargaining agreements, including back payments.

Scope of the audit

Some financial services for YNLHN are provided by the Rural Support Service within the Barossa Hills Fleurieu LHN, the Department for Health and Wellbeing and Shared Services SA. The audit findings of these agencies are provided in this report.

The audit covered the major financial systems to obtain sufficient evidence to form an opinion on the financial report. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2025-26 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

HomeStart Finance (HomeStart)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

There was a temporary breakdown in segregation of duties controls over creating and approving manual journals.

Key statistics

$331.2 million
Total income

$211.7 million
Total expenditure (excluding income tax and dividend expense)

151
FTEs

17,828
Number of outstanding loans

109 million
Dividends and tax equivalents paid

Significant events and transactions

- Profit after income tax equivalents increased by $38.1 million to $83.7 million, mainly due to higher fair value gains on Shared Equity Option and Breakthrough loans measured at fair value through profit and loss.
- Shared equity loan products increased by $136.2 million to $483.6 million, reflecting continued demand for affordability assistance products and rising property prices.
- HomeStart is required to pay the Treasurer an annual dividend of 100% of its after tax profit. The dividend was $83.7 million in 2025-26. HomeStart paid $71.5 million during the year based on its expected after tax profit and recognised a provision of $12.1 million for the remaining dividend amount, which is payable in June 2027.
- HomeStart implemented a new loan administration system in May 2026.

Key findings

Temporary breakdown in segregation of duties controls over creating and approving manual journals

A temporary breakdown in segregation of duties occurred due to staff leave and vacancies, resulting in some manual journal entries being prepared, posted and reviewed by the same individual. This arrangement did not comply with HomeStart's segregation of duties controls.

HomeStart responded that the risk arising from this temporary control weakness was mitigated by compensating controls, including monthly balance sheet reconciliations and management reviews, which remained in place during this period. HomeStart has since restored its normal segregation of duties arrangements.

Financial information

Highlights of the financial report

	2026 $million	2025 $million
Interest income	252	245
Interest expense	(139)	(139)
Net interest income	113	106
Other income	79	42
Other expenses	(38)	(51)
Government guarantee fee	(34)	(32)
Profit (Loss) before income tax equivalents	120	65
Income tax equivalent expense	(36)	(19)
Profit (Loss) after income tax equivalents	84	46
Other comprehensive income	4	(9)
Total comprehensive result	88	37
Assets		
Loans and advances	3,615	3,520
Other assets	14	11
Total assets	3,629	3,531
Liabilities		
Borrowings	3,422	3,344
Other liabilities	42	27
Total liabilities	3,464	3,371
Total equity	165	160

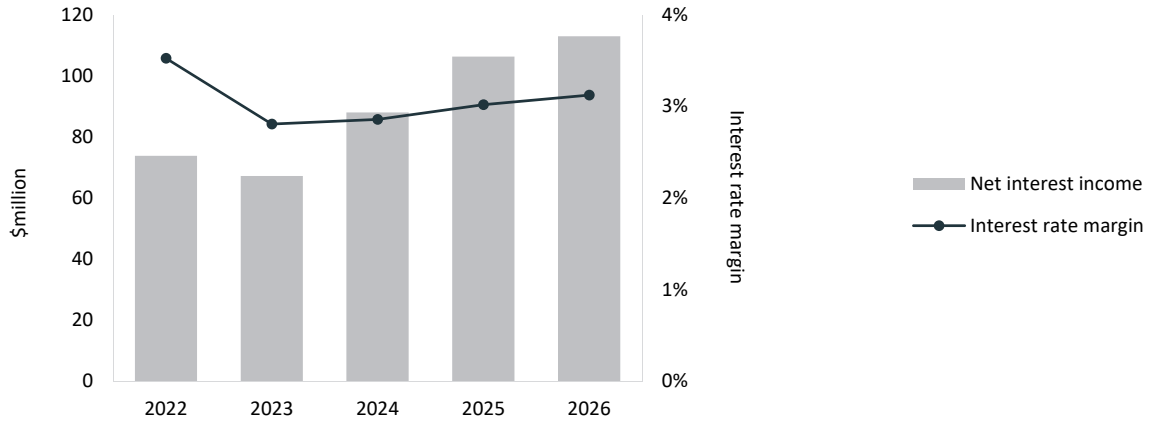
Statement of Comprehensive Income

Profit for the year

Profit before income tax equivalent payments increased by $54.4 million to $119.5 million. The analysis below outlines the main factors contributing to this result.

Net interest income

Net interest income increased by $6.7 million (6%) to $112.9 million. This was driven by HomeStart increasing the interest rates on its fixed and variable loans by more than the interest rate charged on its borrowing costs from the South Australian Government Financing Authority (SAFA), and a reduction in the fixed rate loan portfolio, which had a lower profit margin. The average fixed interest rate was 8.09%, compared to an average variable lending rate of 8.39%. The following chart compares net interest income to the interest rate margin between loans and cost of funds, excluding the cost of the government guarantee fee.



The interest rate margin between loans and cost of funds increased by 0.1% to 3.1% in 2025-26.

HomeStart's standard variable rate is set to be generally in line with the standard variable rate of major lenders. It generally adjusts its rates when the Reserve Bank of Australia changes the official cash rate.

Borrowings from SAFA increased by $77.8 million (2%), mainly due to funding loan settlements and the increased dividend payment. Interest expense decreased by $126,000, reflecting the full-year effect of interest rate movements. Despite fluctuations in the Reserve Bank of Australia's cash rate in 2025-26, SAFA's weighted average interest rate remained unchanged at 4.1% in that year.

Other income

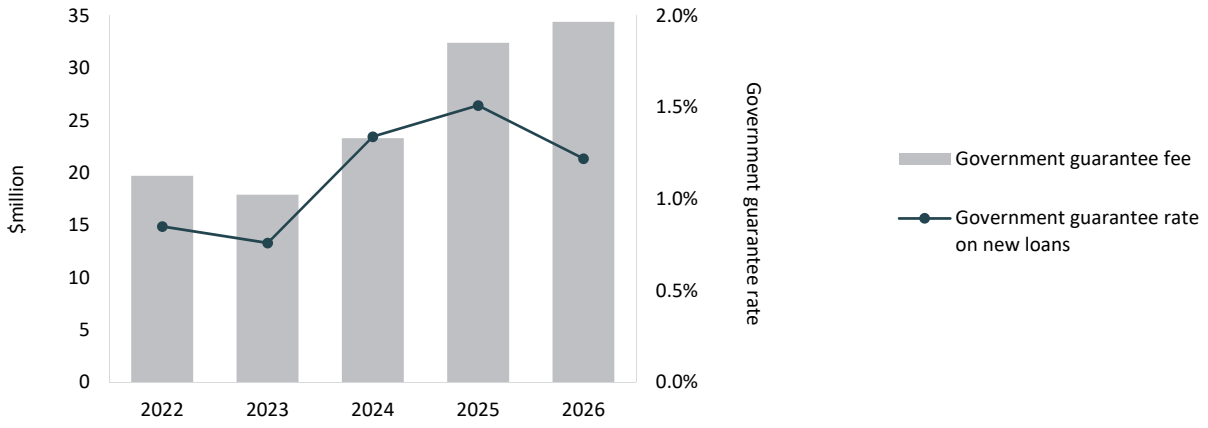
Other income increased by $37.9 million to $79.5 million (91%), mainly due to higher realised and unrealised fair value gains on HomeStart's Breakthrough and Shared Equity Option loans. These gains reflected higher Adelaide property market growth in 2025-26. See 'Breakthrough and Shared Equity Option loans' below for more information.

Expenses other than interest and income tax equivalent

Expenses other than interest, dividends and income tax equivalent payments decreased by $9.9 million to $72.9 million in 2025-26. This was due to:

- a $7.4 million decrease in bad and impaired loans expense, reflecting a $700,000 reduction in the Expected Credit Loss provision in 2025-26 compared to a $6.7 million increase in 2024-25. This was mainly due to lower provisioning requirements following the conservative provision in the prior year and continued strong growth in residential property values securing the loans
- a $6.8 million decrease in depreciation, amortisation and impairment expense, mainly due to the prior year write-off of $4.7 million in capitalised software costs for the customer and loans management system project and reduced amortisation expense for the Loanworks system, which was fully amortised in early 2026.

These reductions were offset by a $2.1 million increase in government guarantee fees, driven by higher borrowings and changes in the borrowing mix. The increase in government guarantee fees is shown in the following chart.



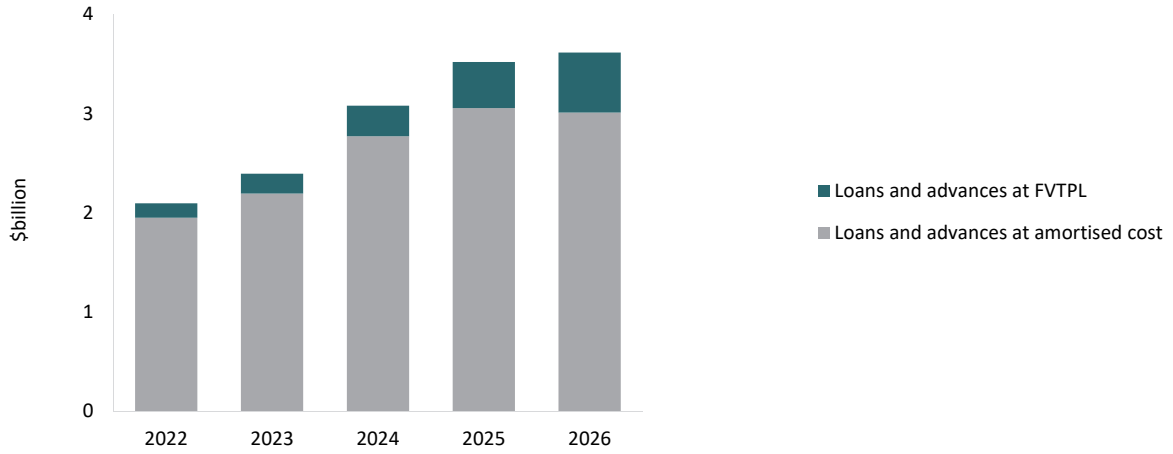
Government guarantee fees are impacted by the total value of borrowings from SAFA and the government guarantee fee at the time of borrowing. The guarantee fee for borrowings drawn down in 2025-26 decreased from 1.51% to 1.22%. Existing debt attracted the legacy rates approved in previous financial years, ranging from 0.76% to 1.34%.

Statement of Financial Position

Assets

Loans and advances

Total loans and advances were valued at $3.6 billion at 30 June 2026, an increase of $95 million (2.7%) from 2024-25. The value of loans and advances over the past five years is shown in the following chart.



The portfolio of primary and subsidised loans measured at amortised cost has decreased by $45 million since June 2025, mainly driven by a higher proportion of new lending being settled as Shared Equity Option loans. HomeStart loan products remain attractive to customers who face challenges securing credit from other commercial lenders. The growth in loans and advances measured at fair value through profit and loss (FVTPL) is mainly due to the appreciation in South Australian property values underpinning Shared Equity Option loans and the settlement of Shared Equity Option loans.

HomeStart interest rates are generally higher than those of mainstream lenders, as its core business is to provide loans to low to moderate income earners who may not be able to borrow through mainstream lenders. It also provides loans with a high loan-to-value ratio without charging lenders mortgage insurance, and products that assist with upfront costs.

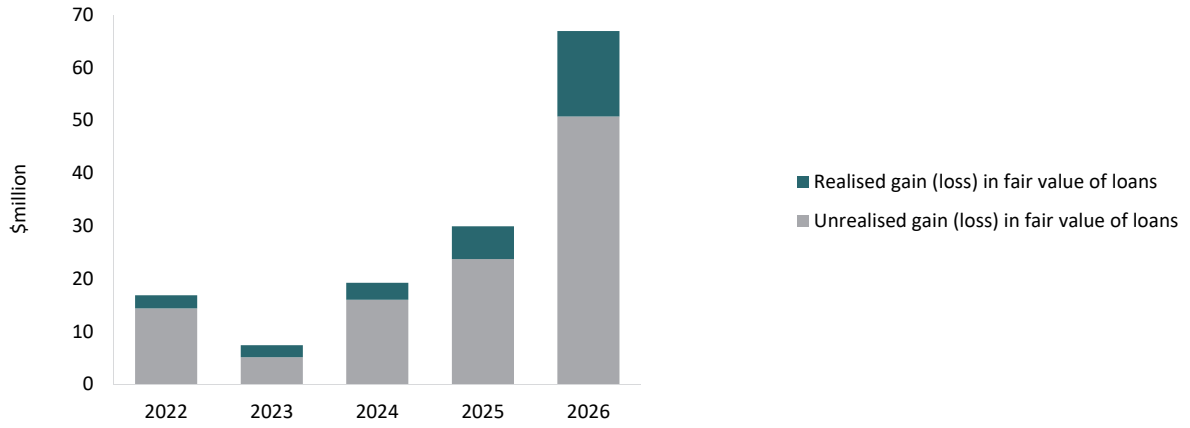
HomeStart's loan portfolio includes both primary and subsidised loans. Primary loans are loans at market interest rates, whereas subsidised loans are loans at lower than market interest rates. Primary loans decreased by $41.8 million, mainly due to a decrease in fixed rate loans as borrowers are increasingly refinancing into variable rate loans or switching to other lenders. Subsidised loans decreased by $5.3 million due to the ongoing run-off of Advantage and Equity Start loans, which are no longer offered.

Breakthrough and Shared Equity Option loans

Breakthrough and Shared Equity Option loans have a standard loan component with standard interest rate repayments paired with a shared appreciation component, where the loan is repaid along with a percentage of the change in property value when the property is sold or refinanced. HomeStart withdrew the Breakthrough loan product in December 2017 and released the Shared Equity Option loan product in April 2018. The shared appreciation component of these loans is recognised at FVTPL, while the standard loan component is recognised at amortised cost.

These loans, including the shared appreciation component, represent 13.4% of the total value of HomeStart's loans and advances. Due to the significant impact of the shared appreciation component on HomeStart's operating result, it has implemented specific risk management strategies for these loans, including capping the total outstanding value of these loans at any given time.

In 2025-26, HomeStart recognised a net gain of $66.9 million ($29.9 million) from these loans, comprising $50.7 million ($23.7 million) in revaluation gains and $16.2 million ($6.2 million) in gains realised on loan discharges. The increase in gains reflects a larger shared equity portfolio and stronger growth in the Adelaide property market in 2025-26 compared to 2024-25, which increased the value of the shared appreciation component. The impact of these loans on HomeStart's operating result and the total value of the shared appreciation component since 2022 are shown in the following chart.



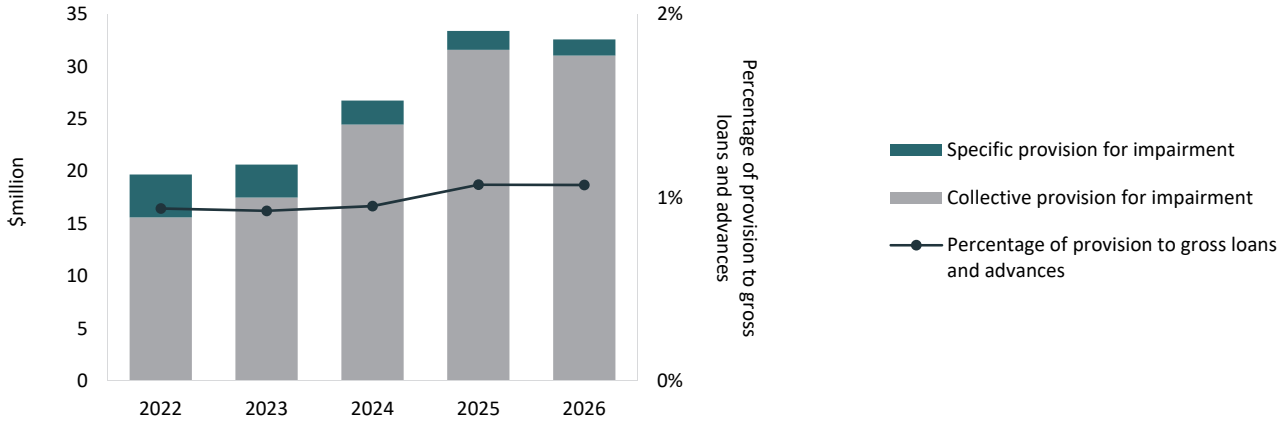
Provision for credit impairment

HomeStart assesses its loan portfolio at each balance date to determine whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired.

The total provision for credit impairment decreased by $808,000 to $32.6 million (-2.4%) in 2025-26. It has two components based on expected credit losses:

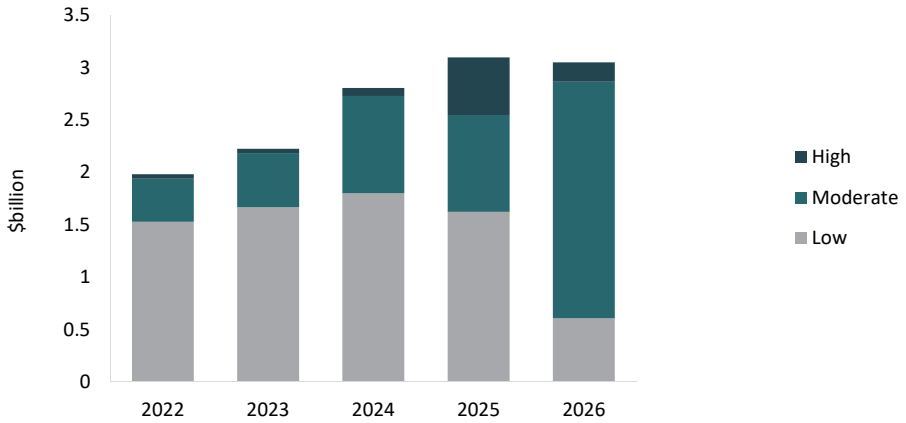
- Specific provisions of $1.5 million ($1.8 million), which relate to individually impaired loans and advances. The decrease reflects higher property prices reducing HomeStart's deficit if a mortgaged property is repossessed.
- Collective provisions of $31.1 million calculated using an expected credit loss model. The provision decreased by $537,000, mainly due to a reduction in the management overlay applied to reflect current economic conditions and changes to the treatment of capitalising loans, which resulted in fewer loans being classified into higher provisioning stages. These reductions were partially offset by continued growth in the loan portfolio and a deterioration in credit risk indicators. The collective provision is based on assumptions about future economic conditions and the likelihood of them occurring. There is significant uncertainty over economic conditions such as interest rates, inflation, unemployment levels and the cost-of-living pressures, which disproportionately affect HomeStart's customer base. As a result, HomeStart expects that loan arrears will continue to increase and overall credit performance will decline.

The levels of HomeStart's provisions and their composition over the past five years are shown in the following chart.



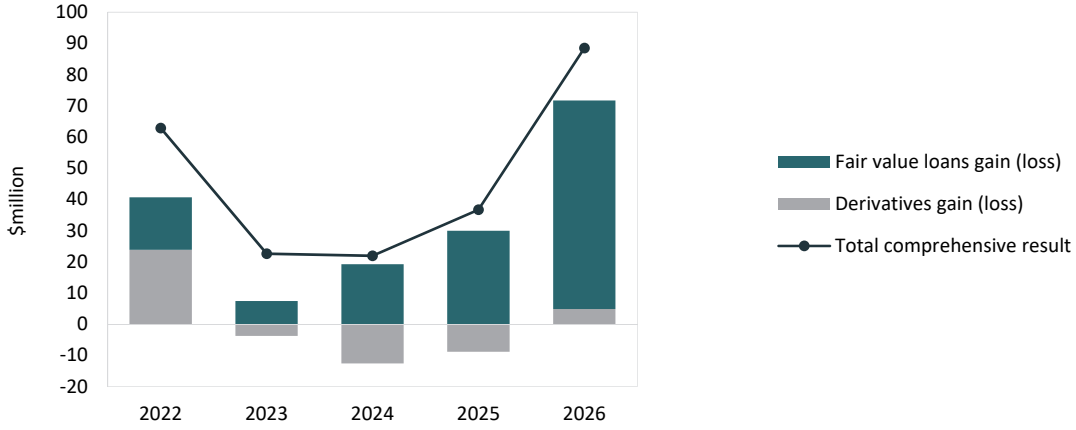
Provisioning relative to gross loans and advances has remained relatively consistent over the past five years.

HomeStart assesses the gross value of its loans and advances to customers by credit risk grading, as summarised in the following chart.



The chart above shows the breakdown of loans across credit risk categories. HomeStart advised us that the 2025-26 figures were derived using a revised methodology introduced after implementation of the Capital system and new data warehouse. As a result, the credit risk grading categories may not be directly comparable to prior periods. Notwithstanding this, there has been an increase in the risk level across HomeStart's portfolio, as the value of low-risk loans has decreased and the value of moderate-risk loans has increased, reflecting HomeStart's expectation that arrears will continue to rise and overall credit performance will decline under forecast economic conditions.

The changes in the fair values of derivatives and loans (measured at FVTPL) that affect total comprehensive result are shown in the following chart. The fair value loans gain of $66.9 million for 2025-26 reflects the higher Adelaide property market growth compared to 2024-25. The derivatives gain of $4.8 million reflects a number of historical interest rate swaps with fixed interest rates that are now below prevailing market interest rates. The increase in market interest rates above the fixed rates contracted under the swaps has resulted in a favourable fair value movement.



Liabilities

Borrowings

Borrowings were $3.4 billion ($3.3 billion) at 30 June 2026 and represent 98.8% of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. Most of its borrowings from SAFA mature within five years, with $1.2 billion of debt maturing over the next 12 months.

Distributions to and revenue from SA Government

HomeStart distributions to the SA Government include dividends, guarantee fees and income tax equivalent payments. HomeStart also receives community service obligation funding from the Department of Treasury and Finance in recognition of the cost of performing the following non-commercial activities:

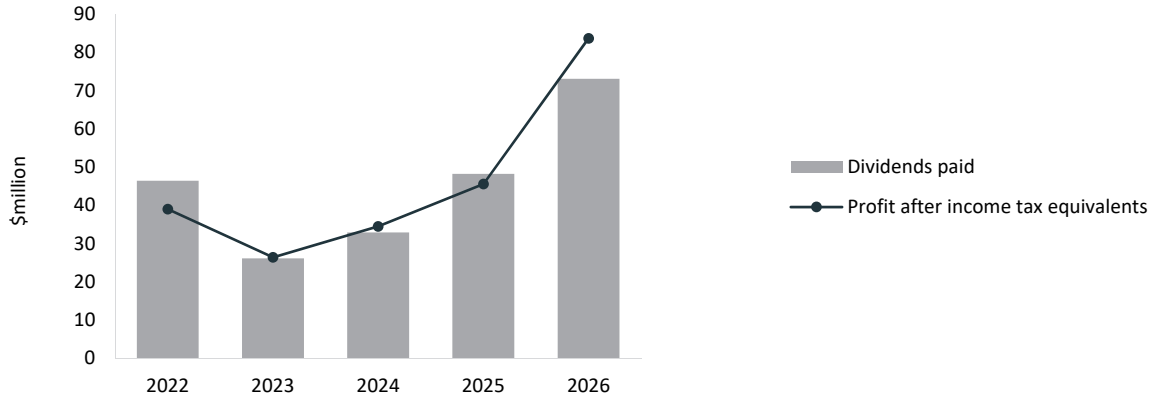
- acceptance of non-commercial credit risk
- Advantage loan program subsidies
- domestic violence housing loans.

HomeStart's requirement to perform non-commercial activities is set out in its regulations.

The following table summarises these cash transactions with the SA Government for the five years to 2026.

	2022 $million	2023 $million	2024 $million	2025 $million	2026 $million
SA Government distributions:					
Dividend paid	46	26	33	48	73
Income tax equivalent	16	17	13	19	28
Government guarantee fee	20	18	23	32	35
Total distributions to SA Government	82	61	69	99	136
Community service obligation income	(8)	(8)	(9)	(9)	(9)
Net amount provided to SA Government	74	53	60	90	127

Profit after income tax equivalent payments and dividends paid for the past five years, highlighting HomeStart's sustained profit performance, are shown in the following chart.



HomeStart is required to pay the Treasurer an annual dividend of 100% of its after tax profit. The dividend for 2025-26 is $83.7 million. A payment of $71.5 million was made in 2025-26 based on expected after tax profit for the year, with a provision of $12.1 million recognised for the remaining dividend payable based on actual tax profit to be paid in June 2027.

HomeStart aims to return dividends to the SA Government regularly, in line with its performance statement. These dividends are recommended by the HomeStart Board and approved by the Treasurer.

HomeStart pays an income tax equivalent to the SA Government in line with Treasurer's Instruction 22 *Tax Equivalent Payments*. The income tax liability is based on the State Taxation Equivalents Regime, which applies the accounting profit method. This requires the corporate income tax rate to be applied to net profit.

Statement of Cash Flows

Net cash flows

The net cash flows for the five years to 2026 are summarised in the following table.

	2022 $million	2023 $million	2024 $million	2025 $million	2026 $million
Net cash flows					
Operating	27	18	25	(398)	(1)
Investing	169	(285)	(666)	(3)	(2)
Financing	(194)	266	637	402	4
Change in cash	2	(1)	(4)	1	1
Cash at 30 June	8	7	3	4	4

In 2025-26, HomeStart reassessed the classification of cash flows relating to loan advances and principal repayments. These cash flows were reclassified from investing activities to operating activities to better reflect their nature as part of the HomeStart's core lending activities. The prior period comparatives were restated as a result of this change.

Operating activities relate mainly to the provision of loans to customers. New lending of $1.3 billion only slightly exceeded customer loan repayments and discharges of $1.26 billion in 2025-26. This resulted in a lower net financing cash inflow of $4 million, which reflects a reduced increase in borrowings required to support new customers lending.

Further commentary on operations

HomeStart IT system projects

Capital system

Last year we reported that HomeStart discontinued its customer and loans management system project in May 2025 due to vendor, delivery and governance issues, resulting in the impairment of around $5 million in capitalised project costs.

To replace this system, HomeStart started another loan management system project in June 2025. The system went live in May 2026, with project expenditure reaching $3.6 million by the end of July 2026.

The project is currently in a post-implementation support phase while the vendor resolves outstanding defects, primarily relating to commission payments and reporting. HomeStart expects total project costs to reach $3.75 million, which remains within its Board-approved budget of $4 million. In addition, annual licence fees of more than $700,000 (billed monthly) started in May 2026.

HomeStart advised us that the system is largely operating as expected and it will consider future enhancements once the remaining implementation issues are fully resolved.

Loanworks loan system

Last year, we reported on the implementation of the Loanworks system, which was completed in May 2025. The system is used to process customer loan applications. While it was successfully delivered and became operational, it did not fully meet HomeStart's original expectations for broker and customer experience or operation efficiency. As a result, HomeStart recognised an impairment of $2.28 million in capital costs.

As part of our 2025-26 review, we sought a project update. HomeStart advised us that the total project expenditure had reached $6.82 million, including the impairment of capital costs, against a revised approved budget of $6.88 million (up from the original budget of $6.3 million). HomeStart also continues to pay ongoing licence fees to the software vendor for system support and maintenance.

HomeStart also identified several opportunities to improve the system and delivered an enhancement project between September 2025 and February 2026. The project expenditure was $350,000, compared to an approved budget of $398,000. HomeStart advised us that the Loanworks system is now meeting business needs and the enhancements have improved operational efficiency and the experience for customers and brokers.

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- government guarantee fees, dividend payments and community service obligations
- borrowings from SAFA and interest expense
- shared equity loans
- intangible assets
- purchases and payables
- expected credit loss provision
- loans and interest income
- management override of controls
- employee expenses and provisions
- derivative and hedge accounting.

We reviewed controls over loans and advances and borrowings as part of our overall controls opinion, which is discussed in Part B of this report.

Department for Housing and Urban Development (DHUD)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	Longstanding unreconciled variances identified in the land system bank reconciliation.

Key statistics

$208 million
Total income

$192 million
Total expenditure

338
FTEs

Administered

$623 million
Total income

$584 million
Total expenditure

Significant events and transactions

- The SAILIS titling database service concession asset was revalued up by $72 million.
- The Concordia Basic Infrastructure Scheme was initiated, establishing the funding and delivery framework for infrastructure to support development of the Concordia Growth Area.

Key findings

Cash

Unexplained variances in the SAILIS bank reconciliation

We found that the South Australian Integrated Land Information System (SAILIS) bank reconciliation for March 2026 included:

- a long-outstanding variance relating to machinery of government changes in 2022-23
- reconciling items that were not identified or categorised.

We found that these variances mainly relate to cumulative bank and general ledger transactions dating back to March 2022. However, the individual transactions causing the variances had not been identified or categorised to enable their resolution.

Shared Services SA (SSSA) prepares the monthly SAILIS bank reconciliation, with DHUD responsible for ensuring it is performed as expected.

Failure to perform and review monthly bank reconciliations can delay the identification of discrepancies between bank and accounting records, increasing the risk of misstatement, control failures, loss of public funds and non-compliance with Treasurer's Instructions.

DHUD responded that it:

- has worked with SSSA to understand the control weaknesses, improve the reconciliation process and reduce the unresolved variances
- will liaise with SSSA to ensure the remaining reconciling items are explained, categorised and cleared as appropriate
- will monitor the timely completion of future bank reconciliations.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Appropriation	130	101
Fees and charges	64	62
SA Government grants and funding	11	11
Other	3	5
Total income	208	179
Expenses		
Employee benefits expense	47	44
Supplies and services	131	126
Grants and subsidies	6	14
Payments to the Consolidated Account	-	6
Depreciation and amortisation	7	6
Other	1	1
Total expenses	192	196
Net result	15	(17)

	2026 $million	2025 $million
Changes in asset revaluation surplus	72	42
Total comprehensive result	87	25
Assets		
Current assets	39	19
Non-current assets	466	397
Total assets	505	416
Liabilities		
Current liabilities	19	18
Non-current liabilities	12	11
Total liabilities	31	29
Total equity	474	386

* Table may not add due to rounding.

Statement of Comprehensive Income

Income

DHUD is mainly funded by appropriation, receiving $129.7 million in 2025-26. This is an increase of $28.5 million from 2024-25, with additional appropriation funding received to support the Concordia Basic Infrastructure Scheme – see 'Further commentary on operations'.

Fees and charges increased by $2.6 million (4%) to $63.9 million, largely reflecting increases in lodgement fees, land division assessment fees and property reports.

Expenses

Total expenses decreased by $4.3 million to $192.1 million in 2025-26, mainly due to:

- a decrease in grants and subsidies, following the transfer of $8.2 million to the Department of State Development in 2024-25 as a result of a machinery of government change
- a $5.9 million reduction in cash returns to the Consolidated Account. There was no cash payment in 2025-26
- an increase in employee-related expenses of $3.1 million following an FTE increase and enterprise bargaining salary increases
- an increase in supplies and services of $4.7 million, reflecting:
  - an increase in contract payments to Land Services of SA $7 million for land administration services to the Office of the Registrar-General and the Office of the Valuer-General
  - offset by reductions in other supplies and services expenses totalling $2.3 million.

Statement of Financial Position

Assets

Total assets increased by $89.2 million to $504.8 million in 2025-26, mainly due to:

- the $72 million upwards revaluation of the SAILIS titling database service concession asset
- a $19.8 million increase in cash.

The SAILIS titling database is an intangible asset measured at current replacement cost. Recognition of this value is required by the Australian Accounting Standards because the arrangement with Land Services SA is considered to be a service concession arrangement. It was originally recognised after the SA Government entered into a contract with Land Services SA, a private operator.

The replacement cost of the asset is based on the estimated cost of manually recreating the land titles register and the valuation roll. The asset is revalued annually and it is expected to change each year. The upwards revaluation in 2025-26 largely reflects changes in the inputs for the revaluation model, mainly due to an increase in assumed staff requirements and costs, overhead costs and the number of data entry points.

Liabilities

Total liabilities increased marginally by $1.7 million to $31 million in 2025-26.

Highlights of the financial statements – administered items

DHUD has administered items mainly related to regulated fees and charges for planning and land use processes.

	2026 $million	2025 $million
Income		
Fees and charges	582	474
Recoveries and other income	34	34
Appropriation	6	7
Other	1	1
Total income	623	516
Expenses		
Payments to the Consolidated Account	545	445
Planning fees	34	31
Other	6	6
Total expenses	584	482
Total comprehensive result	38	34
Assets		
Current assets	67	50
Total assets	67	50

	2026 $million	2025 $million
Liabilities		
Current liabilities	88	75
Non-current liabilities	1,266	1,300
Total liabilities	1,354	1,375
Total equity	(1,287)	(1,325)

* Table may not add due to rounding.

Income

Administered fees and charges increased by $108 million to $582 million, mainly due to more regulatory fees being collected by Land Services SA on behalf of the SA Government. Most fees and charges are collected as prescribed by the *Real Property Act 1886*. In 2025-26 there were large increases in transaction volumes and increased property values, which resulted in increased revenue. There was also a 3.1% increase in fee prices.

Expenses

Payments to the Consolidated Account increased by $100 million to $545 million in 2025-26, largely reflecting the increased fees and charges collected by the Office of the Registrar-General and payable to the Consolidated Account. Planning fees of $33 million ($29.8 million) were also paid, mainly to councils for increased development activity.

Assets

Administered assets increased by $17.2 million to $66.9 million in 2025-26, with cash and cash equivalents of $62.1 million held to meet an outstanding payment of regulatory fees to the Consolidated Account of $52.6 million for June 2026.

Liabilities

Administered liabilities are largely represented by unearned revenue of $1.3 billion for the land services commercialisation (see ‘Further commentary on operations’).

Further commentary on operations

Land Services SA

Land Services SA, a private operator, is the exclusive provider of land services in South Australia. It entered into a 47-year contract with the SA Government in 2017-18 to provide land services to customers on behalf of the SA Government under a fee-for-service arrangement. Services provided include land titling, registration and valuation services. Fee rates for land titling, property valuations and other land services are set by the SA Government under various legislation, and the fees collected by Land Services SA are paid into the Consolidated Account.

The SA Government received a $1.6 billion up-front payment from Land Services SA, mainly for the rights to be the exclusive provider of land services, to use the State's land information assets and to use the State's SAILIS software system. The up-front payment is recognised as revenue of $34 million per annum on a straight-line basis over 47 years.

Concordia Basic Infrastructure Scheme

The Concordia Basic Infrastructure Scheme (the Scheme) was developed in line with the *Planning, Development and Infrastructure Act 2016*. It establishes the funding and delivery framework for infrastructure required to support development of the Concordia Growth Area, which is planned to accommodate around 12,000 dwellings over the life of the Scheme.

The Scheme commenced in January 2026 and is expected to operate until 2057 across the following planned development phases:

- Phase 0 (2026–2029): first 600 allotments, supported by interim servicing arrangements and early developer-funded water and wastewater works.
- Phase 1 (2030–2036): a further 2,000 allotments, including major transport, water and wastewater infrastructure.
- Phase 2 (2036–2057): development of the remaining growth area, including additional transport, water and wastewater infrastructure that is yet to be fully scoped and costed.

The Scheme identifies $814 million of currently costed infrastructure projects, comprising $337 million of local transport infrastructure and $477 million of water and wastewater infrastructure. This does not represent the final whole-of-scheme cost because significant Phase 2 infrastructure and some Phase 0 works are not yet costed. Funding is intended to come from a combination of:

- developer infrastructure charges
- direct developer delivery of infrastructure
- works-in-kind arrangements
- existing infrastructure agreements
- SA Government funding and underwriting arrangements.

The Scheme attributes $537 million of infrastructure costs to the Concordia Growth Area, with around $115 million currently identified for recovery through the Phase 0 and Phase 1 charging mechanism. This charging mechanism requires developers to contribute through a statutory infrastructure charge. For detached residential allotments, the charge is $45,409 per dwelling. Non-residential development is charged $272,425 per hectare plus utility connection charges.

While the Scheme identifies funding sources and creates mechanisms to recover infrastructure costs through developer charging and delivery, it is not yet clear how the SA Government intends to fund the full costs of the Scheme.

From a governance perspective, the Scheme represents a transition from site-specific infrastructure agreements to an area-wide funding model that combines developer contributions and State funding to coordinate infrastructure delivery across the entire growth area. Future reviews of the Scheme will refine the scope, timing, funding requirements and charging arrangements for later phases of development.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- general ledger
- cash
- expenditure
- payroll
- revenue
- assets
- grant and receipt amounts
- administered items.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Department of Human Services (DHS)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	Controls over disability services revenue under the National Disability Insurance Scheme (NDIS) need to improve.

Key statistics

$685 million
Total income

$741 million
Total expenditure

2,802
FTEs

Administered

$1.3 billion
Total income

$1.3 billion
Total expenditure

237,000
Households receiving a concession

Significant events and transactions

- NDIS payments and the related appropriation income moved from controlled to administered items in 2025-26.
- DHS received Commonwealth Government funding for the Energy Bill Relief Fund concession program, which ended on 31 December 2025.
- Surplus cash of $58 million was returned to the Department of Treasury and Finance.
- DHS back-paid staff after various enterprise agreements were finalised in 2026.

Key findings

Controls over disability services revenue under the NDIS need to improve

From 1 October 2023, DHS started fully operating its disability services under the NDIS and charging for all disability services provided under this arrangement. This required it to implement new systems and additional processes to support billing for individual disability services delivered to its clients.

DHS continued to improve its controls over disability services billing. However, we found several areas where systems, processes and procedures need to improve, including:

- developing policies and procedures for the billing process
- renewing client service agreements and the timely update of information in its systems. In June 2026, around 68 agreements had expired in DHS's system, preventing DHS from billing for these services
- improving debt recovery processes for disability debts. In March 2026, $3.6 million (67%) of debts were more than 90 days overdue, including $3.4 million that had been overdue for more than 180 days.

We have raised these matters in previous years.

DHS responded that it has:

- reviewed its debt management framework and started improving its governance processes, controls and reporting. It has also engaged an external firm to review its billing and claiming functions
- implemented a continuous improvement plan to improve the timeliness, accuracy and completeness of its clients service arrangements
- commenced a review of its procedures and work instructions for NDIS billing process, and is considering introducing an overarching policy for the NDIS billing process.

Financial information

Highlights of the financial report – controlled items

	2026 $million	2025 $million
Income		
Appropriation	353	1,203
Sales of goods and services	164	159
Grants and subsidies	81	71
Intra-government transfers	61	30
Other income	26	17
Total income	685	1,480

	2026 $million	2025 $million
Expenses		
NDIS expenses	-	881
Employee benefits expenses	385	330
Grants and funded services	176	169
Supplies and services	114	112
Other expenses	66	25
Total expenses	741	1,517
Net result	(56)	(37)
Other comprehensive income	29	18
Total comprehensive result	(27)	(19)
Assets		
Current assets	199	255
Non-current assets	219	192
Total assets	418	447
Liabilities		
Current liabilities	81	83
Non-current liabilities	87	87
Total liabilities	168	170
Total equity	250	277

Statement of Comprehensive Income

Income

Income decreased by $796 million (54%) to $685 million, mainly due to the NDIS-related appropriation income moving from controlled to administered items in 2025-26. This was offset by an increase in intra-government transfers of $31 million to $61 million, mainly to fund the back pay of DHS staff in 2025-26 after various enterprise agreements were finalised.

Expenses

Expenses decreased by $776 million to $741 million, mainly due to the SA Government's contribution to the NDIS being recognised as an administered item in 2025-26. The contribution to the NDIS was $881 million in 2024-25. This decrease was offset by:

- an increase in employee-related expenses of $54 million, mainly due to DHS back-paying staff after various enterprise agreements were finalised in 2025-26
- surplus cash of $58 million returned to the Department of Treasury and Finance.

Statement of Financial Position

Notable changes in the Statement of Financial Position included:

- cash and cash equivalents decreased by $45 million to $179 million, mainly due to surplus cash transferred to the Department of Treasury and Finance of $58 million

- receivables decreased by $9 million to $20 million, mainly due to NDIS recoveries moving to administered items
- property, plant and equipment increased by $28 million to $218 million, including:
  - land and buildings were revalued up by $29 million
  - the Amata Family Wellbeing Centre was transferred to DHS from SA Health for nil consideration. It was valued at $6 million
  - depreciation of $8 million.

Highlights of the financial report – administered items

	2026 $million	2025 $million
Income		
Appropriation	1,167	292
Grants and subsidies	143	273
Client trust receipts	8	8
Other income	4	3
Total income	1,322	576
Expenses		
NDIS payments	916	-
Grants and funded services	388	512
Client trust payments	8	9
Other expenses	3	2
Total expenses	1,315	523
Net result and total comprehensive result	7	53
Assets		
Current assets	153	159
Total assets	153	159
Liabilities		
Current liabilities	29	42
Total liabilities	29	42
Total equity	124	117

Statement of Administered Comprehensive Income

Administered income

Administered income increased by $745 million to $1.3 billion, mainly due to:

- appropriation increasing by $875 million to $1.2 billion, largely due to the NDIS appropriation moving from controlled to an administered item in 2025-26
- Commonwealth Government funding for the Energy Bill Relief Fund decreasing by $130 million to $132 million as the Energy Bill Relief Fund concession program ended on 31 December 2025.

Administered expenses

Administered expenses increased by $791 million to $1.3 billion, mainly due to:

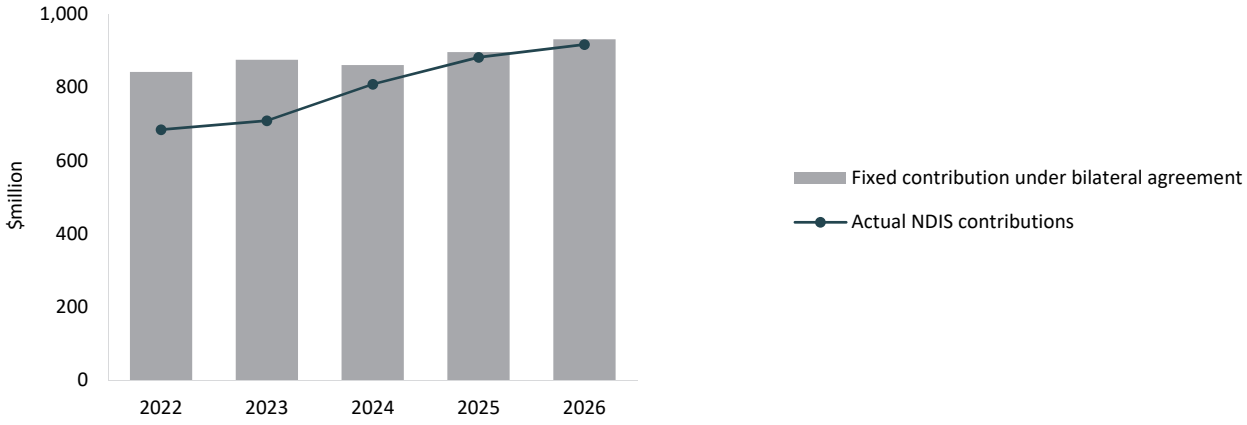
- NDIS payments totalling $916 million being recognised as an administered item in 2025-26
- grants and funded services decreasing by $124 million to $388 million, mainly due to a $127 million decrease in the Energy Bill Relief Fund concession program payment, which ended on 31 December 2025.

NDIS

In 2025-26 NDIS expenses and related appropriation revenue were recognised as administered items, which were previously reported in the controlled statements.

The SA Government started contributing to the NDIS in 2013-14 under the bilateral agreement with the Commonwealth Government. The agreement aims to improve the outcomes for people with a disability by supporting them through the NDIS and increasing their social and economic participation. The agreement involves payments between the Commonwealth and SA Governments to fund the NDIS.

The actual NDIS contribution comprises a fixed State contribution under the bilateral agreement, reduced by adjustments including the in-kind provision of services. Most of the in-kind adjustment ceased on 1 October 2023, with DHS transitioning to charging for all services provided under the NDIS. The fixed contribution under the bilateral agreement and the actual NDIS contributions after the in-kind adjustment for the last five years are shown in the following chart.



The SA Government's fixed contribution to the NDIS decreased in 2023-24 due to reallocating contributions. It is reallocated every five years (from 1 July 2023) based on the SA Government's share of the national population from the most recent Census. The SA Government's contributions will increase by about 4% each year to 2027-28, when it reaches $1 billion.

We assessed whether DHS's internal controls for the SA Government's NDIS contribution under the bilateral agreement were suitably designed and operating effectively during the year. There were no findings from our review.

Concessions

In 2024-25 the Commonwealth Government extended the Energy Bill Relief Fund until 31 December 2025, with all households receiving $300 and eligible small businesses receiving $325. The remaining concessions are SA Government funded. The main concession types by value and number in 2025-26 are shown below.

Cost of living
$59 million
225,000 households*

Energy
$53 million
213,000 households*

Transport concession
$30 million
12.5 million initial boardings**

Water
$54 million
203,000 households*

Sewerage
$25 million
122,000 households*

* The number of households and businesses receiving each concession type is provided by DHS and is unaudited.

** The number of initial boardings is provided by the Department for Infrastructure and Transport. It excludes students and seniors, and is unaudited.

Most households received more than one concession type during the year. Concession payments decreased by $125 million to $354 million, mainly due to a decrease in the Energy Bill Relief Fund payments of $127 million to $130 million, as the Commonwealth Government program ended on 31 December 2025.

Statement of Administered Financial Position

Administered assets were $153 million ($159 million) and consisted of cash totalling $144 million and receivables of $9 million at 30 June 2026. Cash holdings at this time included:

- $47 million for the Home for Incurables Trust. The activities of the Trust were vested with the Minister for Human Services on 1 July 2007 when Julia Farr Services was dissolved
- $15 million for client trust accounts.

Administered liabilities comprising payables decreased by $14 million to $29 million, mainly due to less concession expenses accrued in 2025-26 compared to the previous year.

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- compliance with governance arrangements
- expenses, including grant payments, concessions and supplies and services
- revenue, including charging for NDIS services
- fixed assets
- cash and general ledger.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- the SA Government's contribution to the NDIS under the bilateral agreement
- deposit accounts and special deposit accounts held with the Treasurer.

Department for Infrastructure and Transport (DIT)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- The Across Government Facilities Management Arrangements (AGFMA) are not operating as intended. Many longstanding issues remain unresolved, and there are concerns about the facilities service provider's compliance with key contract requirements.
- DIT has not yet established consistent and fully mature asset management practices across several major asset portfolios. This limits assurance over asset condition, maintenance activities, lifecycle planning and long-term investment decisions.
- Contract management and project delivery controls need to be strengthened to support effective governance, approvals, risk management and value-for-money outcomes.
- Weaknesses remain in some financial reporting, asset accounting and information system controls.

Key statistics

$4.6 billion
Total income

$2.8 billion
Total expenditure

2,033
FTEs (excluding Rail Commissioner)

$3.2 billion
Capital expenditure

23,000 km
Roads managed

Administered

$1.3 billion
Total income

$1.3 billion
Total expenditure

Significant events and transactions

- Components for all three tunnel boring machines (TBMs) were delivered to South Australia and assembly was completed in 2025-26. Excavation of the first southern tunnel commenced in July 2026 following the launch of the first TBM, and all three TBMs are now operating.

- DIT spent $2.2 billion on the River Torrens to Darlington (T2D) Project in 2025-26. Construction progressed significantly during the year, including the commencement of tunnelling works.
- As part of the T2D Project, DIT completed the relocation of the Warriappendi Secondary School and transferred it to the Department for Education at a cost of $40 million.
- DIT completed a full revaluation of its road network assets, effective from 1 July 2025. This resulted in a $4.3 billion increase in asset values, mainly due to higher replacement costs. The revaluation also increased annual depreciation expense by $83 million.
- DIT completed building the Adelaide Aquatic Centre and transferred it to the Office for Recreation, Sport and Racing at a value of $132 million.
- A $118 million provision was recognised for payments to eligible perpetual metropolitan taxi licence holders following amendments to the *Passenger Transport Act 1994* (SA), which resulted in the cancellation of perpetual metropolitan taxi licences.

Key findings

Across Government Facilities Management Arrangements

Longstanding governance, oversight and contractor performances deficiencies persist with the AGFMA

Background

In July 2021, the SA Government entered into a contract with Ventia Australia Pty Ltd (Ventia) to deliver AGFMA services. The contract commenced on 1 December 2021.

Including all options and GST, the contract has an estimated value of $4.2 billion over 11 years and seven months. It comprises an initial term of five years and seven months, with three optional two-year extensions. The initial term expires on 30 June 2027 and the extension options may be exercised at DIT's sole discretion.

The AGFMA is a complex arrangement involving shared responsibilities between DIT, participating agencies and Ventia. These responsibilities are defined in the AGFMA services agreement (the contract), memorandums of administrative arrangement, between DIT and agencies, and DIT's AGFMA contract management plan. Under the arrangement, DIT remains responsible for policy and contract management. As the AGFMA contract manager, DIT must have processes and controls to monitor and manage Ventia's compliance with its contract obligations. DIT is also primarily responsible for managing the risks to the SA Government of outsourcing the AGFMA to Ventia.

Services delivered under the AGFMA include maintenance works, works valued at less than $150,000 and planned minor construction works. In 2025-26, SA Government agencies paid around $577 million (GST inclusive) to Ventia for these services.

As the AGFMA administrator, DIT is responsible for:

- administering and managing the contract
- establishing mechanisms to support participating agencies and their representatives
- providing advice and information to agencies to support compliance and the maintenance of government assets
- managing Ventia's performance against contractual and other obligations
- conducting audit and assurance activities on Ventia's operations and processes, including monitoring KPI performance and the timeliness and accuracy of invoices.

Participating agencies are responsible for managing their designated assets, including:

- developing, maintaining and administering strategic asset management plans, or engaging Ventia to perform these activities
- verifying that work has been completed in line with requirements
- paying fees for services delivered for their assets
- collaborating with Ventia to finalise annual works programs and budgets
- issuing work requests
- participating in governance groups
- ensuring work, health and safety standards are met.

The AGFMA is a fundamental component of each participating agency's asset management framework.

AGFMA current status

Over several years, we have reported findings relating to both DIT's management of the AGFMA and Ventia's compliance with contract requirements. We have consistently concluded that the AGFMA has not operated as intended.

While DIT has undertaken considerable work to improve the effectiveness of the arrangement, significant issues remained in 2025-26. These include concerns about Ventia's performance and DIT's ability to determine whether contracted services were being delivered as intended.

Ventia ceased reporting against KPIs and provided agencies with limited information about planned works, reducing the information available to support effective oversight. Longstanding issues relating to data quality, pricing and compliance with contractual obligations also remained unresolved, including matters identified through external reviews commissioned by DIT.

We understand DIT has issued numerous contract breach notices to Ventia and implemented various measures to address identified issues. The breach notices relate to matters including late or incomplete contract deliverables, non-compliance with contractual processes and requirements and work, health and safety incidents.

DIT acknowledged that many of the issues identified arise within a contractual framework that has been challenging to administer due to a highly integrated service delivery model. Under this model, critical operational information, system access, asset data, subcontractor management and performance reporting are largely controlled by the contracted service provider. DIT advised us that it continues to apply a focused, prioritised and risk-based approach to contract management, while recognising that remediation of a number of findings requires cooperation and action by Ventia.

Summary of AGFMA audit findings for 2025-26

Although DIT made some progress in resolving issues with Ventia, many findings we reported in previous years remained unresolved. We found that DIT still needs to improve its controls over AGFMA governance, risk management and contract management. We also identified a new matter relating to significant deficiencies in Ventia's work, health and safety (WHS) systems. In relation to DIT's controls and processes, we found that:

- DIT does not have assurance that data held in Ventia's systems is complete, accurate and compliant with the SA Government's minimum asset data requirements (Department of the Premier and Cabinet Circular PC114 *Government real property management*)
- DIT had not performed formal audit or assurance activities to validate Ventia's controls over user access to software used to store asset and maintenance information
- DIT does not have assurance that Ventia engages subcontractors within the trade ceiling rates specified in the contract
- DIT cannot independently verify KPI results reported by Ventia (in instances where they were reported), and disputes about KPI methodologies and calculations remain unresolved

- DIT's AGFMA risk management processes have deficiencies, including gaps in the design, relevance and currency of controls, incomplete risk identification, and weaknesses in the review of Ventia's AGFMA risk register
- DIT does not have assurance that Ventia's WHS systems, processes and controls are operating effectively. An external contractor's (Aurecon) February 2026 review identified several extreme, very high and high-risk findings
- there are weaknesses in DIT's oversight of contract compliance, including the assessment of contractual obligations and management of contract breach notices.

We also identified several areas where Ventia was not meeting contractual requirements, including:

- no evidence that Ventia completed and finalised data validation processes required to confirm that data transferred into its systems was complete and accurate
- no transfer of data from Ventia's systems to DIT's data warehouse during the contract period, despite this being a contractual requirement
- the absence of the annual inspection and data audit plan required by the contract, with no evidence provided to DIT that site or asset inspections were being performed to validate asset information
- Ventia was not providing monthly and quarterly KPI reports to DIT, resulting in KPI credits (payable to agencies where KPI targets are not being met) not being applied to agency invoices
- where KPI results for breakdown and preventative maintenance had been reported earlier they did not meet contractual performance targets
- no final approved AGFMA business continuity plan or AGFMA risk register, and gaps in Ventia's draft risk register
- instances identified through DIT's audit and assurance work where subcontractors recorded in Ventia's subcontractor management system were either not marked as compliant or were recorded as compliant without sufficient supporting documentation.

DIT provided a detailed response to the matters raised, including that:

- it is applying all available contractual and governance mechanisms to address underlying data and system deficiencies affecting reporting, assurance and performance monitoring. Data remains a key focus of contract management activities. DIT continues to work with Ventia on long-term solutions to improve the collection, maintenance and transfer of asset data, including data integration and the contractually required data warehouse. In the interim, DIT is enhancing internal systems as a mitigating control and to ensure minimum dataset requirements are available to support assurance activities, KPI validation, asset management and decision-making
- it is engaging an external consultant to undertake an independent audit of Ventia's user access control framework and associated governance arrangements
- trade ceiling rates remain the subject of ongoing commercial discussions. DIT advised that resolution is affected by broader commercial considerations and limitations in the underlying data. It will continue to use available contract management and governance mechanisms to progress these matters and help agencies identify, challenge and dispute charges that may exceed contractual rates

- it continues to work with Ventia to address longstanding data issues relating to quality, data access and reporting integrity that affect its ability to independently validate performance outcomes and undertake assurance activities. DIT is also continuing to monitor performance and strengthen reporting, assurance and oversight processes to improve the accuracy, traceability and verifiability of KPI reporting, while relying on interim controls until an acceptable level of data integrity and confidence is achieved
- it will continue to strengthen its AGFMA risk management framework, including reviewing risk levels, controls and monitoring activities, working with Ventia to finalise its AGFMA risk register, and undertaking additional assurance activities where required. Key risks will continue to be monitored, communicated and managed through governance forums and engagement with agencies
- it continues to undertake risk-based reviews of AGFMA contractual obligations, focusing on significant risks and underlying contractual, data quality and performance management issues. Contract compliance, breach notices and related registers continue to be reviewed and updated. DIT considers many outstanding matters to reflect broader limitations within the contract itself
- it is continuing to work with Aurecon and Ventia to address WHS findings. Remediation actions remain subject to ongoing independent verification before closure. Additional monitoring and assurance activities are being undertaken to ensure identified safety risks are appropriately managed and reduced
- it is applying all available contractual and governance mechanisms to improve assurance over asset condition and asset data quality, including finalising and implementing a standardised inspection template and annual inspection and data audit plan. DIT continues to work with Ventia to ensure inspections are completed in line with the contractual requirements
- it is using contractual, commercial and governance mechanisms to address longstanding deficiencies in KPI reporting, data quality and assurance. DIT advised us that progress continues to be materially affected by limitations in the underlying data. It cannot endorse or distribute reports that may be factually inaccurate or misleading and will continue strengthening reporting, assurance and compliance activities until acceptable levels of data integrity, transparency and confidence are achieved
- it continues to work with Ventia through ongoing commercial discussions to address underlying performance issues, longstanding data quality challenges, and the impact of differing KPI interpretations on performance assessments and KPI calculations, to ensure reported outcomes accurately reflect actual service performance
- it will consider engaging with agencies to understand potential high-level risks while recognising that agencies remain responsible for identifying and managing their own risks through direct engagement with Ventia and AGFMA and through participation in agency reference group sessions
- it will test the latest version of Ventia's business continuity plan and continue working with Ventia to ensure its business continuity plan and related risk registers are finalised and maintained
- it continues to undertake audit and assurance activities for subcontractor compliance and engage with Ventia on identified deficiencies and required corrective actions.

We also identified the following matters affecting the overall governance and operation of the AGFMA:

- Key governance forums required under the contract did not meet in 2025-26.
- The closure of findings from external reviews undertaken in previous years by CyberCX (cyber security), KPMG (data collection and procurement) and GHD (preventative maintenance of emergency and high-risk assets and systems) remains ongoing.

In response, DIT advised us that key governance forums were suspended because Ventia was not providing contractually required reporting of sufficient integrity and reliability to support effective governance. DIT advised that governance, assurance and performance oversight continued through direct engagement with agencies, regular executive-level discussions, the agency reference group and established contract management arrangements. These arrangements will continue while DIT works with Ventia to restore reporting to the required standard.

DIT also advised us that it continues to monitor and progress the closure of findings from external reviews through contractual, governance, assurance and executive oversight mechanisms. This includes working with Ventia to address outstanding data, cyber security, procurement and preventative maintenance issues, implementing mitigating controls, validating remediation activities through assurance processes and monitoring progress until sufficient evidence is obtained that identified issues and risks have been addressed.

Need to settle future arrangements

With less than a year remaining of the initial contract term, uncertainty remains as to whether the current arrangements can achieve the intended objectives of the AGFMA, including effective asset risk management, delivery of contracted services and value for money for the State. DIT and Ventia have not yet agreed on key performance measures and service level methodologies. As a result, there is no agreed basis to assess whether required service levels are being achieved. The continued lack of resolution of longstanding issues further reduces confidence that the arrangement is delivering the intended outcomes for agencies and the State.

Since the contract commenced, around $2.05 billion has been spent on maintenance services under the arrangement, representing around half of the original estimated contract value. Despite this expenditure, weaknesses in the operating model remain unresolved, including reliance on the service provider to maintain and provide reliable asset data.

A significant contributor to current asset data deficiencies was the transfer of responsibility for asset data management to Ventia at the start of the contract. For the operating model to function effectively, mechanisms were needed to preserve the quality and completeness of existing asset information and to ensure the ongoing reliability of asset data, beyond reliance on the contractual obligations. As a result, the asset data available under the current arrangements has not been sufficiently reliable to support effective asset management, performance monitoring and decision-making.

Resolving data management issues is crucial as any future arrangement will require reliable data to assess performance, demonstrate value for money and support key asset decisions. The international asset management standard, ISO 55001 *Asset management – Management systems*

– *Requirements* (ISO 55001)*,* requires organisations to maintain reliable, complete and accessible asset information to support asset management decision-making. This includes identifying the data required to manage assets, establishing data quality requirements, maintaining processes for collecting and managing information, and ensuring asset information supports lifecycle planning, risk management, performance monitoring and investment decisions. The standard also emphasises the importance of aligning financial and operational asset information to support informed, risk-based decisions that optimise asset performance, cost and service outcomes.

DIT should therefore ensure reliable data remains central to future decisions so that government agencies can optimise asset performance, prioritise investment, manage risk and deliver sustainable service outcomes.

Contract management

Opportunities to improve contract management practices

Road maintenance contract governance and performance monitoring controls

In July 2020, the Commissioner of Highways entered into four road maintenance contracts with a total potential value of up to $5.1 billion (GST inclusive) over the maximum term of 13 years. Routine maintenance services under these contracts commenced in November 2020.

The contractor responsible for Zone 2, which covers the regional South Road network from Port Wakefield to Renmark, south to Mount Gambier and west to Victor Harbor, has not met contracted service levels. In January 2026, the SA Government approved termination of the contract. DIT subsequently varied an existing road maintenance contract to include the Zone 2 scope for the remainder of the contract term, which expires on 1 November 2027. As this arrangement is only intended to operate for the remainder of the contract term, it was not subject to a full procurement process.

In 2022-23, we raised concerns about contract management controls for these contracts. Although DIT has taken action to address these matters, several issues continued to affect the effectiveness of DIT's contract management. We found:

- contractor risk registers were not consistently provided or updated by contractors or reviewed by DIT
- DIT had not established effective controls to oversee maintenance of its depot assets
- DIT had not documented its approach to independently verifying self-reported KPI data, and KPI abatements were not being applied
- annual contractor performance evaluations were not completed
- contractor monthly reporting did not fully comply with contract requirements
- processes for tracking and monitoring ordered services could be improved
- work order approvals were not consistent with approved delegations and Treasurer's Instruction 8 *Financial Authorisations* requirements
- there was insufficient evidence that road maintenance works had been completed before payment was made
- payments for one work order exceeded the approved value without an approved variation.

DIT advised us that:

- contractors have been directed to submit contractor risk registers annually, and contract management plans will be updated to require review of those registers
- annual depot inspections were introduced to monitor maintenance of depot assets and compliance with lease requirements
- contractor KPIs are reviewed monthly and a key result area management plan is being finalised to document the review processes
- annual contractor performance evaluations have been completed or are being finalised for 2025-26
- contractor monthly reporting requirements were reviewed and contractors formally notified of reporting deficiencies
- completed works are verified before payment. The new systems will provide greater visibility over work order completion status
- additional requirements will be introduced to document verification activities and evidence retention
- the payment exceeding the approved work order value was isolated to a single instance and guidance has been provided to staff about approval and variation requirements.

These issues reduce the assurance that contractor performance, risks and maintenance activities are effectively being monitored and managed and that expenditure is appropriately authorised.

With the initial contract term expiring on 1 November 2027 and extension options remaining at DIT's discretion, continued improvement in performance and contract management will be important in supporting future contract decisions.

Contract management over the North-South Corridor Alliance contract

The T2D project is being delivered under a Project Alliance Agreement (PAA), through which DIT works with private sector Alliance partners to deliver the main works. DIT is responsible for ensuring Alliance partners comply with their obligations under the PAA and monitoring and managing those obligations.

Although DIT has a contract management plan that references key obligations under the PAA, our audit found that it primarily addresses DIT's obligations as Principal and does not fully document the Alliance's obligations.

DIT responded that the contract management plan is an ancillary document to the PAA and it will review the plan to identify areas relating to how DIT is managing the obligations of the Alliance, that could be further expanded or amended.

Asset management

Road and marine asset management practices need to improve

Road asset management

DIT's roads and structures network assets were valued at $37 billion at 30 June 2026 and comprised:

- sealed roads
- road corridor assets, including signs and safety barriers
- unsealed roads
- bridges and structures
- electrical assets, including lighting and traffic signals
- data and systems, including asset and traffic information.

DIT is restructuring its asset management framework to establish a whole-of-department approach to transport asset management to align with the requirements of ISO 55001. DIT has approved:

- an asset management policy for transport assets, which provides a high-level statement of DIT's commitment to asset management
- an asset management framework that defines asset life cycle responsibilities, provides an overview of the policies, goals and procedures for transport asset management and aligns these elements across DIT to deliver consistent management of transport assets
- a strategic asset management plan for marine, road corridor and bridge assets.

However, in 2025-26, we found DIT:

- had not completed its department-wide asset management approach or implemented key supporting documents
- had not fully defined levels of service
- applied inconsistent approaches for asset criticality assessments and maintenance prioritisation
- provided limited reporting on the road maintenance backlog to senior management and governance committees.

We also reviewed Asset Vision, DIT's new maintenance management system. Asset Vision is being implemented through a staged migration of road asset data from DIT and contractor systems into a consolidated asset register. At the time of audit, migration had been completed for two of the four road asset zones. We found DIT had not:

- documented data migration methodology, procedures and controls
- retained sufficient evidence that migration controls had operated effectively
- formally documented processes for granting, changing, removing and reviewing user access.

These issues increase the risk of incomplete or inaccurate asset information and unauthorised changes to asset data.

DIT advised us that it has:

- established a road infrastructure asset management group to oversee the implementation of the asset management framework
- progressed key documents, including the road infrastructure asset management plan, and roads and bridges asset strategy
- road maintenance backlog information and associated risks are reported through existing governance arrangements, including contract governance committees
- it developed and approved data migration and system integration procedures to the Asset Vision system in August 2026
- planned completion of asset data integration between Asset Vision and contractor systems, together with an independent review to confirm the systems align
- developed and approved an Asset Vision user access and permissions procedure and commenced compliance monitoring in August 2026.

Marine asset management

DIT is responsible for managing marine assets with a written down value of $1.4 billion at 30 June 2026. These assets include jetties, boat ramps, seawalls and coastal protection assets, River Murray ferries and navigation aids and facilities.

Although DIT has improved its management of marine assets, some asset management practices remain incomplete or are not fully implemented. We found:

- governance arrangements for the operation of the Port Bonython Jetty had not been formalised, including arrangements relating to essential services and third-party assets
- condition information for the marine asset portfolio was incomplete
- KPI and performance reporting arrangements were not finalised or implemented
- the relationship between community expectations, service levels and performance indicators was not clearly documented in the marine asset management plan.

DIT advised us that it:

- is clarifying ownership, maintenance, inspection and safety responsibilities with stakeholders
- has implemented a routine maintenance contract and established regular governance meetings
- is progressing a five-year rolling jetty inspection program. As at August 2026, 16 of 33 State-maintained jetties were inspected
- is developing a methodology to establish levels of service and KPIs, expected to be completed and approved by the end of 2026.

Government employee housing arrangements need to improve

DIT manages government employee housing (GEH) used by regional teachers, medical staff and emergency services workers in South Australia. DIT owned 1,010 GEH properties with a written down value of $199 million at 30 June 2026. Ventia maintains these properties under an agreement entered into in 2022.

In 2025-26, we found that formal inspections had not been completed across all GEH properties since 2021. As a result, some properties have not been inspected for several years. This increases the risk that asset condition issues are not identified and addressed promptly, annual preventative maintenance plans may not consider all assets located at the properties and maintenance activities may not be prioritised. It also increases the risk that assets may not be maintained to a satisfactory standard and tenants and staff may be exposed to safety risks.

DIT responded that:

- it operates an annual preventative maintenance program to identify and address safety and building maintenance issues
- property inspections are performed by agents during tenant turnover and by departmental and maintenance staff on an ad hoc basis
- it has developed a site inspection checklist and plans to commence formal inspections across the portfolio in 2026-27
- it will consider future portfolio-wide inspection programs based on costs, benefits and inspection outcomes
- it considers its current approach complies with the *Residential Tenancies Act 1995.*

Metropolitan transport asset management

Bus asset management

DIT is responsible for managing rail and bus infrastructure assets valued at $4.2 billion and trains, trams and buses valued at $682 million in 2025-26.

Since 2000, bus passenger transport services in metropolitan Adelaide have been entirely outsourced. They are currently provided by four private companies across six contract areas. The value of the bus and tram service contracts is $3 billion (inclusive of GST) over a potential 10-year term to 30 June 2030. Tram operations under these arrangements have been affected by changes from August 2025, as part of the light rail insourcing arrangements.

The initial term of the contracts expires on 30 June 2028. The Minister may exercise an extension at their discretion by providing contractors with written notice at least six months before the initial term expires.

We found several previously reported issues have remained unresolved since 2023-24, including:

- bus depot and interchange asset management plans had not been finalised and contained significant gaps
- bus fleet asset management plans could better measure and monitor fleet condition
- no strategic asset management plan had been developed for bus assets
- contractor bus asset management plans did not comply with contractual requirements
- bus depot asset data had not been fully validated and integrated
- DIT did not have a system capable of recording detailed condition and performance information for bus interchanges and park-and-ride assets
- maintenance backlogs remained at DIT-owned bus depots.

DIT responded that:

- asset management plans for all bus-related asset classes had been developed but remain in draft form. It intends to finalise the plans and incorporate additional recommendations. It considers the current plans are sufficiently developed to support the effective management and maintenance of bus assets
- bus asset management planning is guided by ISO 55001. Some aspects of long-term fleet investment are addressed through separate strategic documents. DIT will review and update the bus fleet asset management plan as needed
- a strategic asset management plan for bus infrastructure is required and will be developed alongside the finalisation of bus-related asset management plans to support a consistent approach to asset management
- it has completed a review of contractor depot asset management plans and advised that most identified gaps have been addressed. Remaining instances of non-compliance have been raised with operators, and DIT will continue working with contractors to resolve outstanding issues. Given the progress made since the audit follow-up, DIT considers the residual risk to be low
- consultants have been engaged to collect detailed depot asset information. DIT is reviewing the data against lease agreements and financial records, while reconciliation and integration activities continue to establish a complete and accurate asset records
- a detailed asset inventory for bus interchanges has been completed. DIT is working to align maintenance planning and service delivery arrangements with the asset information. The reconciliation of financial records is still in progress
- significant progress has been made in reducing maintenance backlog items and that quarterly meetings have been established to monitor progress. It considers the remaining backlog items have either been completed or are being managed through planned maintenance programs and risk-based processes.

Heavy rail asset management

Responsibility for heavy rail services, including rail operations, security, customer service and the maintenance of rail and track assets, transferred to Keolis Australia Pty Ltd through the Outsourced Rail Operations Agreement in January 2021. In February 2025, this arrangement transitioned to the newly established Rail Services Contract with Keolis Australia Pty Ltd. The estimated value of the heavy rail contract is $1.3 billion.

In 2025-26, we found:

- inconsistencies in the execution of Tier 3 audits to assess whether maintenance and renewal activities were performed in line with contract obligations, asset management requirements, applicable standards and quality expectations
- no formal mechanism to monitor recurring audit observations and trends.

DIT responded that:

- asset engineering leads have extensive knowledge of their respective portfolios, and DIT's asset management framework is actively maintained. It noted that the framework was recently audited by the Office of the National Rail Safety Regulator, with no non-conformance

issues identified. It also advised that Tier 3 audit templates are designed to be tailored to specific asset classes and audit criteria. DIT considers this matter to be low risk and will review existing processes to identify improvement opportunities

- contractor requirements are governed through various asset plans, with Tier 2 audits providing assurance over compliance with contractual and asset management requirements. DIT advised that Tier 3 audit observations are intended to identify opportunities for improvement where activities are otherwise compliant. DIT considers this matter to be low risk and will review existing processes to identify improvement opportunities.

Buildings and improvements

Asset management arrangements over the Adelaide Oval need to improve

The Adelaide Oval is recognised as a DIT asset with a fair value of $404 million at 30 June 2026.

This year we assessed whether DIT, in its role as lessor and asset owner of the Adelaide Oval, had appropriate governance, monitoring and oversight arrangements for the asset, including how maintenance responsibilities, asset condition risks and compliance requirements are managed.

Asset owner responsibilities were not clearly defined

DIT's lease management plan is the primary governance mechanism for managing the Adelaide Oval. However, we found it focuses on lease administration and compliance monitoring and does not clearly document:

- asset ownership objectives
- expected asset condition and lifecycle outcomes
- asset information requirements
- how assurance information is used to oversee the long-term asset performance, condition and value.

DIT has also not established clear expectations, or obtained evidence-based assurance, that the Adelaide Oval Stadium Management Authority (AOSMA) is maintaining the Adelaide Oval in line with the State's objectives and priorities.

DIT responded that:

- the AOSMA Board is responsible for setting the strategic direction and priorities for the Adelaide Oval Core Area for the duration of the lease
- DIT's role is to administer the lease and monitor AOSMA's compliance with its obligations under the lease
- it conducts an annual meeting and inspection with AOSMA to verify compliance with lease obligations and confirm that the Adelaide Oval Core Area is being managed in line with relevant standards and DIT's expectations as lessor. These activities include reviewing completed works, sinking fund expenditure, insurance coverage and maintenance arrangements relating to fire, security and electrical safety obligations
- where DIT becomes aware of non-compliance with lease obligations, it may exercise its rights under the lease to require AOSMA to remedy the breach.

In our view, while the lessee is responsible for maintaining the Adelaide Oval under the lease, DIT retains responsibility for protecting the State's interests through administration of the lease and oversight of the lessee's compliance with its obligations. This includes ensuring that maintenance activities and asset management practices align with the State's expectations, priorities, relevant standards and emerging risks related to the Stadium. Therefore, it is important that DIT documents how it oversees the asset's current and long-term condition, performance and value, beyond monitoring compliance with lease obligations.

Independent assurance over asset condition is limited

As asset owner, DIT should not duplicate AOSMA's maintenance responsibilities. However it should set clear expectations and obtain evidence-based assurance that the Adelaide Oval is being maintained appropriately.

We found that DIT had not clearly documented how it obtains independent assurance over asset condition, maintenance outcomes and compliance with asset-related obligations under the lease arrangements. While the lease management plan requires annual construction and safety risk inspections, it does not define inspection methods, minimum evidence requirements, documentation standards, verification procedures or processes for confirming that identified issues have been addressed.

DIT responded that:

- it undertakes assurance activities through the rights available under the lease, including inspecting the Adelaide Oval, assessing compliance with lease obligations and obtaining information about asset condition and AOSMA's performance
- it conducts an annual lease compliance meeting and inspection with AOSMA
- it is strengthening its lease administration framework by formalising inspection processes, including introducing an annual technical inspection by its professional and advisory services team to provide additional assurance over maintenance obligations. DIT noted that implementing this approach will require additional departmental resources and funding.

Inspection requirements were not clearly defined

DIT had not established clear requirements for performing, documenting and following up construction and safety risk inspections required under the lease management plan. We found that DIT had not conducted these inspections annually as required and could not demonstrate that all findings identified during the November 2023 inspection had been formally resolved.

DIT responded that:

- it will strengthen its lease administration framework by formalising inspection procedures, including documented inspection methodologies, minimum evidence requirements, reporting standards and record-keeping requirements
- the revised framework will also establish processes for identifying, assessing, monitoring and closing matters arising from inspections, including maintaining evidence of actions taken and outcomes achieved.

Structural inspection obligations not clearly managed

DIT could not demonstrate that structural integrity reviews were being completed in line with a defined program or that identified structural risks and defects were consistently monitored, verified and resolved in a timely manner.

DIT responded:

- the Adelaide Oval is subject to a rolling five-year structural assessment program, under which an independent assessment is performed each year for a different section of the facility
- it monitors completion of the program and obtains the resulting engineering reports
- findings, recommendations and identified structural risks are formally recorded, referred to AOSMA where action is required, and monitored by the DIT to maintain assurance that relevant matters have been considered and addressed.

While DIT advised us that it monitors completion of the structural assessment program, obtains engineering reports, records findings and monitors recommendations, we were unable to verify that these activities were being performed consistently and systematically and in line with the established five-year review schedule. We were also unable to verify that findings from the July 2024 review had been assessed, verified and formally closed.

Construction projects

Construction work on behalf of other SA Government agencies

DIT spent $1 billion on construction work on behalf of other SA Government agencies in 2025-26.

As part of our 2025-26 audit, we review a sample of projects, focusing on prequalification, tendering and procurement for the Yatala Labour Prison upgrade project and the Northern Suburbs High School project, and on aspects of contract management and project delivery for the Adelaide Aquatic Centre development (AACD) and the new Mount Barker Hospital (nMBH).

We found that:

- the working group established to provide oversight for the AACD project did not consistently meet monthly during the year as required under the contract
- contract works began before DIT formally executed the main works contract for the AACD project
- expenditure on the AACD project exceeded the agreed contract value, with no formally approved variation covering the full additional amount
- no approved project management plan was in place for the nMBH project, and approval of the AACD project management plan was not in line with DIT policy
- DIT classified the AACD project procurement as routine. However, the project exhibited characteristics more consistent with a complex or strategic procurement. As a result, the contract may not be subject to a level of oversight and risk management that aligns with its complexity
- contract management plans for the AACD and nMBH projects were not prepared or approved before the contracts commenced, and there were deficiencies in the contract management plans for both projects

- some contract management practices did not align with Procurement SA's (PSA's) best practice requirements
- contract variations were not managed in line with contract management plans
- internal contract management meetings were not held consistently and were not documented in line with contract management plans
- deliverables registers were not used or kept up to date
- risk management processes for the AACD and nMBH projects had weaknesses, including the absence of a risk management plan for the AACD project, delayed review of the risk management plan for the nMBH project, and deficiencies in the completeness and monitoring of both projects' risk registers.

DIT responded that:

- two scheduled project control group meetings in 2025 were not formally convened. However, governance oversight and project monitoring continued through alternative engagement mechanisms, and 40 project control group meetings were held between September 2022 and January 2026
- it considers the AACD contract was formed when the acceptance of tender was issued on 27 October 2023, with the parties contractually bound from that date
- contract variations for the AACD project were reviewed and approved through governance processes and formalised through contract amendments. DIT acknowledged that the contract management plan did not clearly document the process for managing expenditure where the total fixed price was amended through approve contract variations and advised that it will update its processes and templates
- a project management plan was developed and utilised for the nMBH project, although the final approval process was not completed. DIT also advised us that the AACD project management plan was approved by an officer who was not the appropriate delegate and that the quality assurance processes will be strengthened
- it is not required to comply with the PSA procurement policy and instead undertook a complexity assessment under its building projects contract management framework. DIT acknowledged the benefit of documenting complexity assessments and has updated its procurement processes to require documented complexity assessments for all procurements
- its contract management framework requires contract management plans to be approved within one month of contract commencement for construction projects
- the required project documents were completed. However, references within the contract management plan were not updated to project-specific documents and instead referred to template versions. DIT advised us that this was an administrative oversight
- it is not required to comply with PSA's contract management policy, although its contract management framework substantially aligns with that policy
- contract variations were managed through established project controls, contract administration processes and governance arrangements. DIT acknowledged that the finding relates to how variation management was documented and evidenced and advised us that it will review its processes and documentation requirements

- changes to meeting arrangements and record-keeping requirements were not always formally reflected in contract management plans. DIT will strengthen processes to ensure governance arrangements and documentation requirements are appropriately recorded
- contractual obligations were tracked through a project deliverables register and regular contract management meetings. DIT will reinforce requirements to record and monitor deliverables in the project deliverables register
- it acknowledges that risk registers did not consistently include all elements required by departmental guidance, such as treatment actions and due dates. DIT advised us that risk management activities occurred throughout project delivery and processes will be strengthened to ensure risk management and risk registers are maintained in line with departmental requirements.

Financial controls and accounting

Accounts payable

DIT's supplies and services expense totalled $981 million in 2025-26.

We found that:

- the DIT Chief Executive had not reviewed or approved the electronic governance authorisations and delegations system register, or the related policy since February 2022. Treasurer's Instruction 8 *Financial Authorisations* requires chief executives to review financial authorisations at least annually
- DIT had a process to identify and deactivate Basware system users on extended leave. However, at the time of our audit, the process was ad hoc, performed infrequently and not documented.

DIT responded that:

- its authorisation and delegation framework and all financial authorisation and delegations were reviewed in 2025-26 and approved by its Chief Executive on 30 June 2026
- it will implement regular review of the Basware system users on extended leave using information provided by its human resources team and take appropriate action as needed. DIT advised that no inappropriate Basware system activity was identified.

Overhead charges

In 2025-26, DIT capitalised around $100 million in overhead costs and expensed a further $5 million.

We followed up findings that we first reported on in 2023-24 relating to DIT not having a clearly defined and documented project-level methodology to identify and capitalise overhead costs that are directly attributable to capital projects in line with AASB 116 *Property, Plant and Equipment*. We found that the issue had not been addressed.

DIT responded that implementing a project-level methodology for indirect overhead cost allocation would require significant resources, would not materially improve accuracy and would impact its ability to complete essential work. DIT advised us that its current overhead allocation methodology provides a consistent, efficient and practical approach. It will continue to review the methodology and, as part of its mid-year review, undertake sample testing and assess compliance with the capitalisation requirements of accounting standards.

Fixed assets

DIT's fixed assets were valued at $53 billion at 30 June 2026.

In 2025-26, we followed up issues we have reported on since 2023-24 relating to DIT's asset accounting processes and found that:

- componentisation within DIT's fixed asset register was not sufficient to support compliance with Australian Accounting Standards
- DIT's fixed asset register was not reconciled with asset management systems, increasing the risk that asset are not recorded accurately
- land-related costs were manually identified and excluded from capitalisation forms, relying on individual judgement rather than system-based controls, increasing the risk of asset misstatement
- controls over the review of costs for capital expenditure did not provide assurance that only capital expenditure was included. Our testing identified cost types that would typically be considered operating in nature
- assets were not always capitalised when ready for use, resulting in delayed recognition and a risk of misstatement of financial results.

DIT responded that:

- where asset data is readily available and it is practical to do so, significant assets will be componentised based on expected useful lives and materiality
- it obtains data extracts from asset management systems and performs manual integrity checks by comparing projects recorded in those systems with the fixed asset register. Any differences are investigated with asset managers to ensure completed assets are appropriately recognised in the fixed asset register
- an additional process was introduced to improve the identification of land-related costs in the general ledger
- it performs a centralised monthly review of costs recorded against all investing budget lines. Where anomalies or inappropriate postings are identified, staff are notified to investigate and exclude costs that do not meet capitalisation requirements. In addition, the biannual forums provide asset managers with guidance on asset capitalisation procedures
- it has advised its financial and asset accounting team on its approach to ensuring completed assets are capitalised promptly and will strengthen compliance with AASB 116 through more frequent reviews with project managers as part of the work in progress review process.

Metroticket revenue

Metroticket revenue totalled $97 million in 2025-26.

We found that:

- although DIT performs regular user access reviews, these reviews are not based on user access reports generated directly from DIT's Metroticket revenue and fare management system. Instead, they rely on a manually maintained list that can be amended
- MetroCARD auto-recharge functionality allows value to be loaded to a card when the balance falls below a minimum threshold. Where the linked bank card payment is unsuccessful, the value remains available on the card until the card is blacklisted, and debt recovery action is initiated.

DIT responded that:

- it is strengthening its user access review process and will reconcile access reviews against system-generated user reports from the MetroTicket revenue and fare management system to improve the completeness and accuracy of access information
- it acknowledged the recommendation relating to failed auto-recharge payments but advised us that implementing an additional control is not considered feasible due to system limitations and cost. DIT noted that the current ticketing system is transitioning to an account-based ticketing model, under which remote recharge functionality will cease. In the interim, DIT has strengthened controls through daily monitoring of failed payments, automated customer notifications, proactive account management, cancellation of auto-recharge functionality and card blacklisting.

Payroll

DIT employed 2,033 staff and incurred salaries and wages expenditure, including amounts capitalised to projects, of $273 million in 2025-26.

We have reported for several years that staff establishment and staff exception reports are not being reviewed promptly in line with DIT policy. DIT relies on these reports to ensure that only valid employees are paid, staff are paid correctly and leave taken is accurately recorded.

DIT responded that it will continue to reinforce managers' understanding of the purpose, process and importance of staff establishment and staff exception reports and remind officers of their responsibility to complete reviews promptly. It will also review current processes and consider opportunities for improvement, including greater use of system-based controls.

Information technology general control review – transport regulation user management processing system

The transport regulation user management processing system (TRUMPS) is used by DIT to collect revenue, mainly from driver's licences and motor vehicle registration transactions. Revenue collected through the system totalled were $1.1 billion in 2025-26.

Our IT general controls review of TRUMPS identified areas to strengthen controls over privileged user access management and the timely application of security patches. These weaknesses increase the risk of unauthorised access to, or changes to, TRUMPS and its data.

DIT responded that it will:

- promptly remove privileged user access when it is no longer required, including deactivating unnecessary privileged accounts and removing excessive access roles
- implement and enforce a periodic review process for database-level privileged access
- ensure security patches are applied within the required time frames in line with the DIT vulnerability management framework.

Financial information

Highlights of the financial report

	2026 $million	2025 $million
Income		
Appropriation	1,544	823
Fees and charges	924	879
Grants and subsidies	1,581	1,186
Intra-government transfers	207	153
Sale of goods and services	45	46
Rental income	237	222
Other income	101	76
Total income	4,639	3,385
Expenses		
Employee-related expenses	168	154
Supplies and services	981	929
Depreciation and amortisation	948	792
Grants, subsidies and SA Government transfers	51	253
Surplus cash paid to the Department of Treasury and Finance	283	125
Other expenses	386	98
Total expenses	2,817	2,351
Net result	1,822	1,034
Other comprehensive income		
Changes in revaluation surplus	4,599	2,002
Total comprehensive result	6,421	3,036
Assets		
Current assets	4,270	4,294
Non-current assets	52,992	46,167
Total assets	57,262	50,461
Liabilities		
Current liabilities	776	632
Non-current liabilities	1,109	1,027
Total liabilities	1,885	1,659
Total equity	55,377	48,802

The following information shows the breadth and scale of DIT's activities, highlighting its operating expenses by activity in 2025-26 and the value of fixed assets held to support these activities.

Roads and marine
$913 million in operating expenses
$39 billion in fixed assets

Public Transport South Australia
$971 million in operating expenses
$5.2 billion in fixed assets

Across-government services
$443 million in operating expenses
$3.4 billion in fixed assets

Road safety
$29 million in operating expenses
$4.6 million in fixed assets

Infrastructure planning and policy
$103 million in operating expenses
$467 million in fixed assets

Delivery of transport projects
$74 million in operating expenses
$4.6 billion in fixed assets

Note: The net loss or gain on the disposal of non-current assets is recognised by activity in the information above.

Statement of Comprehensive Income

Income

Income totalled $4.6 billion ($3.4 billion) in 2025-26. It includes appropriations of $1.5 billion ($823 million), fees and charges of $924 million ($879 million) and grants and subsidies of $1.6 billion ($1.2 billion). DIT's revenue sources, excluding appropriation and intra-government transfers, are shown in the following table. It illustrates the importance of Commonwealth Government revenues, used mainly for capital projects, and the significance of fees charged for motor registrations.

$2.8 billion in revenue
(excluding appropriation and other intra SA Government transfers, grants and subsidies)

Fees and charges
$924 million

$674 million
Motor registrations

$97 million
Metrotickets

$83 million
Drivers licence fees

Commonwealth revenues
$1.5 billion

$1.1 billion
North-South Corridor – River Torrens to Darlington

$102 million
Marion Road – Anzac Highway to Cross Road

$44 million
Road resurfacing and rehabilitation maintenance works

$39 million
Road Safety Program

Other revenues
$382 million

$186 million
Office accommodation

$35 million
Government employee housing

Income increased by $1.25 billion (37%) to $4.6 billion in 2025-26, mainly due to:

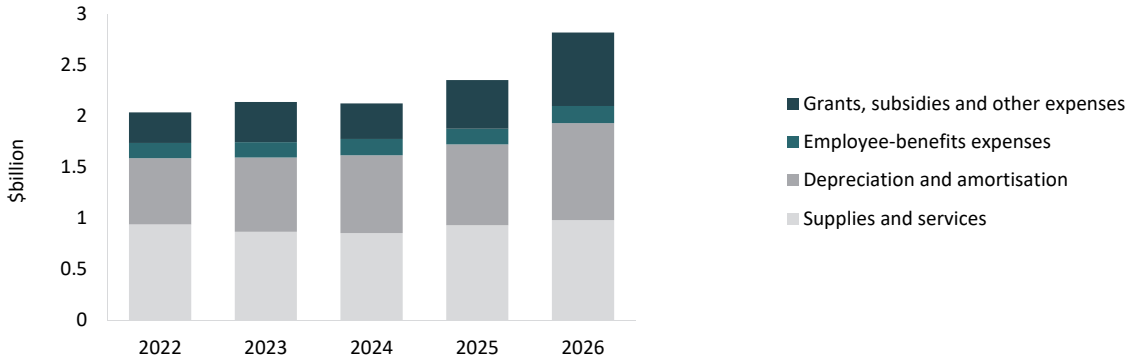
- appropriation income increasing by $722 million, mainly driven by the SA Government's 50% contribution of $1.1 billion to the North-South Corridor River Torrens to Darlington project in 2025-26 under the funding agreement with the Commonwealth Government. This increase was partially offset by several significant 2024-25 items that did not occur in 2025-26,

including the finalisation of the Adelaide Aquatic Centre ($78 million), the transfer of the Community Road Safety Fund to an administered activity ($88 million) and treasury adjustments relating to leases of $125.7 million

- grants and subsidies income increased by $395 million, mainly for additional Commonwealth Government funding received under the *National Lands Transport Act 2014*. Most of this increase was due to an increase in funding for the North-South Corridor River Torrens to Darlington project of $457 million, offset by a $66 million decrease in funding for the Freight Highway Upgrade program
- intra-government transfers income increased by $54 million, largely due to $44 million in additional funding from the Department for Energy and Mining for works DIT is delivering for the Northern Water project, and $14 million in funding from South Australia Police to perform civil design and site works for road safety speed cameras and enhanced enforcement initiatives
- fees and charges increased by $45 million, mainly driven by a $28 million increase in motor registration charges, reflecting an average fee increase of 3.23% and a 2.1% increase in vehicle registrations. Other regulatory fees increased by $17 million, largely due to the point-to-point levy increasing from $1 to $2 per leviable trip.

Expenses

DIT's major expenses for the last five years are shown in the following chart.



Expenses totalled $2.8 billion ($2.4 billion) in 2025-26. Major expenses included:

- supplies and services of $981 million, representing 35% of total expenses. These costs largely relate to the delivery of public transport services, including $439 million paid to contractors for providing metropolitan and regional transport services. Other significant costs included infrastructure maintenance contracts ($112 million), other service contracts ($171 million), reimbursement of employee expenses to the Rail Commissioner ($65 million) and property expenses ($57 million)
- depreciation and amortisation of $948 million, representing 34% of total expenses. This was mainly due to network assets of $682 million, including roads, bridges and rail infrastructure. Other significant components included right-of-use buildings ($104 million), buildings and facilities ($95 million) and plant and equipment ($65 million)
- other expenses of $350 million, representing 12% of total expenses. These mainly comprise $179 million in donated assets, including the Adelaide Aquatic Centre and Warriappendi Secondary School, and a $118 million provision recognised following amendments to the *Passenger Transport Act 1994* relating to taxi licences

- employee-related expenses of $168 million, representing 6% of total expenses
- cash alignment payments to the Department of Treasury and Finance (DTF) of $283 million, representing 10% of total expenses.

Total expenses increased by $465 million in 2025-26. The more significant movements were:

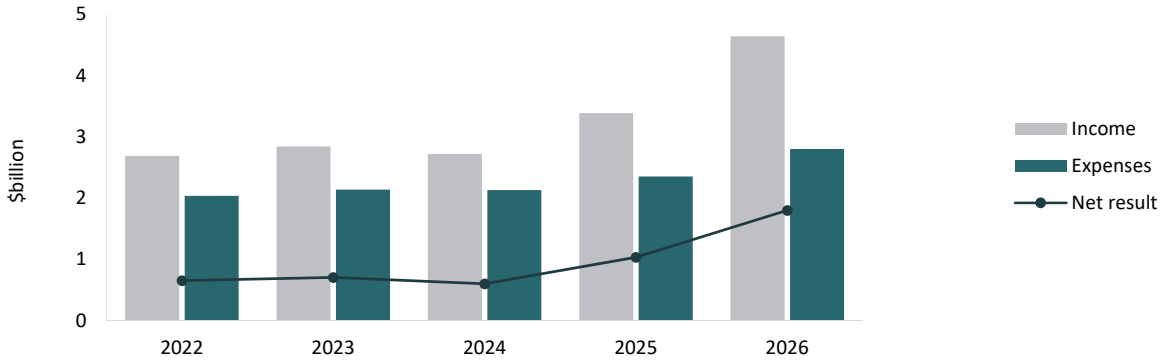
- depreciation and amortisation expenses, which increased by $156 million (20%) to $948 million. This is mainly due to DIT revaluing key assets, including network assets, effective from 1 July 2025, which materially increased the value of these assets
- cash alignment payments to the Department of Treasury and Finance, which increased by $158 million (126%) to $283 million
- other expenses, which increased by $284 million (430%). This was mainly due to:
  - the completion and transfer of the Adelaide Aquatic Centre, valued at $132 million, to the Office for Recreation, Sport and Racing
  - the transfer of the Warriappendi Secondary School, valued at $40 million, to the Department for Education
  - the recognition of a $118 million provision for future payments to metropolitan taxi licence holders following the cancellation of perpetual taxi licences in 2025-26.

These increases were partly offset by a $203 million reduction in grants, subsidies and SA Government transfers. This reduction mainly reflected:

- the reclassification of $139 million in Community Road Safety Fund expenditure from controlled to administered expenses – see ‘Administered items’ below
- a $25 million grant paid in 2024-25 towards the Thebarton Oval Precinct development that did not recur in 2025-26
- a $41 million decrease in grants to local councils, mainly due to funding paid to the City of Whyalla in 2024-25 for the Whyalla Airport Upgrade project.

Net result

DIT’s income, expenses and net result for the last five years are shown in the following chart.



DIT recorded a net result of $1.8 billion ($1 billion) in 2025-26. The most significant factor in the net result movement over the last two years is largely due to the recognition of the value of Commonwealth and SA Government funding for major infrastructure projects. The value of this funding recognised as income varies each year depending on the size, nature and timing of approved major capital works.

Statement of Financial Position

Assets totalled $57 billion ($50 billion) at 30 June 2026.

Cash

DIT held cash of $3.8 billion ($3.9 billion) in 2025-26 and included $3.25 billion ($3.1 billion) held in the Highways Fund established under the *Highways Act 1926*.

Other assets

Other assets increased by $35 million to $223 million in 2025-26. Major balances included accommodation lease incentives ($108 million), prepayments ($57 million) and an advance payment to the Torrens to Darlington Alliance ($58 million).

The increase was mainly due to the recognition of a $38 million lease incentive asset relating to the Australian Bragg Centre lease. Although the lease incentive ultimately funds a fit-out for SA Health, DIT remains the head lessee under the lease arrangement as the agency responsible for government office accommodation under Premier and Cabinet Circular PC018 *Government Office Accommodation Framework*. As a result, the lease incentive asset remains recognised by DIT and is amortised over the lease term. The fit-out asset is transferred to SA Health once completed.

Other assets also included a $58 million advance payment to the Torrens to Darlington Alliance. The payment provides working capital to manage foreign exchange risks and provide certainty over payments for equipment sourced overseas, including the tunnel boring machines for the T2D project. Under the arrangement, DIT replenishes funds the balance as needed up to $58 million. Any interest earned on the funds must be returned to DIT.

In 2024-25, we reported that the advance was expected to be recovered through an offset against a future payment claim in 2026-27 once the relevant foreign currency contracts were executed. Following our recommendation, DIT sought advice on the arrangement's compliance with the Highways Fund requirements and amended the arrangement so that amounts are progressively returned to DIT when the amount is no longer required, with this process expected to be completed by the third quarter of 2027.

Fixed assets

DIT's fixed assets totalled $53 billion ($46 billion) in 2025-26 and included network assets of $41 billion ($36 billion), land, buildings and facilities of $5.9 billion ($5.5 billion), capital works in progress of $5.1 billion ($3.3 billion) and plant and equipment of $797 million ($760 million). The following chart shows the movement in fixed assets in 2025-26.

* Additions/Capitalised is the sum of asset purchases and transfers into asset classes from capital works in progress.
** Includes disposals, donated assets, right-of-use asset remeasurements and assets transferred to held for sale.

Network assets

Network assets totalled $41.1 billion ($36.4 billion) at 30 June 2026 and represented 78% of DIT's total non-current assets. These assets comprised roads with a written down value of $31.6 billion (77%), structures valued at $5.3 billion (13%) and rail and bus track assets valued $4.2 billion (10%).

The written down value of network assets increased by $4.7 billion to $41 billion. The main movements were:

- a net upwards revaluation of $4.3 billion, comprising $3.1 billion for roads, $1.2 billion for structures and $56 million for rail and bus track assets
- capitalisation of network projects totalling $1.1 billion, comprising $395 million for roads, $185 million for structures and $510 million for rail and bus track assets
- depreciation expense of $682 million, comprising $442 million for roads, $103.7 million for structures and $135.9 million for rail and bus track assets.

For many years, DIT had performed an internal remeasurement in line with the Department of Treasury and Finance policy requirements and has the Treasurer's approval to value its road network assets using an internally developed revaluation methodology. For 2025-26, DIT performed a full revaluation of its road, structure and busway assets as at 1 July 2025. Assets were revalued using the cost approach, with independent industry experts engaged to determine the replacement cost unit rates.

The increase in road assets values was driven by:

- revised road stereotypes that better reflect current construction standards, road characteristics, pavement designs and material types (eg asphalt and spray seal)
- more representative road classification and construction profiles
- changes in pavement classification that increased the replacement cost for many pavement base and sub-base assets
- improvements in asset data quality that enabled the use of actual quantities and occurrences of ancillary assets rather than historical assumptions
- increased construction costs, labour rates, contractor costs, overheads and material prices
- higher material costs for pavement materials, asphalt and precast concrete
- higher labour costs across the construction industry.

The increase in structure and busway assets values was mainly driven by:

- the adoption of current construction design standards for bridge and culvert widths rather than replacement on a like-for-like basis, resulting in higher replacement costs
- increases in labour costs, overhead charges and construction materials, mostly due to increased costs of concrete materials such as precast concrete.

Capital works

The value of capital works in progress increased by $1.7 billion to $5.1 billion in 2025-26. The major movements are shown in the following table.

Projects	Carrying amount 01/07/25 $million	Additions $million	Transfer to assets $million	Closing balance 30/06/26 $million
North-South Corridor River Torrens to Darlington	1,526	2,263	(403)	3,386
Main South Road duplication	264	82	-	346
Adelaide Aquatic Centre*	90	44	(132)	2
Marion Road, Anzac Highway and Cross Road intersection	111	204	(277)	38
Road Safety Program	83	23	(73)	33
Majors Road interchange	104	11	(113)	2
Bus Purchase Program	18	94	(60)	52
Stuart Highway freight upgrade program	58	38	-	96
South Eastern Freeway upgrade	149	-	(149)	-
Adelaide Hills Program	69	25	(43)	51

* The Adelaide Aquatic Centre was transferred to the Office for Recreation, Sport and Racing in 2025-26.

Land, buildings and facilities

Land, buildings and facilities were valued at $5.9 billion ($5.5 billion) in 2025-26. The main movements were:

- a revaluation increment of $274 million, mainly due to a $239 million increase in the value of land holdings. Where contemporary direct comparisons with market evidence could be identified, land was revalued at fair value using the market approach
- additions and transfers from capital works in progress of $439 million, including $66 million for land for current projects, $276 million for buildings and facilities and $96 million for right-of-use assets, mainly for new office accommodation leases
- donations of land and buildings valued at $178 million. This mainly related to:
  - the transfer of the Adelaide Aquatic Centre, valued at $132 million, to the Office for Recreation, Sport and Racing
  - the transfer of the relocated Warriappendi Secondary School, valued at $40 million to the Department for Education after the original site was acquired for the T2D project
- depreciation expense of $199 million, comprising $95 million for buildings and facilities and $104 million for right-of-use assets.

Plant and equipment

Plant and equipment totalled $797 million ($760 million) at 30 June 2026. The main movements for the year were:

- additions and transfers from capital works in progress of $92 million, mainly relating to a new barge at Cooper Creek, bus fleet acquisition, electric bus charging infrastructure and public transport ticketing hardware
- a revaluation increment of $9 million, primarily relating to River Murray ferries
- depreciation expense of $65 million.

DIT's liabilities totalled $1.9 billion ($1.7 billion) in 2025-26 and mainly comprised lease liabilities of $1.2 billion ($1.1 billion), payables of $465 million ($458 million) and employee-related liabilities of $90 million ($86 million).

Total liabilities increased by $226 million with the movement largely reflecting:

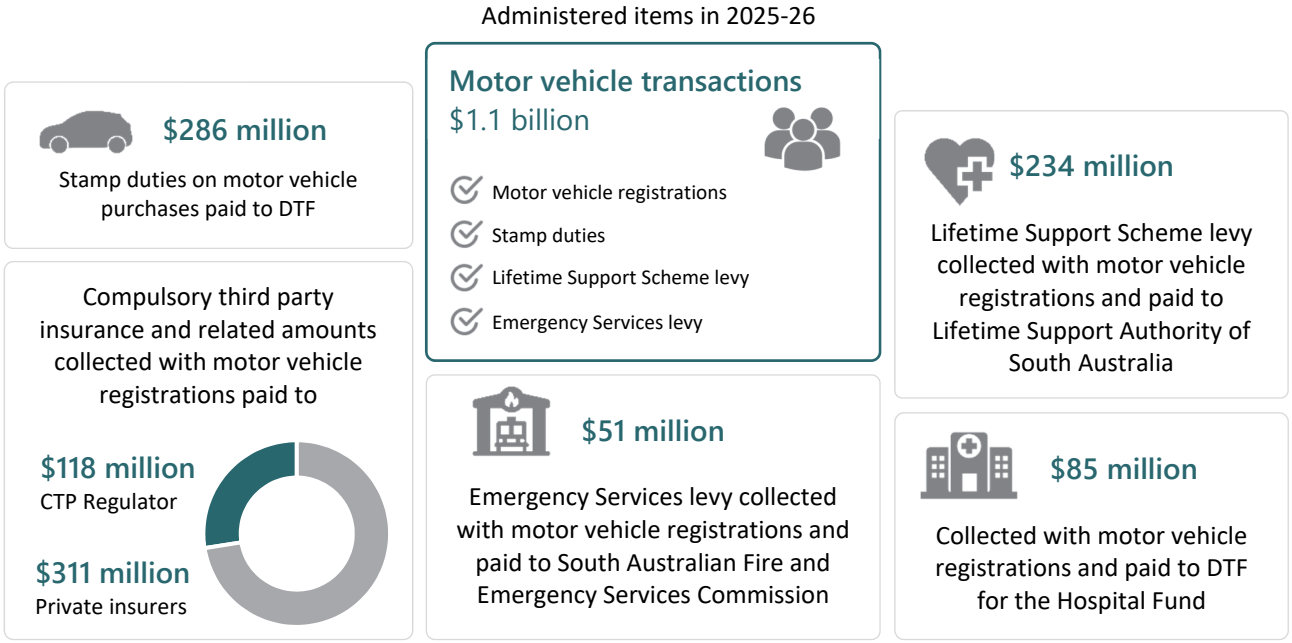
- a $77 million increase in lease liabilities, driven by the recognition of new leases for office accommodation at the Australian Bragg Centre for SA Health
- a $38 million accommodation incentive that remained unspent on fit-out works for SA Health
- the recognition of a $118 million provision for future payments to eligible metropolitan taxi licence holders following the cancellation of perpetual taxi licences.

Administered items

DIT manages a range of activities on behalf of the SA Government. These are reported as administered items where DIT is responsible for administering funds but does not control them, such as where amounts are collected and transferred to eligible beneficiaries or parties.

Administered income decreased by $53 million to $1.3 billion in 2025-26. This was mainly due to a $95 million reduction in grant funding for Commonwealth Government programs administered by DIT, largely offset by a $42 million increase in collections from motor vehicle transactions.

Administered items in 2025-26



Further commentary on operations

Road maintenance backlog

DIT's strategic asset management plan for road and marine assets outlines its responsibilities for planning, building, maintaining and operating the State's road network in a safe efficient and affordable manner. To support these objectives, DIT aims to align its asset management practices with ISO 55001.

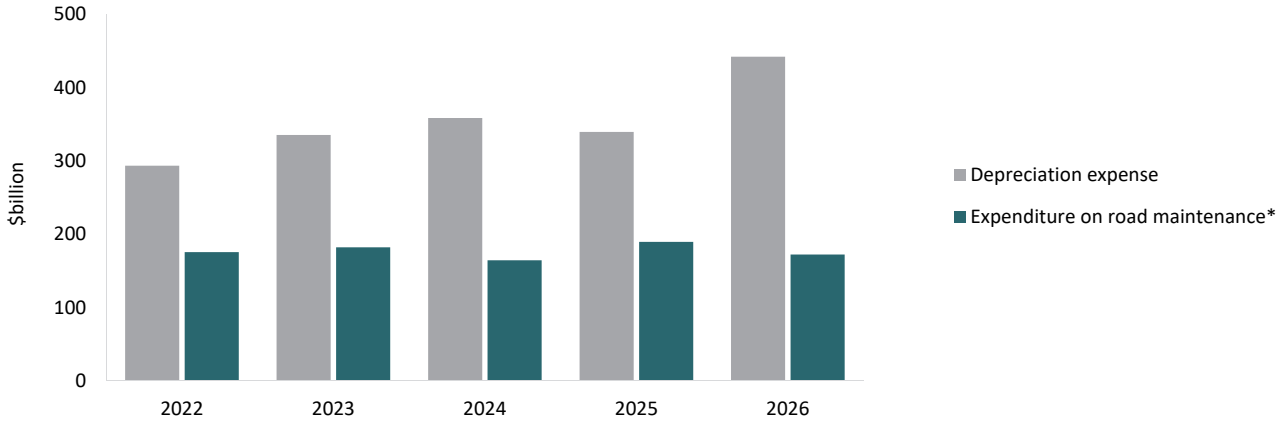
Over the last seven years, our controls audits have included reviews of DIT's road asset management practices. Findings from these reviews are provided in this and previous reports. As part of DIT's asset management processes, it periodically estimates the extent of the road network assets requiring maintenance or rehabilitation work. This maintenance backlog estimate is based on available asset information and condition data and is assessed against expected service levels.

South Australia's road network includes around:

- 13,000 km of sealed roads
- 10,000 km of unsealed roads
- 742 bridges
- 821 major culverts
- 31,000 road lights
- 942 traffic signals
- 99,000 electrical assets
- 12 River Murray ferries.

DIT advised us that its road maintenance expenditure, including rehabilitation and resealing activities, was around $172 million in 2025-26. This excludes expenditure on repairing existing network assets as part of new capital programs and projects. The replacement value of DIT's road and structure assets was $54 billion at 30 June 2026, with a written down value of $37 billion.

The following chart shows that depreciation expense for road assets has significantly exceeded maintenance expenditure over the last five years.



* Road maintenance expenditure is provided by DIT and is unaudited.

Over the last five years, total road depreciation expense was $1.8 billion, while road maintenance expenditure was $884 million, representing 50% of the depreciation expense. We have consistently reported that annual road maintenance expenditure should ideally align with depreciation expense to avoid deterioration of the network assets and higher future maintenance costs.

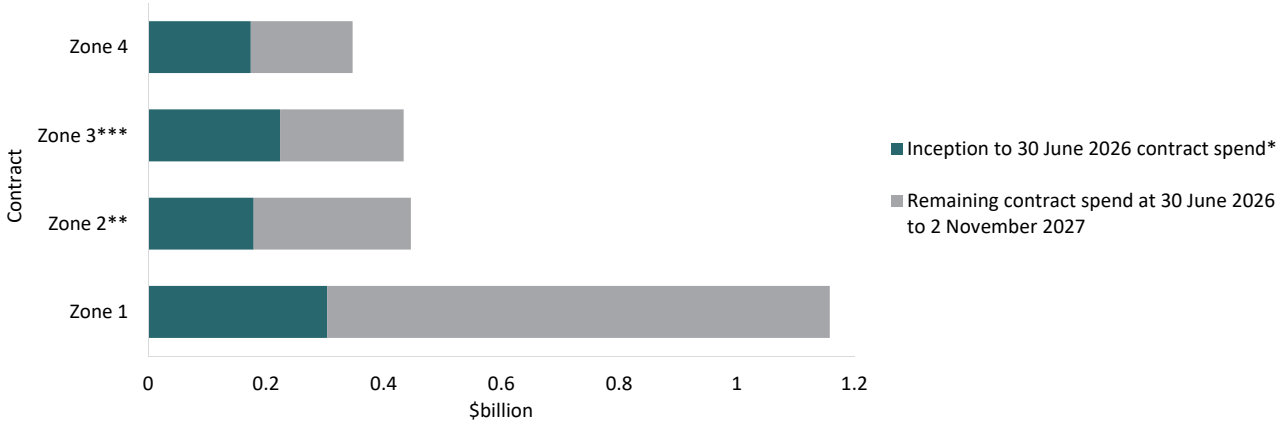
DIT estimated in 2023 that it would cost around $2.1 billion to repair roads in very poor condition, up from $1.9 billion in 2022.

Last year, DIT advised us that the expenditure required to repair specific road maintenance defects, including surface defects, edge break repairs, overhanging vegetation, blocked drains and damaged infrastructure would require an estimated $631 million at June 2025.

DIT has not calculated an updated road maintenance backlog for 2025-26. The backlog assessment is currently being reviewed and recalculated as part of developing its road infrastructure asset management plan. DIT advised us that asset data remains subject to assurance, verification and system alignment activities and considers it premature to provide an updated backlog estimate. A revised and validated backlog assessment is expected once the plan is completed in December 2026.

While DIT has established four long-term road maintenance contracts to deliver maintenance and rehabilitation works across the State's road network, expenditure to date has been significantly below the approved contract values. The contracts each have an initial seven-year term expiring in November 2027. However, around 37% of the total approved contract value has been spent.

The following chart shows the life to date spend on each contract and the total contract sum for the initial term.



* Road maintenance expenditure is unaudited.
** Contract terminated in March 2026 – total spend November 2020 to March 2026.
*** Includes a $25 million variation for Zone 2 work approved March 2026.

River Torrens to Darlington project

The T2D project covers the remaining 10.5 km section of the North-South Corridor from the River Torrens to Darlington. It will create a 78 km non-stop, traffic light-free motorway between Gawler and Old Noarlunga.

The T2D project aims to improve Adelaide's transport network, support economic growth, maintain liveability and deliver long-term benefits for all South Australians. It will deliver a 10.5 km motorway comprised of tunnels, lowered and surface-level roadway and underpasses at key intersections.

Construction is expected to be completed in 2031. The project budget is $15.4 billion that will be 50% funded by the Commonwealth Government.

Procurement for the main works packages started in early 2023, with a preferred Alliance partner selected in August 2024. The project has now entered the construction phase, with major work underway, including excavation by the tunnel boring machines.

As part of our 2025-26 audit program, we undertook a performance audit to assess whether DIT has effective arrangements for managing risks and issues related to delivering the T2D project main works in August 2026. See Auditor-General's Report 5 of 2026 *T2D project risk and issue management* for more information on this performance audit review. Further commentary on the progress of the project is discussed in Part A of this report.

Metropolitan taxi licencing arrangement changes

In December 2025, the SA Government implemented significant reforms to the metropolitan taxi industry through amendments to the *Passenger Transport Act 1994*. The reforms abolished perpetual metropolitan taxi licences and replaced them with an annual taxi licence model. Under the reforms, perpetual metropolitan taxi licences were cancelled from 8 December 2025 or no later than 30 April 2026. The reforms applied to metropolitan taxi licences but excluded access taxi licences, which are subject to a separate future scheme.

As part of the transition, licence holders became entitled to a base compensation payment of $10,000 for each perpetual metropolitan taxi licence cancelled. This payment:

- was automatic and did not require an application
- applied regardless of when a licence had been acquired or the circumstances of the licence holder
- was paid to around 1,035 metropolitan taxi licences holders.

The total value of these payments was $10.3 million in 2025-26.

The SA Government also introduced a separate compensation arrangement providing $190,000 to eligible licence holders whose licences had been adversely affected by the introduction of rideshare services in South Australia. To qualify, a licence generally needed to:

- have been held immediately before 12 April 2016, when rideshare services were introduced in South Australia
- continue to be held until 4 December 2025
- satisfy South Australian residency and other eligibility requirements when the scheme commenced.

Limited exemptions were available to licence holders who had relocated for employment, family, health or other compelling reasons.

Unlike the $10,000 cancellation payment, this compensation payment was not automatically paid and required licence holders to submit an application by 16 March 2026. Applications are being assessed by DIT against the eligibility criteria.

The $190,000 payment was intended to provide targeted compensation to long-term licence holders rather than compensation for every licence held. While a licence holder could receive the $10,000 base payment for each eligible licence, entitlement to the $190,000 payment was generally limited to a single qualifying licence interest. Joint licence holders were generally entitled to one shared payment, while some specific ownership structures could give rise to separate entitlements.

The compensation scheme is being funded progressively through revenue collected from the Point to Point Transport Service Levy and a portion of the Adelaide Airport Ground Transport service fee. DIT advised us that 44 payments totalling $8.4 million, were made in 2025-26, with priority given to eligible licence holders with terminal medical conditions. Remaining eligible applicants will be paid in licence number order, from lowest to highest, subject to funding availability. The prescribed compensation amount will also be indexed annually from 2027-28 to preserve its value over the life of the scheme. DIT expects to pay all remaining eligible applicants in 2026-27.

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- accounts payable
- payroll
- public transport contracts
- fees and charges, including motor vehicle, driver's licences and public transport
- income and expenditure for maintenance, property and building construction services
- accounts receivable
- bank reconciliations
- general ledger
- governance
- finance leases
- fixed assets, including capital works, road and rail network assets, land buildings and facilities and plant and equipment.

As part of our overall controls opinion, which is discussed in Part B of this report, we reviewed controls over:

- facilities maintenance services managed by DIT for other SA Government agencies
- contract management for road maintenance and metropolitan public transport contracts
- asset management for selected road, marine and bus assets
- purchasing non-current assets, including procurement, contract management and project delivery
- construction on behalf of other SA Government agencies, including procurement, contract management and project management
- acquisition and disposal of land and buildings
- operating expenditure, including contract management for key operational contracts
- motor registration revenue
- expenditure of Commonwealth Government funding
- bank accounts.

Lifetime Support Authority of South Australia (LSA)

Financial report opinion

Unmodified

An emphasis of matter is included in the LSA's financial report opinion relating to the significant uncertainty around the estimated provision for participant treatment, care and support, due to its long-term nature and limited claim payment experience to date.

Audit findings

- Monthly general ledger reconciliations were not consistently performed and reviewed.
- LSA had not determined its assurance requirements for controls supporting the SmartyGrants grants management system.

Key statistics

$467 million
Total income

$298 million
Total expenditure

117
FTEs

460
Participants at 30 June 2026

109%
Funding ratio

Significant events and transactions

- The provision for the future cost of caring for current participants increased by $188 million to $2.15 billion.
- The fair value of investments increased by $353.6 million to $2.34 billion.
- The Lifetime Support Scheme (LSS or the Scheme) was fully funded at 30 June 2026, with net assets of $194.7 million. It has a funding ratio of 109%, which is in the LSA Board's target of 80-120%.
- Total participants increased from 405 to 460.
- The Treasurer determined an estimated fund contribution of $246.5 million for 2026-27, which was $10.8 million below LSA's recommendation.

Key findings

Monthly general ledger reconciliations were not consistently performed and reviewed

Certain general ledger account reconciliations, including the operating account bank reconciliation, were not completed for July and August 2025. These reconciliations ensure that errors in the LSA's financial records are promptly detected and corrected.

The LSA responded by addressing the outstanding reconciliations and advising us that it would reinstate a monthly reconciliation process.

No assurance requirements for controls in the grants management system

We found that the LSA had not determined the extent and frequency of activities required to obtain assurance over the service provider's controls supporting the SmartyGrants grants management system.

SmartyGrants is a cloud-based system used by the LSA to manage research grants. It records sensitive applicant information including personal data, financial information, research proposals and records relating to projects involving LSA data or participants.

Without appropriate assurance, control weaknesses may not be identified or addressed. This increases the risk of unauthorised access to or disclosure of sensitive applicant information, resulting in reputational damage to the LSA and the SA Government.

The LSA committed to resolving this issue by October 2026.

Auditor's report on the financial report

The following is an extract from the Independent Auditor's Report on the LSA's 2025-26 financial report, which is unmodified but notes a significant uncertainty surrounding the estimate of the provision for participant treatment, care and support.

> ***Opinion***
>
> *In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2026, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards.*
>
> ***Emphasis of matter***
>
> *I draw attention to note 6.4 of the financial report. There is significant uncertainty surrounding the estimate of the provision for participant treatment, care and support because of the long-term nature of the provision and limited claim payment experience to date. My opinion is not modified in respect of this matter.*

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
LSS Fund levy	234	222
Investment revenue	232	168
Total income	466	390
Expenses		
Participant treatment, care and support expenses	248	193
Duty on LSS Fund levy	23	22
Other	27	24
Total expenses	298	240
Total comprehensive result	168	151
Assets		
Current assets	12	12
Non-current assets	2,341	1,987
Total assets	2,353	1,999
Liabilities		
Current liabilities	94	78
Non-current liabilities	2,065	1,894
Total liabilities	2,159	1,972
Total equity	195	26

* Table may not add due to rounding.

Statement of Comprehensive Income

Net result

The LSA recognised a net result of $168.2 million ($150.5 million) in 2025-26, largely reflecting:

- revenues from the LSS Fund levy of $234 million
- investment revenues of $232.3 million
- expenses for participant treatment, care and support of $248.1 million
- duty on the LSS Fund levy of $23.2 million payable to RevenueSA
- employee-related expenses of $15.5 million.

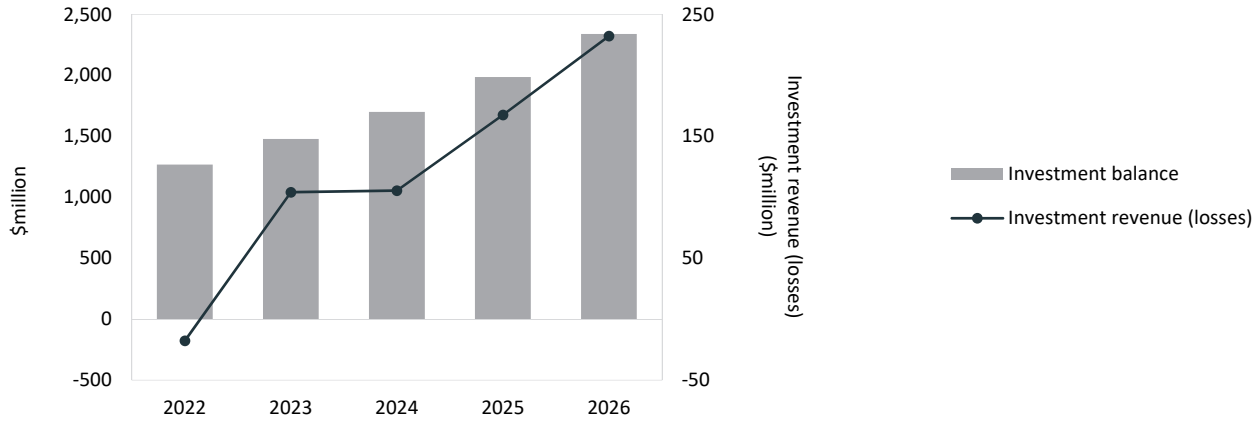
The LSA's net result depends significantly on the link between the LSS Fund levy set before the start of the year and the movement in the provision for the cost of participant treatment, care and support at the end of the year – see 'Liabilities' and 'Required fund contribution – LSS Levy'.

Income

The LSA's income of $466.6 million ($390.1 million) mainly comprised:

- the LSS Fund levy on South Australian motor vehicle registrations of $234 million ($222.1 million). No GST is payable on the levy
- investment revenue of $232.3 million ($167.6 million), reflecting strong investment returns for both international equity and core infrastructure asset classes.

The following chart shows the LSA's revenues and losses from investments and investment balance for the last five years. It highlights the significant growth in the investment balance and investment returns over the period.



Expenses

The LSA's expenses of $298.3 million ($239.5 million) comprised:

- $248.1 million ($193.4 million) for participant treatment, care and support expenses, of which $188 million was the increase in the estimate of future expenses for participants injured in motor vehicle accidents up to 30 June 2026 (see 'Provision for participant treatment, care and support')
- $23.2 million ($22 million) paid to the SA Government for the 11% duty on the LSS Fund levy payable under the *Stamp Duties Act 1923*
- $23.7 million ($20.9 million) for general operating expenses, including $15.5 million ($13.5 million) for employee benefits, $4.9 million ($4.5 million) for service delivery and corporate expenses and $2.8 million ($2.1 million) for research education programs
- $3.3 million ($3.2 million) for premiums paid to reinsurers who provide cover for significantly larger than expected liabilities for estimated future participant care costs.

Statement of Financial Position

The LSA's financial position depends significantly on the value of its investments and the provision for participant treatment, care and support. Total assets of $2.4 billion exceeded total liabilities of $2.2 billion, a net surplus of $194.7 million in 2025-26.

Investments

The LSA had $2.34 billion invested with the Superannuation Funds Management Corporation of South Australia (Funds SA) in 2025-26, in line with the LSS Fund investment strategy approved by the LSA Board.

The LSA must maintain investments to fund its present and likely liabilities for participant treatment, care and support. Its investment strategy takes into account its current risk appetite and the need to match investment returns to the long-term nature and timing of payments for the needs of Scheme participants.

The LSA's investments with Funds SA earned a nominal return of 11.3% in 2025-26 compared to its average 10-year rolling target of 6.25% p.a. Investment returns reflect financial market conditions. Returns were positive across asset classes in 2025-26, with strong returns in international equity markets over the year. The following table shows the return from investments over the last five years.

	2022	2023	2024	2025	2026
Target investment return	6.25%	6.25%	6.25%	6.25%	6.25%
Actual investment return	-1.2%	7.9%	6.8%	9.5%	11.3%
Annual investment return (average since inception)	7.2%	7.3%	7.2%	7.5%	8.3%*

* 10-year average.

Liabilities

The LSA's liabilities of $2.16 billion mainly consist of the provision for participant treatment, care and support.

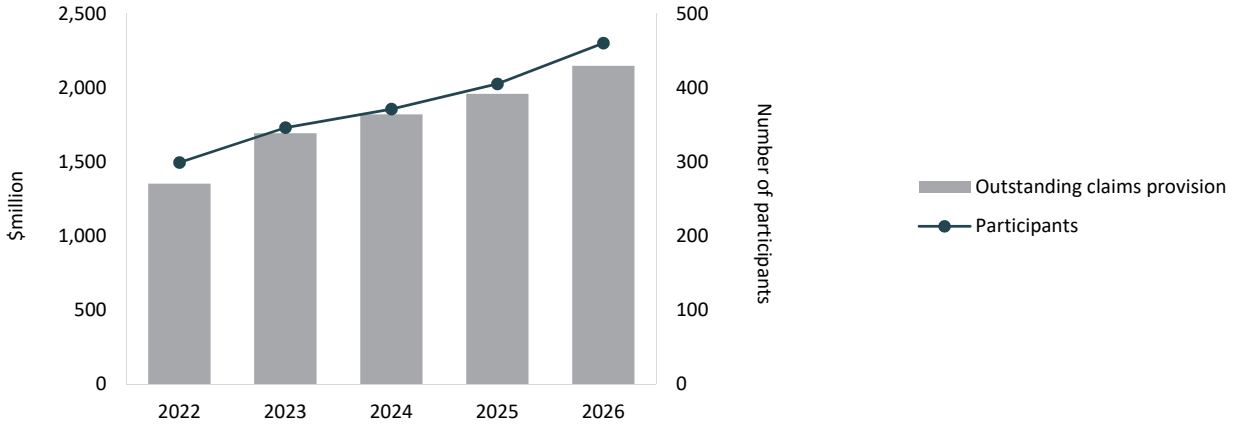
Provision for participant treatment, care and support

The LSA appointed an independent actuary to estimate the liabilities of the Scheme, measured as the present value of the expected future payments for claims incurred up to 30 June 2026, including claims incurred but not yet reported. The LSA Board approved the valuation prepared by the actuary after also considering the report from a peer review actuary.

The provision was estimated to increase by $188 million to $2.15 billion at 30 June 2026, mainly for:

- an additional year of participants entering the Scheme, which increased the provision by $261 million
- the impact of Scheme experience, including the younger than expected profile of participants reported in the 2026 accident year, which increased the provision by $69 million
- movements in actuarial assumptions, including the use of additional participant experience to inform future predictions, offset by changes in mortality assumptions, which decreased the provision by $73 million
- changes in economic assumptions, notably the risk-free discount rate and inflation expectations, which decreased the provision by $86 million.

The LSA's financial report provides further details about the provision, including the key economic assumptions used when estimating it. The increasing value of the provision and the consistent growth in the total number of participants over the last five years is shown in the following chart.



Significant inherent uncertainty in the provision

The LSA's actuary report refers to the considerable uncertainty in future claim costs, particularly for long-term claims and the provision of attendant care benefits. The main areas of uncertainty identified in the current estimate were:

- the adequacy of benchmark packages, which define the lifetime care and support needs of participants
- future inflation levels for the provision of services, especially increases in attendant care hourly rates
- future life expectancy and changes to the types of support needed leading up to end of life
- future reports and acceptances of participants
- the future severity of traumatic brain injury participants
- future levels of returns on Commonwealth bonds, which inform the discount rates applied.

The report identified the following material financial risks to the Scheme:

- Attendant care cost pressures – maximum rates offered by the National Disability Insurance Scheme (NDIS) are currently higher than those gazetted by the LSA. If the LSA is forced to match NDIS rates, the provision will increase. There is also significant pressure to increase carer wages.
- Supported accommodation – participants moving into supported accommodation generally results in much higher costs. If more participants move into supported accommodation, the provision will increase.
- Inherent uncertainty of long-term estimates – seriously injured participants may require care for several decades or more. The estimates for this will be uncertain and subject to change in line with emerging experience.
- Economic conditions – while the Scheme can operate through periods of temporary volatility, there is no guarantee that investments will deliver the projected long-term returns, or that returns will keep pace with claims inflation.

- Number of participants – any lowering of the eligibility criteria, including that arising from disputes, may put financial pressure on the Scheme.
- Life expectancy of participants – this will impact the duration of their treatment, care and support costs. There is significant uncertainty about the life expectancy of participants, as evidence of the impact of significant injuries on life expectancy, in the context of the LSS, is still emerging and relatively limited.

In estimating the liability at 30 June 2026 the actuary noted that, even with 12 years of history, the very long-term nature of providing care and support for those seriously injured in motor vehicle accidents means there is still significant uncertainty in the estimated provision.

The sensitivity analysis in the LSA's financial report shows that relatively small changes to key estimate assumptions can result in changes worth millions of dollars. For example, an increase in attendant care rates to match the NDIS could increase the provision by $89.4 million, and a 1% decrease in the discount rate could increase the provision by $465.7 million.

The LSA's financial report also indicates the time frame in which claims must be managed. The uninflated, undiscounted weighted average term is 21.1 years.

Independent reviewing actuary

The LSA had the actuarial estimate of the provision reviewed by an independent actuary. They found no evidence to suggest that the valuation of outstanding claims liability is unreasonable. Having an independent reviewing actuary is prudent given the long-term purpose of the Scheme and the critical role that actuarial expertise has in setting the levy annually and estimating the outcome at the end of each year.

AASB 17 Insurance Contracts

The LSA will be applying AASB 17 *Insurance Contracts* for the first time in its 2026-27 financial statements. Based on the transition assessment performed to date, the LSA estimates that the provision for participant, treatment care and support will decrease by around $177 million. This reduction primarily reflects differences in the discounting requirements under AASB 17, including the application of an illiquidity premium.

Fund assets adequacy

The fund assets adequacy for the LSS was estimated at 87% (84%) at 30 June 2026. This is the probability that the Scheme will be able to meet its future payment obligations in a run-off situation, assuming a long-term investment return of 6.25%.

Current liabilities

Current liabilities exceeded current assets by $81.1 million in 2025-26. The LSA can access funds from its Funds SA investments if required.

Required fund contribution – LSS levy

The LSA must determine a required amount to be contributed to the LSS Fund to meet its yearly expenses before the start of each financial year. This amount is to:

- fund the present and likely future liabilities for participants who enter the Scheme in the year
- meet payments from the LSS Fund that exceed previously provided estimated amounts
- pay participant management expenses
- pay stamp duties
- provide for other matters related to any LSA liability under the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*, including paying for any past liability that would otherwise be unfunded.

This determination is made in line with a report from an independent actuary engaged by the LSA. The LSA must report its determination to the Treasurer before the start of each financial year. The Treasurer must, after receiving the report and considering anything they see fit (including matters not covered by the report), determine an amount to be paid to the LSA for contribution to the LSS Fund for the relevant period (the required fund contribution).

If the Treasurer makes a determination that is inconsistent with the LSA's determination, the LSA must report that in its annual report.

Setting levies at an appropriate level is critical to the LSS. If break-even levies are charged each year, and if all underlying assumptions used to set the levy eventuate, the LSS will always be fully funded. If the levy is set too low each year, liabilities will exceed assets, causing the LSS to be underfunded.

Annual contribution and levy for 2026-27

The LSA estimated that a contribution of $257.3 million, including duty, is required to fund the Scheme's expected 2026-27 costs. This was based on an actuarial estimate at a 50% probability of sufficiency (a breakeven contribution).

The table below sets out the required fund contribution and levy for the past two years and for next year.

	2025	2026	2027
Required fund contribution:			
LSA recommended ($million)	220.1	232.8	257.3
Treasurer approved ($million)	220.1	232.8	246.5
Average levy ($)	131.6	136.0	141.5
Average increase per vehicle over previous year ($)	5.06	4.42	5.46

The Treasurer determined an estimated average levy of $141.5 per vehicle in 2026-27, based on a contribution of $246.5 million. Although this estimated contribution is $10.8 million lower than the LSA's recommendation, the Scheme's funding ratio as at 30 June 2026 remained above 100%, indicating that it continued to have sufficient funding to meet its long-term liabilities. The funding ratio is sensitive to changes in investment market values and actuarial estimates in the provision for participant treatment, care and support.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- participant treatment, care and support expenses
- the provision for treatment, care and support
- investment revenue
- payroll and other administrative expenses
- financial assets
- general ledger.

We reviewed controls over bank accounts and the provision for participant treatment, care and support as part of our overall controls opinion, which is discussed in Part B of this report.

Department of the Premier and Cabinet (DPC)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

DPC did not have processes to ensure it has assurance over IT controls for its grants management system.

Key statistics

$589 million
Total income

$542 million
Total expenditure

439
FTEs

$288 million
Property, plant and equipment and works in progress

$225 million
Land, buildings and improvements

Administered

$81 million
Total income

$37 million
Total expenditure

Significant events and transactions

- The Cultural Institutions Storage Facility was completed and assets of $73.1 million were recognised in land, building and improvements.
- The Adelaide Festival Centre fire safety compliance upgrade was completed and $27.6 million in assets were donated to the Adelaide Festival Centre Trust.
- Land, buildings and improvements assets were revalued up by $21.1 million.
- $35.9 million of North Adelaide Public Golf Course assets previously owned by the Adelaide City Council were recognised as administered assets.
- DPC paid $26 million in response to the algal bloom.
- The Coordinator General statutory role was established in September 2025 and the Coordinator General's Office was established as a statutory authority in December 2025.

Key findings

DPC did not have processes to ensure it has assurance over IT controls for its grants management system

DPC had not defined how often and to what extent it should assess and monitor the effectiveness of vendor IT controls for the SmartyGrants system it uses for grant administration.

SmartyGrants is a cloud-based grants management system that DPC has used since 2018 to manage various grants programs under a software-as-a-service arrangement. The system records sensitive applicant information, including bank details, financial performance data, business activity statements and debt information.

Without appropriate and ongoing assurance about the effectiveness of IT controls over this system, control weaknesses may not be identified or addressed, increasing the risk of unauthorised access to or disclosure of sensitive information. This could result in reputational damage to DPC and the SA Government.

DPC responded that it has updated its third-party management procedure to include a risk-based guideline for the extent and frequency of assurance risk assessments. SmartyGrants has also been included in DPC's risk assessment register and the risks will be reviewed every three years.

In addition, DPC will continue to liaise with the Office of the Chief Information Officer on whether a coordinated approach with other agencies using a common system could reduce the duplication of security assurance activities.

North Adelaide Public Golf Course redevelopment procurement and contract management review

The North Adelaide Public Golf Course (NAPGC) redevelopment is an SA Government initiative being managed and delivered by DPC with the aim of upgrading the existing public golf course to deliver an 18-hole championship standard golf course, driving range and practice areas, and improved space in the Adelaide park lands.

The SA Government has approved a budget for stage one works of $45 million.

Part A of this report contains the findings from our procurement and contract management review of the NAPGC redevelopment.

Financial information

Highlights of the financial report – controlled items

	2026 $million	2025 $million
Income		
Appropriation	522	432
Sales of services	38	18
Intra-government transfers	7	12
Grants and subsidies	15	10
Other	7	7
Total income	589	479
Expenses		
Grants and subsidies	200	168
Supplies and services	207	133
Employee benefits expense	71	58
Cash transfer to the Consolidated Account	25	15
Resources provided free of charge	30	3
Other	9	7
Total expenses	542	384
Net result	47	95
Changes in property, plant and equipment asset revaluation surplus	21	28
Total comprehensive result	68	123
Assets		
Current assets	174	171
Non-current assets	288	221
Total assets	462	392
Liabilities		
Current liabilities	32	30
Non-current liabilities	11	10
Total liabilities	43	40
Total equity	419	352

Statement of Comprehensive Income

Appropriations

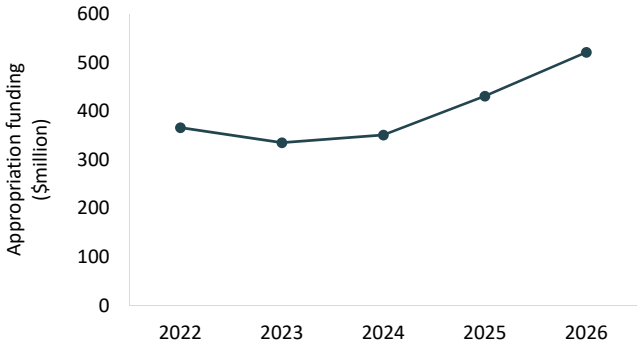
Appropriation income increased by $90.5 million (21%) in 2025-26 due to increases in operational funding of $45.2 million and capital funding of $45.3 million. The increase in operational funding is mainly due to:

- $30 million received for activities in response to the algal bloom
- $15.6 million to fund new and existing events in South Australia.

The increase in capital funding relates to funding for several major capital projects, including:

- the Cultural Institutions Storage Facility
- fire safety compliance and western plaza upgrade works at the Adelaide Festival Centre
- arts accommodation for State Opera of South Australia, State Theatre Company of South Australia and South Australian Country Arts Trust.

The following chart shows that DPC's appropriation funding has varied over the last five years, reflecting the different direct responsibilities it has had over that time.



Employee-related expenses

Employee-related expenses increased by $12.6 million (21.8%) in 2025-26, mainly due to the increase in staff of 48.5 FTEs employed in response to government initiatives for the Algal Bloom Coordination Unit, Artlab Australia, Cultural Institutions Storage Facility, First Nations Entrepreneur Hub, A Place to Create Delivery Plan and the Government Advertising and Insights Hub. This resulted in increases of:

- $7.5 million in salaries and wages
- $3.1 million in employee leave expenses and superannuation.

Supplies and services

Supplies and services expenses increased by $74.7 million (56.4%) in 2025-26, mainly due to increases in:

- public information activities of $23.4 million, reflecting the full-year activities of the centralised Government Advertising and Insights Hub
- sponsorship and external contributions of $18.4 million, mainly due to increases in payments for new and existing events of $16 million
- intra-government transfers of $13.5 million to fund:
    - new and existing events in South Australia of $10.2 million
    - the algal bloom support package of $7.4 million
    - National Support and Intervention Programs of $2 million
    - a $2.8 million decrease in the payment to the South Australia Film Corporation associated with industry rebate programs

- $4.3 million in cash transferred to the Department of Treasury and Finance (DTF) and Department of State Development in 2024-25 for transferred programs.

These increases were offset by:

- contractors of $7.9 million, mainly for the planning and delivery of the relocation of collections to the Cultural Institutions Storage Facility
- other supplies and services of $5.3 million, mainly due to costs associated with the algal bloom support package of $3.3 million, the delivery of the Inklings Program of $1.5 million and Cultural Institutions Storage Facility activities of $1.2 million.

Grants and subsidies

Grants and subsidies expenses increased by $31.3 million (18.6%) to $199.6 million in 2025-26.

Major arts organisation funding reflects annual funding to SA Government agencies. Of the $199.6 million in total grants funding, $108.4 million (54.3%) was provided to the:

- Libraries Board of South Australia
- Adelaide Festival Centre Trust
- Art Gallery Board
- Museum Board
- Adelaide Festival Corporation
- South Australian Country Arts Trust
- State Theatre Company of South Australia
- State Opera of South Australia
- Carrick Hill Trust
- South Australian Film Corporation
- Adelaide Film Festival.

The main increases in grants and subsidies in 2025-26 were for:

- the establishment of the Australian Defence Technologies Academy by Adelaide University as part of the Adelaide City Deal of $20.8 million
- the algal bloom support package of $7.7 million
- additional funding of $3 million to the Adelaide Festival Centre Trust for remedial works to the Adelaide Festival Plaza and public realm.

Other significant grant programs included:

- $10.9 million to non-government major arts organisations to fund their operations
- $12 million from the Business Events Bid Fund
- $7.5 million in multicultural grants
- $6.6 million to minor arts organisations
- $5.4 million for other arts and cultural grants
- $5.2 million for the Arts Investment Fund.

Other expenses

Resources provided free of charge

Resources provided free of charge totalled $29.9 million in 2025-26. They were mainly assets with a value of $27.6 million that were donated to the Adelaide Festival Centre Trust on completion of the Adelaide Festival Centre fire safety compliance upgrade.

Cash transfer to the Consolidated Account

The cash transfer to the Consolidated Account increased by $9.5 million (61.2%) in 2025-26, mainly due to the return of cash to the Consolidated Account in line with DTF's cash alignment policy.

Statement of Financial Position

Cash

Cash decreased by $6.4 million (4%) to $155.7 million, mainly due to the return of surplus cash to the Consolidated Account in line with DTF's cash alignment policy.

Receivables

Receivables increased by $9 million (100%) to $17.9 million, mainly due to increases in contractual receivables of $8.3 million primarily relating to the $10.4 million recovery of costs from other agencies for the Government Advertising and Insights Hub advertising campaigns.

Property, plant and equipment

Property, plant and equipment increased by $68 million to $287.7 million (30.9%), mainly due to:

- additions to work in progress of $82 million, including expenses for the Cultural Institutions Storage Facility of $47.1 million and the Adelaide Festival Centre fire safety compliance and western plaza upgrades of $35 million
- land, buildings and improvements assets being revalued up by $21.1 million
- offset by:
    - $27.6 million of assets donated to the Adelaide Festival Centre Trust for the Adelaide Festival Centre fire safety compliance upgrade
    - $6.2 million of depreciation.

Liabilities

Liabilities increased by $3.9 million (9.8%) to $43.5 million, mainly due to employee-related liabilities increasing by $2.6 million (15.9%) as employee numbers increased by 48.5 FTEs in 2025-26.

Highlights of the financial report – administered items

	2026 $million	2025 $million
Administered income		
Appropriation	33	37
Intra-government transfers	12	-
Resources received free of charge	36	-
Total administered income	81	37
Administered expenses		
Supplies and services	33	34
Other expenses	4	3
Total administered expenses	37	37
Net result	44	-
Assets		
Current assets	1	2
Non- current assets	49	-
Total assets	50	2
Total liabilities	6	-
Net administered assets	44	2

Statement of Administered Comprehensive Income

Appropriation

Appropriation income decreased by $4.5 million (12%) in 2025-26, mainly due to:

- a decrease in the funding provided for motor sport activities of $4.7 million
- the Office of the Commissioner for Public Sector Employment being directly appropriated from 1 July 2025, rather than appropriation being provided through DPC's administered items.

These decreases were offset by an increase in funding from the Governor's Appropriation Fund of $2.8 million, mainly for the design and preliminary costs associated with the MotoGP event.

Intra-government transfers

Intra-government transfers of $12 million ($0) related to contingency funding provided by DTF for the NAPGC redevelopment of $8.8 million and the establishment of the Coordinator General's Office of $2.8 million.

Resources received free of charge

Resources received free of charge of $36 million are NAPGC assets formerly owned by the Adelaide City Council. The SA Government acquired these assets for no consideration under the *North Adelaide Public Golf Course Act 2025*.

Non-current assets

Non-current assets increased by $49 million in 2025-26. These are NAPGC assets and include assets with a value of $36 million transferred from the Adelaide City Council and capital work in progress of $13 million.

Further commentary on operations

Algal Bloom Coordination Unit

The Algal Bloom Coordination Unit coordinated the SA Government's response to the algal bloom event, including delivery oversight, policy support, public information and administration of related funding programs.

DPC received $30 million in funding in 2025-26, of which $26 million was spent on:

- various grant programs of $7.7 million
- coastal remediation programs of $7.5 million
- intra-government transfers of $4.4 million
- communication and advertising campaigns of $3.7 million
- Algal Bloom Coordination Unit expenses of $2.7 million.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- general ledger
- cash
- expenditure
- grant expenditure
- corporate governance
- IT general controls.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

We also performed focused review work on procurement and contract management activities for the NAPGC redevelopment, which is discussed in Part A of this report.

Department of Primary Industries and Regions (PIRSA)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

Governance arrangements over the South Australia Drought Loan Scheme need to be clarified and improved.

Key statistics

$378 million
Total income

$318 million
Total expenditure

846
FTEs

Administered

$36 million
Total income

$37 million
Total expenditure

Significant events and transactions

- The SA Government established the South Australia Drought Loan Scheme and provided $40 million to PIRSA to fund the scheme in 2025-26.
- Grants and subsidies of $42 million were paid as part of the Drought Support Package.

Key findings

Governance arrangements for the South Australia Drought Loan Scheme

In February 2026, Cabinet approved the establishment of the South Australia Drought Loan Scheme, providing a budget of $200 million for drought relief. Cabinet also approved the Queensland Rural and Industry Development Authority (QRIDA) to administer the Scheme on behalf of the SA Government. The Minister for Primary Industries and Regional Development entered into a Memorandum of Understanding (MoU) with QRIDA for the administration of the Scheme. PIRSA is responsible for governance over the Scheme.

The Scheme opened in March 2026 and is scheduled to close to applications on 31 December 2026. Eligible applicants can access loans of up to $250,000 for terms up to 10 years. Loan recipients are not required to make repayments for the first two years of the loan term.

At 30 June 2026

83 applications ($20 million) were received	**31 applications ($7 million)** were approved	**16 applications ($3.6 million)** were paid

As part of our 2025-26 audit, we gained a high-level understanding of the governance and oversight arrangements for the functions performed by QRIDA on behalf of the SA Government, including considering legal advice obtained about the administrative arrangements.

More information about this Scheme is discussed in Part A of this report.

Authority to approve loans, execute loan contracts and disburse funds

We found that key processes for approving loans, executing loan agreements and disbursing funds had not been formally documented. PIRSA had not obtained legal advice on whether QRIDA had the authority to approve loans, execute agreements and disburse SA Government funds on the State's behalf.

These arrangements may not comply with Treasurer's Instruction 8 *Financial Authorisations* and may reduce accountability and oversight, increasing the risk that the State's interests and public funds are not adequately protected.

PIRSA advised us that while it had obtained written legal advice on the MoU and the Scheme, the advice did not address all aspects of the administrative arrangements.

We recommended that PIRSA obtain written legal advice on the administration of the Scheme, including:

- compliance with relevant legislative and regulatory requirements, and the legal authority to approve loans, execute agreements and disburse funds
- whether additional governance and oversight arrangements are needed to manage the Scheme and safeguard the State's interests.

PIRSA advised us that it has engaged the Crown Solicitor's Office to provide further legal advice on the matters raised.

Audit access to information

The MoU with QRIDA does not include a provision recognising the Auditor-General's powers under the *Public Finance and Audit Act 1987*. This may limit the Auditor-General's ability to fulfil their statutory audit responsibilities under the Act.

We recommended that PIRSA amend the MoU with QRIDA to include provisions that:

- confirm the Auditor-General's access to relevant records, systems and personnel
- require QRIDA to cooperate with statutory audits and examinations.

PIRSA advised us that it will work with QRIDA to include provisions ensuring that the Auditor-General has full access to systems, personnel and information required to meet statutory audit responsibilities.

Enforceability of the MoU

The MoU with QRIDA states that it is not intended to create a contractual relationship or legally enforceable obligations between parties. PIRSA could not provide evidence that it had formally assessed the risks arising from this arrangement.

This may limit PIRSA's ability to enforce performance expectations or seek remedies if issues arise, exposing PIRSA to legal and governance risks that have not been formally assessed.

We recommended that PIRSA obtain legal advice on the implications of using an MoU arrangement and to administer the Scheme through QRIDA.

PIRSA advised us that it has engaged the Crown Solicitor's Office to provide further legal advice on this matter.

Financial information

Highlights of the financial report – controlled items

	2026 $million	2025 $million
Income		
Appropriation	241	163
Grants, subsidies and transfers	82	69
Commonwealth Government grants (National Partnership payments)	18	26
Sale of goods and services	16	13
Other income	21	21
Total income	378	292
Expenses		
Supplies and services	106	107
Employee-related expenses	107	100
Grant and subsidies	92	85
Other expenses	13	13
Total expenses	318	305
Net result	60	(13)

	2026 $million	2025 $million
Other comprehensive income	1	10
Total comprehensive income	61	(3)
Assets		
Current assets	243	185
Non-current assets	258	251
Total assets	501	436
Liabilities		
Current liabilities	73	68
Non-current liabilities	39	40
Total liabilities	112	108
Total equity	389	328

Statement of Comprehensive Income

Income

Total income increased by $86 million to $378 million, mainly due to:

- appropriation increased by $78 million to $241 million to fund drought response initiatives, including:
  - $40 million for the South Australia Drought Loan Scheme
  - $24.5 million for additional drought support grants
- grants, subsidies and transfers increased by $13 million to $82 million, mainly due to funding for:
  - $6.5 million in new funding from Green Industries to support algal bloom response activities
  - $2.1 million from the Department of Treasury and Finance's (DTF's) Digital Investment Fund for the development of a new grants system
  - $1.9 million from the DTF Contingency Fund to fund salary back pay under the new enterprise agreement
- Commonwealth Government grants decreased by $8 million to $18 million. Grant programs and funding amounts change each year. The decrease mainly reflects the completion of several Commonwealth-funded programs in 2024-25. The main changes in 2025-26 included:
  - $12 million in new funding for the Murray-Darling Basin Sustainable Communities Program
  - a $5.4 million decrease in funding for the National Water Grid Fund
  - a $5 million decrease in funding for the Future Drought Fund – Farm Business Resilience Program
  - a $2.5 million decrease in funding for the Future Drought Fund – Regional Drought Resilience Planning Program
  - a $1.5 million decrease in funding for the Building Resilience to Manage Fruit Fly package.

Expenses

Expenses increased by $13 million to $318 million in 2025-26, mainly due to:

- employee-related expenses increasing by $7 million to $107 million, mainly due to additional staff costs to support the algal bloom response of $2.2 million and lower staff vacancy levels
- grants and subsidies increasing by $7 million to $92 million. PIRSA operates many grant programs, and its expenses fluctuate each year depending on SA Government priorities, available funding and program activity. Grants and subsidies are provided to primary producers, industry and community organisations. The key changes included:
  - an increase of $21.5 million to $42 million in payments under the Drought Support Package in 2025-26, mainly for on-farm infrastructure grants
  - an increase of $4.7 million to $8.3 million for the implementation of the electronic identification tags for the Sheep and Goats program
  - $2.9 million in payments under the new Giant Pine Scale support package
  - a decrease of $5.8 million to $290,000 in grants under the National Water Infrastructure Development Fund
  - a decrease of $3.2 million to $722,000 in payments under the River Murray Recovery program
  - the Regional Recovery Program ended in 2024-25, with grant payments of $4 million paid in that year.

Statement of Financial Position

Cash and cash equivalents

PIRSA held cash of $170 million ($136 million) at 30 June 2026. The main cash components are shown in the following table.

Deposits with the Treasurer that include restricted conditions	Restricted conditions	2025 $000	2026 $000
Accrual Appropriation Excess Funds Account	The use of funds must be approved by the Treasurer.	34,688	37,439
Rural Industry Adjustment and Development Act 1985 and other schemes for rural assistance	The funds to be used to provide loans and grants, at Ministerial discretion, to develop a farm, make adjustments to farming methods or undertake a project or research for the benefit of farmers.	57,782	59,055
External grant or cooperative agreement funds	Restrictions can be imposed by the funding agreements and may require repayment of unspent balances.	16,481	20,895
Deposits with the Treasurer held as working capital	Department of Treasury and Finance budget and cash alignment policies.	26,768	52,749

PIRSA's working capital cash increased mainly due to it receiving funding in advance for expenditure. Items in 2025-26 included:

- $40 million received for the South Australia Drought Loan Scheme, with only $10 million provided to QRIDA in 2025-26
- $13 million received for the Murray-Darling Basin Sustainable Communities Program, with expenditure to occur in 2026-27.

Receivables

Receivables increased by $18 million to $61 million, mainly due to:

- loan receivables increasing by $6 million to $29 million, reflecting:
  - $14.1 million of new loans issued, including a new loan to cooperatives of $10.5 million and six loans under the South Australia Drought Loan Scheme of $3.6 million
  - offset by loan repayments received from loan recipients of $7.9 million
- other receivables increasing by $9 million to $18 million. These receivables vary each year based on project completion and life cycles. In 2025-26, this included $6 million advanced to QRIDA for approved loans under the South Australia Drought Loan Scheme that had not been issued at 30 June 2026.

Other financial assets

Other financial assets comprise investments in shares for unlisted entities of $39 million, with more than 99% invested in Australian Grain Technologies Pty Ltd. The investments were revalued up by $1.5 million in 2025-26. As the shares are unlisted and there is no direct active market, an independent valuation is performed to determine their fair value.

Property plant and equipment

Property, plant and equipment remained stable at $191 million, with $8 million in additions offset by $8 million in depreciation expense.

Other financial liabilities

Other financial liabilities of $26 million ($24 million) mainly comprised indebtedness to the Treasurer of $26 million ($23 million). These borrowings relate to:

- loans to cooperatives of $23 million ($19 million). These loans support cooperatives engaged in processing and storing primary products. PIRSA manages the loans on behalf of the SA Government through arrangements involving the Treasurer, PIRSA and approved loan applicants where the principal borrowed by PIRSA is on-lent to the approved loan applicant. Principal repayments made by an approved loan recipient are returned to the Treasurer to reduce PIRSA's borrowings. In 2025-26, a new loan of $10.5 million was issued, offset by repayments to the Treasurer of $7 million
- Commonwealth Government concessional loan schemes of $3.2 million ($4 million). These schemes closed in 2018. PIRSA originally borrowed funds from the Commonwealth

Government to on-lend to recipients for this arrangement. PIRSA continues to manage the remaining loan agreements until the loan is repaid or refinanced. It only receives repayments for existing loans, with the repayment passed on to the Commonwealth Government. Repayments of $1 million were received in 2025-26.

Contract liabilities

Contract liabilities increased by $9 million to $38 million, mainly due to funding received in advance. These amounts are recognised as income as project work is completed.

Administered items

Administered income was $36 million ($39 million) and administered expenses were $37 million ($38 million). The level of financial transactions remained consistent in 2025-26. Key transactions included:

- fees and charges of $30 million, comprising:
  - aquaculture and fishing licence fees of $13 million
  - industry contributions under the *Primary Industry Funding Schemes Act 1998* of $14 million.

  Most of these funds are paid as grants and subsidies to support promotion, research and development and other activities that benefit contributing industries
- appropriation of $5 million, mainly provided to the South Australian Forestry Corporation to fund community service obligations.

Administered assets comprised cash of $23 million ($24 million) and receivables of $4 million ($4 million).

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- governance frameworks
- revenue, including research grant and services revenue
- grants and subsidies expenses
- supplies and services expenses
- employee-related expenses and liabilities
- cash and general ledger
- loans receivable and borrowings
- property, plant and equipment
- other financial assets, including investments in shares.

We reviewed controls over deposit accounts as part of our overall controls opinion, which is discussed in Part B of this report.

Return to Work Corporation of South Australia (RTWSA)

Financial report opinion

Unmodified

We included an emphasis of matter in the financial report opinion relating to the inherent uncertainty in the estimate of the outstanding claims liability and its impact on the funding ratio.

Audit findings

- RTWSA's exclusion of GST and work, health and safety fees in the average premium rate calculation created uncertainty about the application of legislative requirements.
- Four self-insured employers were overcharged.
- An incorrect input was used to calculate the work, health and safety fee.
- Medical expenses need to be monitored so that they do not exceed gazetted unit limits.

Key statistics

$1.2 billion
Total income

$1 billion
Total expenditure

322
FTEs

1.85%
Average premium rate

107%
Funding ratio

Significant events and transactions

- Historical legislative reform continues to impact the outstanding claims liability measurement.
- The provision for outstanding claims increased by $89 million to $4.8 billion.
- The Return to Work Scheme (the Scheme) is fully funded, with a consolidated funding level of 107.2%.
- RTWSA's net investment profit was $285.7 million.
- RTWSA's digital transformation project to replace its IT systems progressed, with $14.4 million spent in 2025-26. It plans to spend a further $89 million on this project over the next two years.

Key findings

Premium income

RTWSA's exclusion of GST and work, health and safety fees in the average premium rate calculation created uncertainty about the application of legislative requirements

The RTW Premium Order is a legislative instrument made under the *Return to Work Act 2014* (RTW Act) that prescribes how workers compensation premiums are determined and collected from South Australian employers. The Premium Order's formula for calculating total premiums includes both GST and work, health and safety (WHS) registration fee components. However, these fees were excluded from RTWSA's estimated premium used to derive the 2025-26 average premium rate (APR).

This is a significant issue because the RTW Act requires RTWSA to report to the Minister when the APR exceeds 2%. Excluding GST and WHS fees from the APR calculation affects the calculated APR and RTWSA's assessment of compliance with this requirement.

RTWSA received legal advice that confirmed it was appropriate to exclude the GST and WHS fees from the APR in 2025-26, and that reporting under the RTW Act was not required. RTWSA amended the 2026-27 Premium Order to clarify that the RTWSA premium excludes GST and WHS fees.

Four self-insured employers were overcharged

We found four instances where private self-insured employers were incorrectly charged a 1% self-insured insolvency contribution aggregate (SIICA) component. The total value of these overcharged payments is estimated at $1.23 million.

RTWSA responded that it would review the SIICA charges for all self-insured employers to confirm that this error is isolated to the four employers we identified. It would also provide refunds to these four employers.

An incorrect input was used to calculate the work, health and safety fee

The *Work Health and Safety Act 2012* (WHS Act) requires RTWSA to set the WHS registration fees charged to employers, based on the prescribed fee set in the Work Health and Safety (Prescription of Fee) Amendment Regulations 2025. These fees are collected by RTWSA on behalf of SafeWork SA.

We found that RTWSA incorrectly used the APR, rather than the base premium, to calculate WHS registration fees charged to employers.

RTWSA advised us that the prescribed fee for 2026-27 will be adjusted in line with the WHS Act. It will also document a procedure to ensure that the calculation of the WHS fee uses the base premium and not the APR.

Cost of claims

Medical expenses need to be monitored so that they do not exceed gazetted unit limits

We found that RTWSA had not implemented a control to ensure that approved medical claim payments meet the gazetted unit limits (not rates) under the *Scales of charges for medical practitioners, medical and other charges* (scales of charges). The Minister for Industrial Relations publishes the scales of charges. They prescribe the maximum payable rates and unit limits for medical services compensable under the RTW Act. Unit limits specify the maximum number of hours or sessions that may be claimed for applicable item numbers.

When processing medical invoices, the claim agent has processes to ensure rates payable are reasonable under the RTW Act. However, for medical services subject to gazetted unit limits, compliance with those limits can be difficult to identify and monitor without mechanisms to track cumulative hours, sessions or quantities claimed.

RTWSA responded that it would implement appropriate actions to ensure its processes align with legislative requirements and the intent of the RTW Act.

Auditor's report on the financial report

The following is an extract from the Independent Auditor's Report on RTWSA's 2025-26 financial report, which is unmodified but notes a significant inherent uncertainty relating to the outstanding claims provisions and implications for the funding ratio.

> ***Opinion***
>
> *In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2026, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards.*
>
> ***Emphasis of Matter***
>
> *I draw attention to notes 4 and 10 of the financial report. There is significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual costs of claims described in note 10 are greater than the balances recorded in the financial statements, this will adversely impact the funding level described in note 6. My opinion is not modified in respect of this matter.*

How legislative reforms impact the outstanding claims liability estimate

Legislative reforms to the Return to Work Scheme were introduced through the RTW Act and further amendments were implemented in 2022.

The Independent Auditor's Report includes the above Emphasis of Matter due to the significant estimation uncertainty associated with the financial impact of legislative reforms. The ultimate impact of these reforms will only become clearer as claims experience emerges over time.

In particular, there is significant uncertainty about:

- the operation of the whole person impairment (WPI) threshold, including the relatively new practice of combining injuries for WPI assessments
- claimant behaviour and response to incentives in the Scheme and their potential effect on WPI assessment outcomes
- the number, timing and cost of serious injury claims that may emerge in future years
- the application of key legislative provisions as legal precedent continues to develop.

The estimate of the outstanding claims liability is significantly influenced by these uncertainties.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Underwriting result		
Premium revenue from registered employers	923	869
Net claims paid	(602)	(566)
Decrease (Increase) in net outstanding claims liability	(91)	(285)
Claims management fees	(101)	(96)
Other underwriting expenses	(23)	(13)
Underwriting result	106	(92)
Net investment and other income		
Net investment profit (loss)	286	391
Other income	14	14
Net investment profit (loss) and other income	299	405
Operating expenses		
Employee benefits expense	(50)	(46)
Other expenses	(53)	(46)
Total operating expenses	(104)	(92)
Operating profit before tax equivalents	301	222
Income tax equivalents	(90)	(66)
Total comprehensive result	211	155

	2026 $million	2025 $million
Assets		
Investments	4,866	4,795
Other assets	422	172
Total assets	5,288	4,967
Liabilities		
Outstanding claims	4,780	4,691
Other liabilities	153	132
Total liabilities	4,933	4,823
Total equity	355	144

* Table may not add due to rounding.

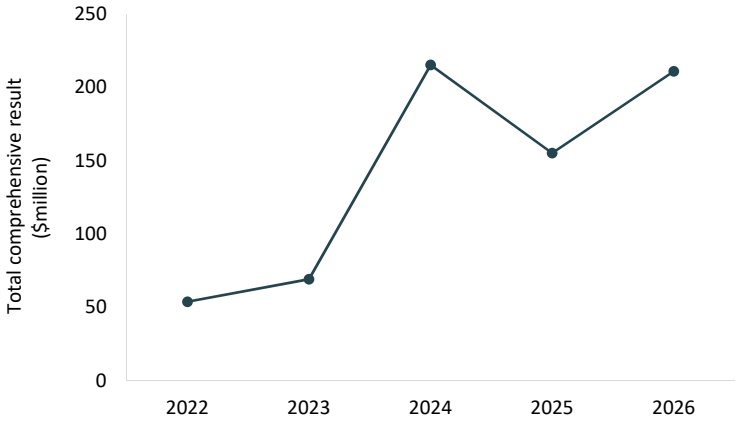
Statement of Comprehensive Income

Total comprehensive result

RTWSA's total comprehensive result depends on:

- premium rates being set before the start of the financial year, to ensure that premium revenue and investment income cover the cost of new claims and administrative costs during the year. Premium rates are significantly influenced by actuarial estimates of future claim costs and other factors determined by RTWSA's Board of Management
- the actuarial estimate of the outstanding claims provision
- movements in the market value of its investments.

RTWSA's total comprehensive result for the five years to 2026 is shown in the following chart.



Total comprehensive results have increased since 2022, with the annual results largely driven by positive investment profits. RTWSA's profit increased by $56 million to $211 million in 2025-26. This improvement was mainly driven by a decrease in claims costs of $148 million and an increase in premium revenue of $55 million, partially offset by a decrease in investment profits of $105 million and higher digital transformation program operating costs.

An income tax equivalent is only payable when RTWSA is profitable, achieves a funding ratio of at least 100%, and records a profit from its insurance operations. RTWSA met these conditions in 2025-26 and was therefore required to pay an income tax equivalent of $90.4 million to the Consolidated Account.

Underwriting result

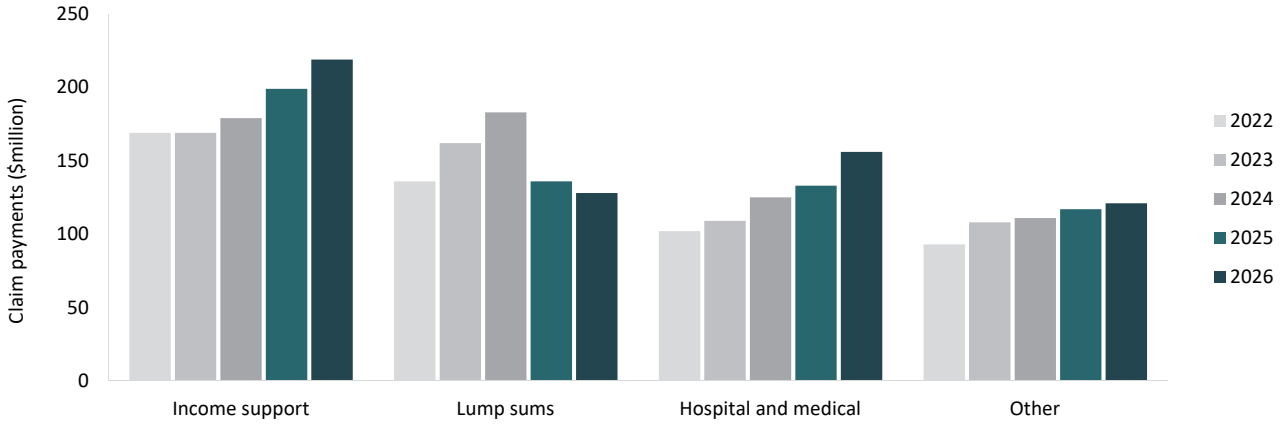
The underwriting result comprises registered employer premium revenue less claim expenses. Investment income does not form part of the underwriting result. The underwriting result is shown separately in the Statement of Comprehensive Income, to show the standalone performance of insurance activities.

The underwriting result for 2025-26 was a profit of $106 million, compared to a loss of $92 million in 2024-25. This largely reflects the $148 million decrease in claim costs and the $55 million increase in premium revenue. The decrease in the claim costs was driven by:

- a $194 million favourable movement in the net claims liability, which increased by $91 million in 2025-26, compared to a $285 million increase in 2024-25
- a $37 million increase in net claims payments.

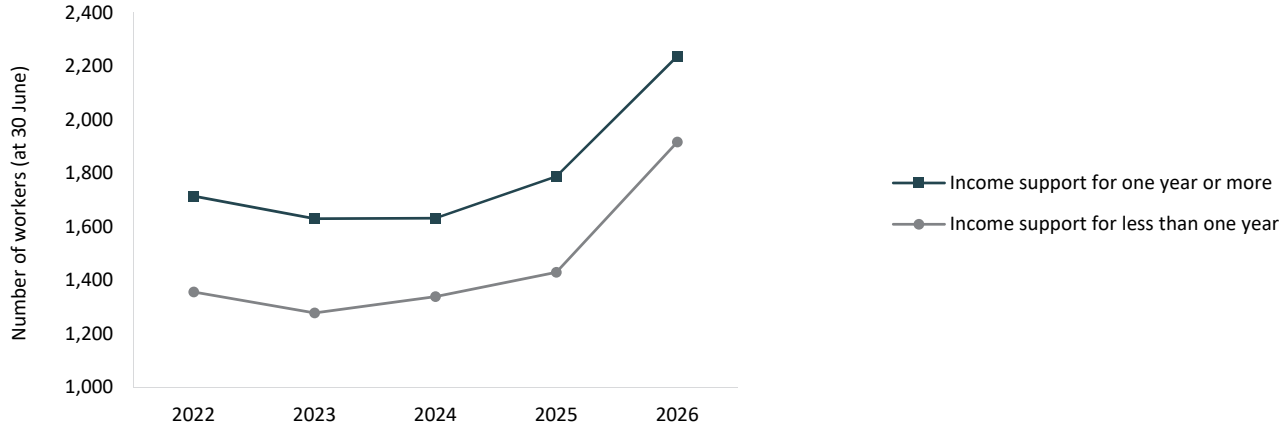
Claim payments

Claim payments for the five years to 2026 are shown in the following chart.



Income support payments increased by $20 million to $219 million in 2025-26, mainly due to a higher proportion of claims seeking income support and growth in wages above the inflation rate for injured workers. Lump sum payments decreased by $9 million to $128 million, due to reductions in WPI assessments (commenced and completed) and hearing loss claims. Hospital and medical payments increased by $23 million to $156 million, mainly due to increases in gazetted medical fees above the CPI rate and an increase in claim volumes.

The number of workers receiving income support for the five years to 2026 is shown in the following chart.

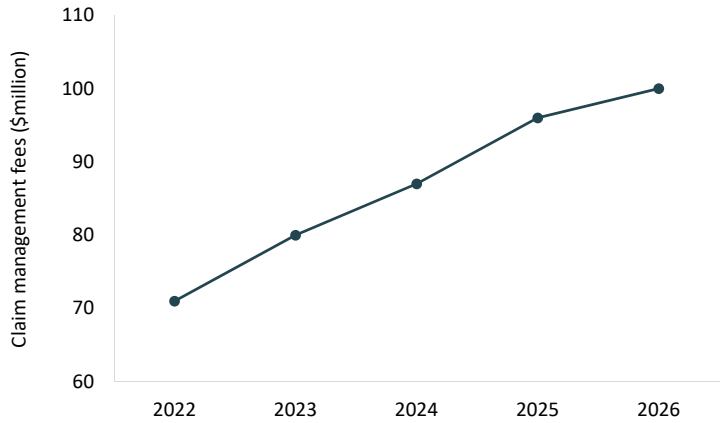


Source: The data in this chart was provided by RTWSA and is unaudited.

There has been an increase in the number of workers receiving income support to 30 June 2026, reflecting job growth in 'high-risk industries' in South Australia, such as healthcare, social assistance and construction.

Claim management fees

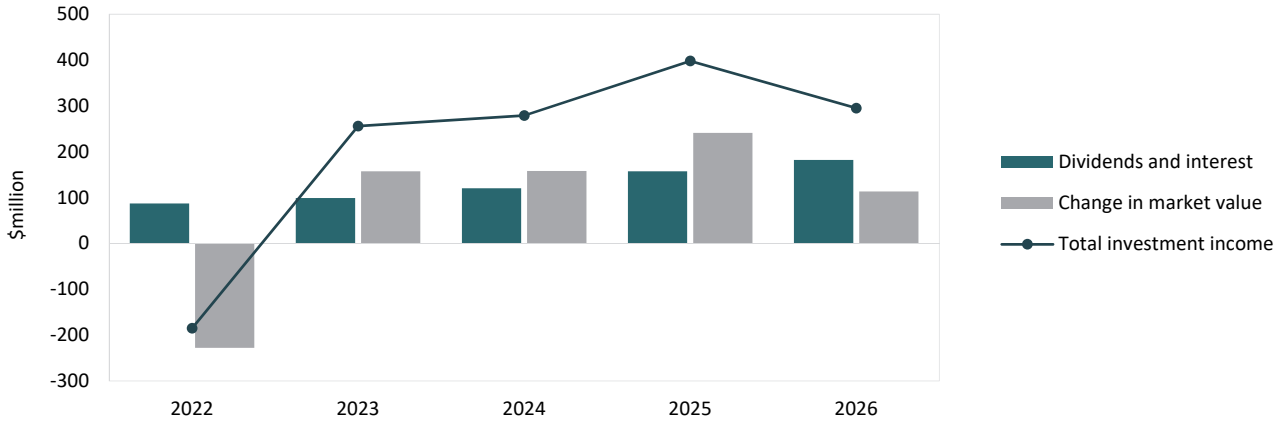
Claim management fees for the five years to 2026 are shown in the following chart.



Claim management fees are paid to RTWSA's two claims agents for managing workers compensation claims. They increased by $4 million (4.6%) to $101 million in 2025-26, driven by increased claim volumes, particularly for psychological claims, resulting in higher base fees payable to claim agents.

Investment profits

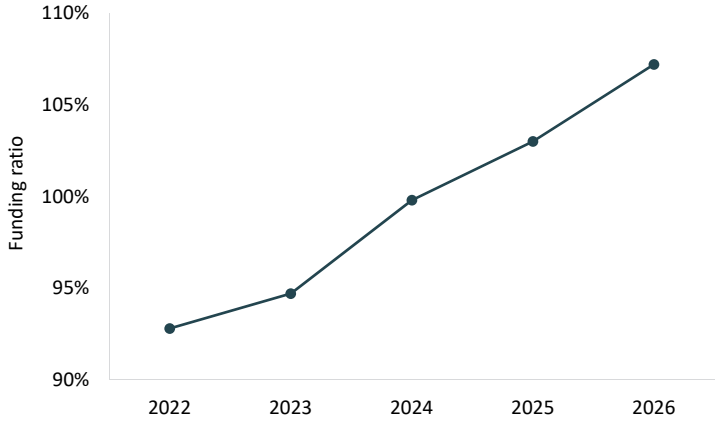
RTWSA's investment profits have fluctuated significantly over recent years due to changes in the market values of its investments, which depend on financial market conditions and macroeconomic influences. The strong performance of international equity markets had a positive impact on RTWSA's investment returns in 2025-26. RTWSA's investment income for the five years to 2026 is shown in the following chart. It shows the volatility in RTWSA's investment returns, with the market value of its investments increasing by $71 million to $4.9 billion in 2025-26. Dividend and interest income increased by $24 million (15.3%) to $182 million.



Statement of Financial Position

RTWSA's total equity increased by $211 million to a net asset position of $355 million. This was mainly driven by increases in cash and cash equivalents of $252 million and the market values of investments of $71 million, partially offset by an $89 million increase in the provision for outstanding claims to $4.8 billion, following the annual actuarial valuation.

RTWSA's funding level (total assets divided by total liabilities) was 107.2% at 30 June 2026. The following chart shows that this has improved since 2022. This means that the Scheme is fully funded, but it is dependent on movements in both the market value of investments and the provision for outstanding claims measurement.



Under the RTW Act, a Scheme adjustment/review event occurs if, for two consecutive financial years:

- RTWSA operates a funding level of at least 100% at a probability of sufficiency of 75%
- RTWSA achieves a profit from its insurance operations
- RTWSA's actuary provides a statement that:
  - the financial position of the Scheme would not be expected to fall below a funding level of 100% at a probability of sufficiency of 75%
  - the funding level of at least 100% at a probability of sufficiency of 75% is considered sustainable over the short to medium term.

If the Minister is satisfied that the above conditions are met, the Minister must declare a Scheme bonus period for the following financial year. If this declaration results in the average premium rate falling below 1.25%, the Minister must initiate a review of the Scheme, and the Scheme bonus period is not declared until the review is complete.

RTWSA's actuary determined that, at 30 June 2026, the Scheme is not yet considered sustainable over the short to medium term, so it has not satisfied the criteria for a Scheme adjustment/review. When forming this conclusion, the actuary considered:

- the current funding position was less than 110%
- the RTWSA investment strategy risk appetite incorporates the possibility of a 10% capital loss in a future year
- the discount rate used in measuring outstanding claims was extremely volatile over the past decade
- current global uncertainties, particularly the risks of an inflation rate spike and/or adverse investment outcomes.

Liabilities

Outstanding claims – Compensation Fund

The outstanding claims liability for the Compensation Fund comprised 97% (97%) of RTWSA's liabilities at 30 June 2026. These liabilities represent the estimated future payments for incurred claims, including reported claims incurred but not yet reported and incurred but under-reported claims.

The net outstanding claims liability is determined following an annual actuarial valuation. It comprises the net outstanding claims liability (central estimate plus risk margin minus recoveries), where:

- the central estimate represents the actuary's estimate of the expected future cost of claims liabilities
- the risk margin represents an additional provision to reflect the uncertainty inherent in estimating future claim costs to achieve the target probability of sufficiency of 75%
- claim recoveries represent the present value of recoveries that RTWSA expect to recover from third parties for workers compensation claims that it has paid or will pay.

RTWSA's net outstanding claims liability was $4.7 billion at 30 June 2026.

RTWSA's Board considers the external actuarial valuation in determining the liability recognised in its financial report. More information about the central estimate, risk margin and probability of sufficiency is provided below. See RTWSA's financial report for more information about the actuarial estimate of outstanding claims liabilities.

Central estimate of outstanding claims liabilities

The central estimate of outstanding claims liabilities increased by $80 million to $4.2 billion at 30 June 2026. This is mainly due to:

- a $332 million increase from the inclusion of another year of claims
- a $99 million increase in short-term claims, reflecting:
    - increases in the costs for non-hearing loss treatment and rehabilitation (up $38 million), due to more claims, higher utilisation of services and longer duration of services
    - increases in non-hearing loss income support costs (up $30 million), due to more claims with an increased proportion receiving income support benefits, the amount of time on benefits and higher payment sizes
    - increases for non-hearing loss lump sums (up $29 million). Despite lower payments for non-hearing loss lump sums, the Scheme actuary has attributed this favourable experience to timing delays
    - increased allowance for hearing loss claims (up $11 million), due to an increase in device and related servicing costs, offset by lower lump sum payments
    - decreases in non-hearing loss legal costs (down $5 million), due to fewer disputes and improvements in the time taken to resolve disputes
- a $227 million decrease from changes in economic assumptions, principally led by an increase in discount rates
- a $128 million decrease for serious injury claims, mainly due to:
    - fewer claims emerging and subsequently lower incurred but not reported numbers (down $123 million)
    - a decline in payment experience on income and lump sum benefits (down $16 million)
    - revised mortality assumptions for severe traumatic injury claims (up $24 million)
- an $18 million increase in claims handling expense assumptions, due to higher claims management costs for outsourced claim agents.

The liability for long-term claims may extend for many years beyond this year, causing the liability to grow. The weighted average expected term to settle claims is 10.2 years.

Risk margin

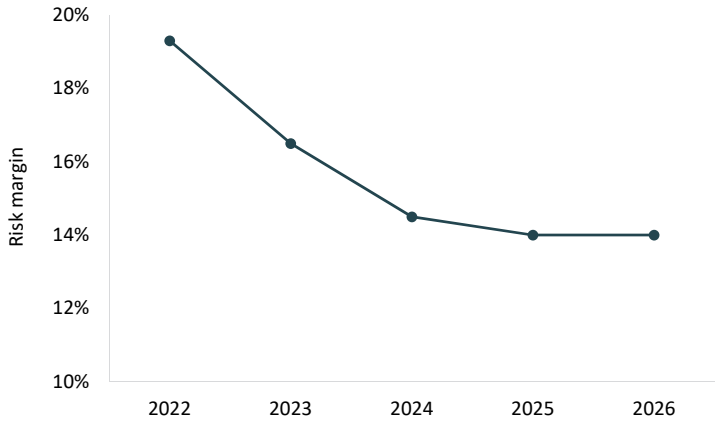
The risk margin is included to reflect the uncertainty inherent in estimating future claim payments and is designed to increase the likelihood that the provision will be sufficient to meet the actual cost of claims in the future.

The risk margin applied to RTWSA's estimate of outstanding claims liabilities is determined by reference to a 75% probability of sufficiency. Probability of sufficiency represents the likelihood that the provision for outstanding claims will be adequate to meet the eventual cost of claims. The Treasurer mandates through the Performance Statement that RTWSA must estimate its claims liabilities using a risk margin with a 75% probability of sufficiency. This is in line with the Australian

Prudential Regulation Authority's minimum under its Prudential Standard GPS 340 *Insurance Liability Valuation*. Public sector entities are not bound by this requirement, but the parameters RTWSA adopts are consistent with it.

To achieve the 75% probability of sufficiency, RTWSA has adopted a risk margin of 14% at 30 June 2026 (14% in 2025). This equates to a risk margin of $583 million, bringing the total Compensation Fund outstanding claims liability to $4.7 billion.

The risk margin applied to the Compensation Fund outstanding claims liability over the past five years is shown in the following chart.



The decrease in risk margin in 2025 was driven by the reducing uncertainty about combining injuries, serious injury claims and lump sums, while maintaining the probability of sufficiency.

Sensitivity to changes in key assumptions

The sensitivity analysis in RTWSA's financial report shows that relatively small changes to key estimate assumptions can result in changes worth millions of dollars. For example, a 0% gap between inflation and the discount rate would lead to an increase in the net outstanding claims provision of $698 million. There is also significant uncertainty about the serious injury claims cost arising from factors such as life expectancy, superimposed inflation and the ultimate impact of reforms to the Scheme.

Audit approach to the estimate of outstanding claims liability

Due to the nature and significance of the Scheme's estimate of outstanding claims liability, we engaged an independent professional to review the Scheme's actuary projections as part of our audit. We did not identify any issues or variations from expected practice that would suggest the estimate of outstanding claims liability is unreasonable or that the estimate for 30 June 2026 should be adjusted in any material way. The inherent uncertainty associated with the Scheme arrangements and reforms, however, means that we do not have the degree of certainty over the estimate we need. We have noted this in our audit opinion.

AASB 17 Insurance Contracts

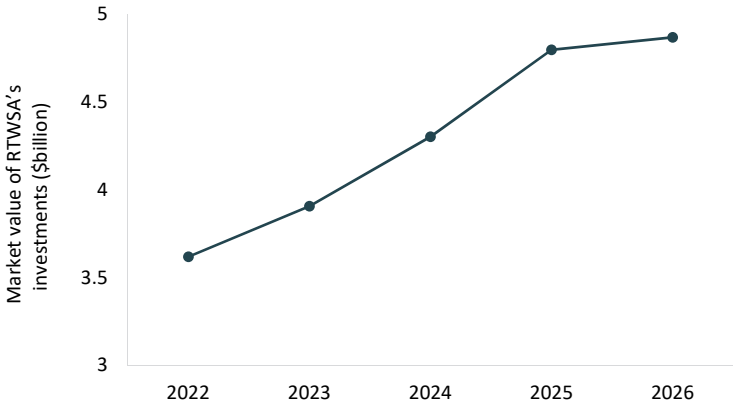
AASB 17 *Insurance Contracts* is replacing the current standard AASB 1023 *General Insurance Contracts* for the first time in the 2026-27 financial statements. RTWSA has:

- determined to apply the fully retrospective transition approach, which will require comparative information to be restated and insurance contract liabilities to be measured using the principles of AASB 17 from the start of the comparative period
- adopted a bottom-up methodology to determine discount rates, including an illiquidity premium
- assessed the appropriate treatment of non-financial risk in the measurement model
- obtained actuarial advice supporting the measurement of insurance contract liabilities under AASB 17.

Based on the transition assessment performed to date, RTWSA estimates that the outstanding claims liability will decrease by around $200 million. This mainly reflects differences in the discounting requirements under AASB 17, including the application of an illiquidity premium.

Investments

RTWSA's investment portfolio of $4.9 billion ($4.8 billion) mainly comprises investments in pooled funds, discrete mandate funds and fixed-term deposits. RTWSA investment staff implement its investment strategy, which involves rebalancing the investment portfolio held in pooled funds, discrete mandate funds and fixed-term deposits to minimise risk and achieve target returns. The investment staff also receive advice on investment matters from an expert external consultant. The market value of RTWSA's investments for the five years to 2026 is shown in the following chart.



The return on investments measured in line with Australian Investment Performance Standards for the five years to 2026 is as shown in the following table.

	2022	2023	2024	2025	2026
RTWSA's Board of Management approved targeted return	8.6%	8.5%	6.3%	4.6%	6.8%
Return on investments	-5.0%	6.7%	6.8%	9.0%	6.0%
Annualised 10-year targeted investment return	4.8%	5.2%	5.2%	5.3%	5.5%
Annual investment return (10-year average)	6.8%	6.2%	5.6%	5.7%	5.8%

The current long-term objective for the investment program is a return of CPI plus 2.5%, as approved by RTWSA's Board of Management. RTWSA has achieved this target since 2023. The return on investment is derived from all investment returns (realised or unrealised) based on total investment holdings.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- the claims agent assurance framework
- premium income
- investments
- claims expenses
- actuarial estimates of outstanding claims liabilities
- the determination of claims for workers compensation
- workers compensation payments, including income support, lump sums and medical costs
- claims management fees
- general operating expenses
- payroll expenditure
- IT general controls.

We reviewed the work of RTWSA's internal auditors as part of our audit. We made use of the IT general controls work performed by internal audit.

We reviewed controls over premium income, investments, claims expenses and outstanding claims liability as part of our overall controls opinion, which is discussed in Part B of this report.

South Australia Police (SAPOL)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	Some delegations in SAPOL's injury management system were not consistent with financial delegations.

Key statistics

$1.4 billion
Total income

$1.4 billion
Total expenditure

4,832
Sworn police officers and cadets

6,356
FTEs

275
Police security officers

1,249
Unsworn staff

Administered

$105 million
Total income

$105 million
Total expenditure

Significant events and transactions

- Employee-related expenses totalled $1.02 billion.
- SAPOL transferred land for the Mounted Operations and Dog Operations units in the CBD to the Department for Infrastructure and Transport. It is still used by SAPOL under a lease agreement that commenced in January 2026.

Key findings

Delegations in the injury management system were not consistent with financial delegations

We identified five workers compensation payments made in 2025-26 where the delegated approver in SAPOL's injury management system was not the officer who authorised the payment. This occurred because some delegated officers did not have access to the system, resulting in manual approvals outside the system and temporary changes to delegation levels in the system to process payments.

This presents a risk of errors, unauthorised or inappropriate payments and inconsistencies between system records and supporting documentation.

SAPOL responded that it obtains payment approval through an Executive Director's briefing process, with evidence of this retained and uploaded to the injury management system, providing a clear audit trail. SAPOL considers the risk of unauthorised workers compensation payments to be low, as approvals are supported by documented delegated authority outside the system.

SAPOL advised us that expanding system access beyond the injury management team would increase the risk of unauthorised access to confidential information and potential privacy or conflict of interest breaches. It will incorporate this control process into its policy framework for financial management and authorisations.

Financial information

Highlights of the financial report

	2026 $million	2025 $million
Income		
Appropriation	1,197	1,112
Intra-government transfers	109	133
Fees and charges	35	33
Resources received free of charge	6	26
Other income	14	15
Total income	1,361	1,319
Expenses		
Employee-related expenses	1,016	949
Supplies and services	260	223
Payments to Consolidated Account	-	40
Depreciation and amortisation	56	52
Other expenses	41	21
Total expenses	1,373	1,285
Net result	(12)	34
Total comprehensive result	(12)	34

	2026 $million	2025 $million
Assets		
Current assets	362	353
Non-current assets	750	757
Total assets	1,112	1,110
Liabilities		
Current liabilities	214	207
Non-current liabilities	487	479
Total liabilities	701	686
Total equity	411	424

Statement of Comprehensive Income

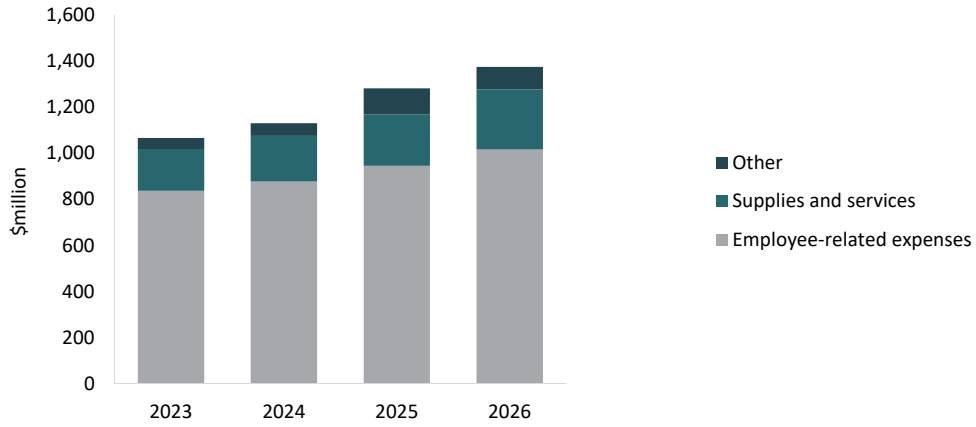
Income

Total income increased by $42.6 million to $1.36 billion in 2025-26, mainly due to an increase in appropriation funding of $85 million to fund increases in employee benefits expenses due to Enterprise Agreement increases. This increase was offset by decreases in:

- resources received free of charge due to the CBD staging area land for the Mounted Operations and Dog Operations facility valued at $20.5 million being donated to SAPOL in 2024-25, with no donated assets in 2025-26
- contingency funding recorded as intra government transfers of $35.4 million, reflecting funding for capital works completed in prior years.

Expenses

The following chart shows SAPOL's main expenses for the last four years.



Total expenses increased by $88.6 million to $1.37 billion in 2025-26, reflecting:

- a $67.4 million increase in employee-related expenses
- a $37.2 million increase in supplies and services expenses
- offset by payments of $40 million made to the Consolidated Account in 2024-25, with no payments made in 2025-26.

The increase in employee-related expenses is mainly due to:

- a $70.2 million rise in salaries and wages due to Enterprise Agreement increases and an increase in FTEs
- a $10.7 million increase in superannuation costs, reflecting the superannuation guarantee rate rising to 12% from 1 July 2025 and increased salaries and wages
- offset by an $18.9 million decrease in the workers compensation expense, mainly reflecting the outcome of an actuarial assessment of the liability in 2026 – see 'Provisions'.

Supplies and services increased by $37.2 million to $260 million, mainly due to:

- a $12 million increase in minor equipment, communication and computing expenses, mainly related to increases in software subscriptions, hardware maintenance and minor equipment (including tasers, body-worn cameras and data entry terminals)
- a $5.7 million increase in temporary agency staff and contractors, mainly relating to mainframe decommissioning
- a $7.5 million increase in motor vehicle-related expenses.

Statement of Financial Position

Assets

Current assets

Current assets increased by $9.4 million to $362 million, mainly driven by a $5 million increase in cash and cash equivalents and a $4.4 million increase in current receivables.

Non-current assets

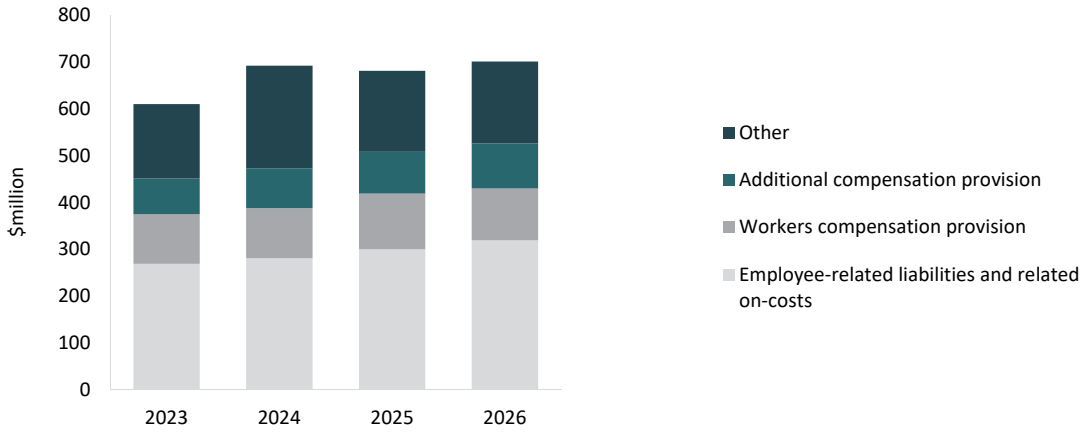
Non-current assets decreased by $7.1 million to $750 million, mainly due to the amortisation of software.

Key movements in property, plant and equipment for 2025-26 were:

- an increase of $45.5 million in work-in-progress assets, including assets in the APY Lands ($9.5 million) and associated with the Academy Firing Range ($7 million), Mobile Workforce ($7.4 million) and Gepps Cross ($6.6 million) projects
- an increase of $24.4 million in right-of-use building assets, comprising $17 million in new leases and $7 million in lease renewals – see 'Liabilities'
- a decrease of $20.5 million from the transfer of the CBD staging area land for the Mounted Operations and Dog Operations to the Department for Infrastructure and Transport
- depreciation expense of $48.6 million, up from $43 million in 2024-25, mainly due to the increase in building assets.

Liabilities

The significance of employee-related liabilities to total liabilities for the last four years is shown in the following chart.



Total liabilities increased by $14.7 million to $701 million, mainly due to:

- a $10.2 million increase in lease liabilities reflecting new leases for the city staging area, office space in Currie Street and regional police stations
- a $14.6 million increase in other employee-related liabilities and related on-costs, offset by a $9.3 million decrease in payables.

Payables

Payables decreased by $9.3 million to $31 million due to a decrease in contractual payables relating to completed capital projects in prior years.

Employee-related liabilities and related on-costs

Employee-related liabilities increased by $14.6 million, mainly due to:

- a $7.6 million increase in the annual leave liability due to increases in salaries and leave balances
- a $4.4 million increase in accrued salaries and wages
- a $3.5 million increase in employment on-costs due to increases in FTEs and Enterprise Agreement impacts.

Provisions

Provisions decreased slightly by $1 million to $207 million. They are based on an actuarial assessment as at 30 June 2026 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment.

The workers compensation provision decreased to $111 million, reflecting a $7.7 million decrease from the consulting actuary's remeasurement for changes in economic assumptions, net outstanding claims and workers compensation revaluation.

This was offset by an increase in the additional compensation provision of $6.2 million to $95.6 million, reflecting the consulting actuary's remeasurement of economic assumptions and expected increases in additional compensation claims.

The additional compensation provision provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. The movement in this provision is impacted by the limited claims history and the evolving interpretation of, and evidence required to meet, eligibility criteria.

Administered items

Expiation fees – $83 million collected

SAPOL collects expiation fees on behalf of the SA Government under the *Expiation of Offences Act 1996*. This revenue is treated as an administered item and paid to the Consolidated Account.

The expiation fees that SAPOL collected decreased by 4% to $83.3 million ($86.7 million) in 2025-26, due to lower collections from mobile phone detection cameras and speed detection devices, partially offset by higher collections from mobile speed cameras and corporate fees.

Victims of Crime levy – $18 million collected

The Victims of Crime levy provides compensation to people who suffer injury as a result of criminal acts under the *Victims of Crime Act 2001*. SAPOL collects the levy from offenders through the expiation of offences included on expiation notices issued by police and other authorised officers. SAPOL remits this money to an interest-bearing deposit account managed by the Attorney-General's Department.

Victims of Crime levy income received and paid to the Attorney-General's Department remained steady at $18 million in 2025-26.

Further commentary on operations

Expiation Management System

The Expiation Management System (EMS) is the core business system used to administer expiation notices (on-the-spot fines/infringements) and related enforcement processes. SAPOL's EMS project intends to replace all existing legacy systems related to incident management and the expiation notice lifecycle. The project commenced in February 2020 and was originally expected to be completed in June 2025.

Since we last reported, SAPOL has implemented heavy goods vehicle and point-to-point camera functionality into production, while eTicketing and mobile speed camera functionality is expected to be implemented in September 2026. Development has started on several other components, with all remaining functionality scheduled to be available in 2027.

The original project budget was $7.7 million. SAPOL advised us that the budget has now increased to $12.3 million, with expenditure of $10.9 million to July 2026 and the remaining $1.5 million forecast to complete the project by February 2027.

The project continues to face challenges relating to vendor resourcing constraints, integration of additional camera technologies and the transition of remaining functionality from the legacy Expiation Notice System before its planned decommissioning in June 2027. Key dependencies include developing a new adjudication module, completing additional interfaces, ongoing security testing and continued availability of vendor resources and SAPOL subject matter experts.

While the project has achieved some recent milestones, there is a risk of further delays to project completion. Continued oversight of project dependencies and delivery time frames will be key to the successful implementation of the remaining functionalities.

Scope of the audit

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- property, plant and equipment
- cash
- capital works program
- intangibles
- workers compensation and additional compensation provisions
- payroll expenditure and employee benefits liabilities
- expenditure
- revenue
- government grants, subsidies and transfers.

We reviewed controls over employee expenses and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

South Australian Fire and Emergency Services Commission (SAFECOM)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Management and monitoring of South Australian Country Fire Service (SACFS) personal protective clothing decontamination needs to improve.
- Monitoring of contractual obligations needs to improve.
- Rostered recreational leave for South Australian Metropolitan Fire Service (SAMFS) firefighters not uploaded and reconciled in the payroll system.
- South Australian State Emergency Service (SASES) fleet assets not serviced.
- Emergency services sector (ESS)* asset management needs to improve in some areas.
- SAFECOM IT general controls should be strengthened in some areas.

Key statistics

$37 million
Total income

$48 million
Total expenditure

96
FTEs

Administered – Community Emergency Services Fund

$409 million
Total income

$410 million
Total expenditure

Significant events and transactions

- The ESS finalised several key business continuity and disaster response deliverables, including business continuity plans and a strategic and operational post-disaster policy and framework.
- The ESS continued to develop response plans to address the SA Government's Climate Ready Government initiatives.

* The ESS comprises the South Australian Fire and Emergency Services Commission, South Australian Metropolitan Fire Service, South Australian Country Fire Service, and South Australian State Emergency Service.

Key findings

Contract management

Management and monitoring of SACFS personal protective clothing decontamination needs to improve

As raised in previous years, the SACFS needs to improve how it manages and monitors the decontamination and maintenance of personal protective clothing under its Industrial Decontamination Services (IDS) contract. These services are critical to reducing firefighters' exposure to carcinogens and other contaminants following firefighting incidents.

While the SACFS progressed initiatives to ensure the contracted services occurred in 2025-26, most were not fully implemented. This included the need to establish complete and accurate garment records across the volunteer workforce, and the accurate tracking of the decontamination, cleaning and repair lifecycle of the garment population.

The absence of complete asset records and effective tracking limits the SACFS's ability to demonstrate that personal protective clothing is appropriately decontaminated, repaired and available when required. This increases risks to volunteer firefighter health and safety and may adversely affect operational readiness.

Monitoring of contractual obligations needs to improve

We again identified weaknesses in the monitoring of key obligations under the IDS contract, with evidence gaps remaining over supplier certification, repair and laundering authorisations, and quality management requirements.

We also found weaknesses in the monitoring of obligations under a separate contract managed by the SAMFS for the supply of self-contained breathing apparatus for firefighting and rescue operations. Some of the required contract management reports were not provided and there was limited evidence of KPI compliance monitoring.

Inadequate monitoring of contractual obligations increases the risk that suppliers do not comply with requirements, service issues are not promptly identified or resolved, and expected service outcomes are not achieved. Given the operational importance of protective clothing decontamination and breathing apparatus, these weaknesses may affect emergency response capability and firefighter safety.

The SACFS responded that it would appoint additional resources to help ESS working groups establish work plans to address our findings.

The SAMFS responded that it will follow its contract management framework and guideline.

Payroll

Rostered recreational leave for SAMFS firefighters not uploaded and reconciled in the payroll system

Rostered recreational leave for SAMFS firefighters is initially recorded in the Sapphire rostering system and then manually uploaded into CHRIS21, the payroll system used to maintain leave balances and generate financial data for financial reporting purposes.

Rostered recreational leave recorded in Sapphire has not been uploaded into CHRIS21 since August 2025.

This creates a risk that employee leave balances, payroll records and financial reporting information are incomplete or inaccurate. Incomplete CHRIS21 data may result in misstated employee leave-related balances, inaccurate records for affected staff and reduced assurance over compliance with rostered leave requirements. The risk is heightened by the length of time since the last upload and reconciliation. As the backlog grows, it becomes more difficult to identify and correct discrepancies, including long-outstanding reconciling items.

The SAMFS responded that it is introducing a workforce planning manager to oversee this function. It is also collaborating with Shared Services SA to find digital solutions to improve the integration between Sapphire and CHRIS21.

Asset management

SASES fleet assets not serviced

The SASES has not fully addressed recurring weaknesses in its fleet asset servicing controls. For the past three years we have identified numerous SASES fleet assets that were not serviced in line with SASES policy requirements.

Our analysis of servicing data at June 2026 identified overdue servicing across key fleet categories, including marine trailers, marine vessels and motor vehicles. Although the number of assets with no available servicing record reduced from 68 in 2024-25 to 44 in 2025-26, the continued level of overdue servicing indicates that the underlying maintenance control weaknesses remain unresolved. We also identified 128 low-risk motor vehicle trailers that were overdue for servicing.

Failure to service fleet assets in line with preventative maintenance requirements increases the risk of asset failure or breakdown. This may affect operational readiness, compromise volunteer and staff safety, and result in higher reactive maintenance costs.

The SASES responded that it is continuing remedial actions to address this issue.

ESS asset management control environment needs to improve in some areas

For many years we have noted deficiencies in the ESS's asset management control environment. While the ESS previously responded that it was implementing improvements, in 2025-26 we found

that the agreed improvements were not fully implemented. While progress was evident in some areas, further work is required to establish consistent and effective asset management practices, including the following:

- A sector-level, strategic asset management framework was developed, but the supporting policy was in draft. Strategic and operational asset management plans were also incomplete or not developed across all emergency service organisations. These gaps increase the risk of unclear accountability, inconsistent maintenance practices and asset decisions that do not adequately consider whole-of-life cost, operational requirements or safety. SAFECOM responded that finalising the outstanding policy and framework matters was subject to the SACFS, SAMFS and SASES completing planning documentation.
- The SAMFS continued to not use maintenance scheduling matrices, and inspection records for its appliances and equipment were incomplete or inaccurate. These weaknesses limit the SAMFS's ability to demonstrate that inspections occur when required and increase the risk that equipment faults or maintenance needs are not promptly identified. The SAMFS responded that its maintenance scheduling matrices will be updated as soon as possible. It will also consult its sites on the need to comply with appliance and equipment inspection reporting requirements.
- SACFS vehicle maintenance guidance had not been updated to reflect current practices, and arrangements for independently reviewing contracted servicing work were not established. Servicing requirements for mobile and fixed plant were also not consistently achieved. These matters increase the risk of inconsistent servicing, payments being made for work not adequately verified, asset breakdown and reduced operational readiness. The SACFS responded that after a recent statewide station audit, it will start work to address these issues.

Information technology general controls

IT general controls (ITGCs) should be strengthened in some areas

While SAFECOM had started some improvement initiatives, with key governance and control arrangements progressing towards formal approval and implementation, there remain areas where its ITGCs need to improve, including the following:

- Cyber security and incident response plans, and a revised ICT policy framework, remained in draft at the time of our audit. Until they are implemented, there is an increased risk that cyber incidents and ICT control requirements may not be managed consistently or promptly, potentially contributing to operational disruption or data compromise. SAFECOM responded that key plans are in draft, but have been submitted for approval to relevant executive committees for future implementation.
- Periodic reviews of user access to a key data management, asset reporting, volunteer, workforce and operational workflow system had not commenced, increasing the risk that inappropriate or outdated access may remain undetected. Several system remediation and security uplift initiatives were also underway, but vulnerability assessments and penetration testing had not been performed in the preceding 12 months. This reduces assurance that security weaknesses are being identified and addressed in a timely manner. SAFECOM responded that some of the initiatives are partially in place, and a program of work to implement all initiatives is being developed.

- Although change management practices existed for individual systems, an enterprise-wide policy and Change Advisory Board were not yet established. Completing the planned governance, access review and cyber assurance measures should strengthen accountability and reduce the risks of unauthorised access, cyber incidents and inconsistently managed system changes. SAFECOM responded that its ICT change management policy is in draft and due to be approved by the ESS executive, and that the terms of reference for its Change Advisory Board are being drafted.

Financial information

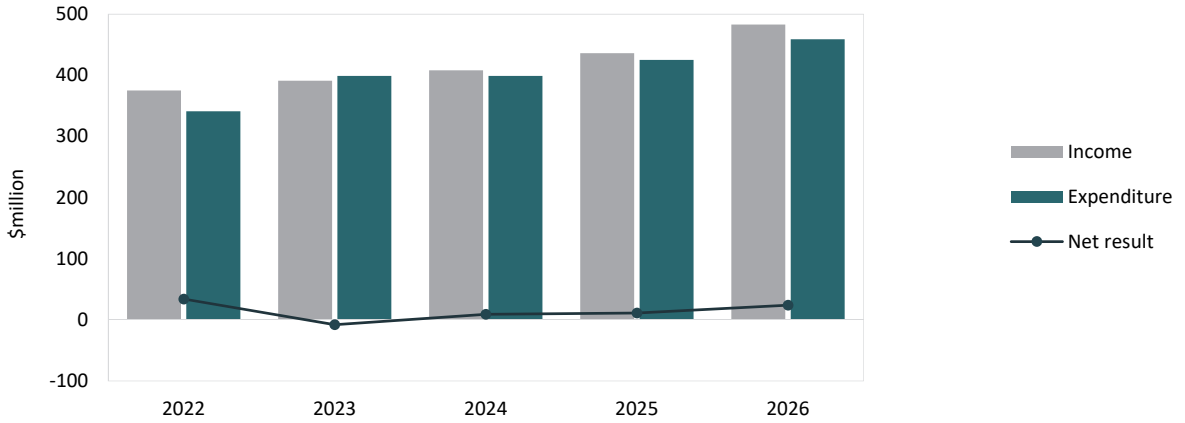
Highlights of the financial report – consolidated emergency services sector

	2026 $million	2025 $million
Income		
Contributions from the Community Emergency Services Fund (CESF)	353	342
Other income	130	94
Total income	483	436
Expenses		
Employee-related	253	231
Supplies and services	149	150
Depreciation and amortisation	30	26
Other expenses	27	20
Total expenses	459	427
Net result	24	9
Other comprehensive income	-	185
Total comprehensive result	24	194
Assets		
Current assets	75	63
Non-current assets	739	721
Total assets	814	784
Liabilities		
Current liabilities	66	70
Non-current liabilities	135	126
Total liabilities	201	196
Total equity	613	588

Statement of Comprehensive Income

Net result

The following chart shows the ESS's total income, total expenses and consolidated net result for the past five years. It shows that the CESF contributions and other income sources, such as grants and subsidies and intra-government transfers, have generally been sufficient in meeting total expenses.



The ESS's net results are impacted by annual emergency situation activity levels. The improvement in the 2025-26 net result was mainly driven by increases in CESF contributions of $11 million, appropriation of $8.1 million and intra-government transfers of $37.7 million, offset by increases in grants and subsidies expenses of $4.8 million and employee-related expenses of $22 million.

Income

Total income increased by $47.2 million (10.8%) to $483.3 million in 2025-26, mainly because of rises in the income sources described above. These increases were driven by funding needed to address 2025-26 largescale emergency events such as the algal bloom response, outback flooding and multiple severe bushfire incidents, and funding needed to address the costs of implementing the new SAMFS enterprise agreement that was approved in February 2026.

Expenses

Total expenses increased by $31.4 million (7.4%) to $458.9 million in 2025-26 due to rises in the expense types described above. These increases were mainly driven by the costs incurred across the ESS to address the incidents described above.

Statement of Financial Position

Property, plant and equipment

Property, plant and equipment increased by $9.2 million in 2025-26. The main increase drivers were:

- transfers from capital work in progress of $41.2 million. Across the ESS these included quick response vehicles, pumper rescue tankers, large volume water tankers, heavy urban tankers, the capitalisation of the new SASES Gawler Unit (Willaston) building and several smaller build projects
- offset by depreciation expenses of $29.5 million.

Highlights of the financial report – SAFECOM

	2026 $million	2025 $million
Income		
Contributions from the CESF	20	20
Other income	17	25
Total income	37	45
Expenses		
Employee-related	13	12
Supplies and services	11	10
Other expenses	24	20
Total expenses	48	42
Total comprehensive result	(11)	3
Assets		
Current assets	25	37
Non-current assets	15	15
Total assets	40	52
Liabilities		
Current liabilities	4	5
Non-current liabilities	11	11
Total liabilities	15	16
Total equity	25	36

Statement of Comprehensive Income

Income

Grants and subsidies revenue decreased by $12.3 million (55%) in 2025-26 due to funding adjustments from the Commonwealth's Disaster Ready Fund. This funding is aimed at improving disaster resilience. SAFECOM's main funding source was CESF contributions of $20.5 million ($19.6 million), which accounted for 55% of its income.

Expenses

Total expenses increased by $6.4 million (15%), mainly driven by a $1 million rise in employee related expenses and a $3.9 million (21%) rise in grants and subsidies expenses mainly for more Disaster Ready Fund payments.

Statement of Financial Position

SAFECOM's asset base decreased by $12.3 million (23%), largely due to an $11.5 million decline in cash used to meet grant and subsidies payments from existing reserves given the current year decline in grants and subsidies funding.

SAFECOM's liabilities decreased by $1.4 million or 9%.

Highlights of the financial report – administered items

	2026 $million	2025 $million
Income		
Revenues from levy sources	405	391
Other revenues	4	5
Total income	409	396
Expenses		
Contributions to SA Government administrative units	396	385
Grants and subsidies	4	3
Other expenses	10	9
Total expenses	410	397
Net result and total comprehensive result	(1)	(1)
Assets		
Current assets	21	22
Total assets	21	22
Liabilities		
Current liabilities	1	1
Total liabilities	1	1
Total equity	20	21

Community Emergency Services Fund

CESF levy contributions are provided by fixed and mobile property land owners (including state and local governments) to fund the provision of emergency services. Levies are collected in line with the *Emergency Services Funding Act 1998*, and are set to cover the budgeted emergency services expenditure for the coming financial year.

The fixed property levy is collected by RevenueSA and applies to capital values, adjusted for location and land use. The mobile property levy is collected by the Department for Infrastructure and Transport using the vehicle registration system. Once collected, these levies are paid into the CESF. Levy collection administration costs are met from the CESF. The SA Government offsets the levy impact through remissions (fixed and mobile property) and concession subsidy payments through the Department of Human Services.

Emergency services levies increased by $13.7 million (3.5%) in 2025-26. The increases in levy revenue and changes in remissions over the past five years are shown in the following table.

	2022 $million	2023 $million	2024 $million	2025 $million	2026 $million
Fixed property collections	171	179	194	203	215
Fixed property remissions*	129	128	128	128	129
Mobile collections	48	49	49	50	51
Mobile remissions*	3	3	3	3	3
Government concessions	6	6	7	7	7
Total	357	365	381	391	405

* Remissions are provided by the SA Government.

The contributions made by the CESF to SA Government entities over the past five years are shown in the following table.

	2022 $million	2023 $million	2024 $million	2025 $million	2026 $million
SAMFS	163	168	178	190	195
SACFS	93	93	102	106	106
South Australia Police	24	24	25	26	26
SASES	23	34	26	27	31
SAFECOM	20	20	19	20	20
Other SA Government entities	16	18	17	16	18
Total	339	357	367	385	396

Further commentary on operations

Staffing

SAFECOM and the ESS employed the following FTEs at 30 June for the past three years. The SACFS, SAMFS and SASES expanded their workforces in each of the years, while SAFECOM staffing levels fluctuated but still increased by four FTEs.

	*2024 FTEs	*2025 FTEs	*2026 FTEs
SAFECOM	92	86	96
SAMFS	1,044	1,051	1,061
SACFS	189	206	216
SASES	71	76	79
Total	1,396	1,419	1,452

* Staffing data was provided by the Office of the Commissioner for Public Sector Employment and is unaudited.

Volunteers

While overall volunteer numbers have remained relatively stable, the SACFS has been losing around 200 volunteers each year and SASES volunteer numbers have risen.

	*2024 FTEs	*2025 FTEs	*2026 FTEs
SACFS	13,122	12,939	12,746
SASES	1,667	1,791	1,997
Total	14,789	14,730	14,743

* Volunteer data was supplied by SAFECOM and is unaudited.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- revenue
- payroll and workforce management
- supplies and services expenses

- property, plant and equipment
- asset management
- contract and procurement activities
- IT general controls
- cash and cash equivalents.

We reviewed internal audit activities in planning and conducting our audit. We did not place any reliance on the work performed by internal audit.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

South Australian Government Financing Authority (SAFA)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	The security of data provided to insurance system developers needs to be strengthened.

Key statistics

$371 million
Total income

$491 million
Total expenditure

$59.5 billion
Total assets

$59.6 billion
Total liabilities

$120 million (loss)
Before income tax equivalents

7,319
Number of fleet vehicles (including held for sale)

Significant events and transactions	SAFA raised $8.2 billion in funding, of which $1.9 billion was for future needs.

Key findings

Security of data provided to insurance system developers needs to be strengthened

In 2024, we reported that software developers had access to sensitive data in the insurance system's production environment because a data masking functionality was not available. SAFA advised us at the time that a data masking solution would be developed.

In 2025, we found an instance where a system developer inappropriately provided unmasked insurance data to other SA Government agencies.

In January 2026, SAFA assessed a new data masking capability and identified additional requirements needed for it to operate effectively. The supplier included these requirements in an updated data masking module released in May 2026.

SAFA advised us that it expects to implement the new module by November 2026 following validation and configuration activities.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Interest revenue	3,304	2,544
Interest expense	(3,226)	(2,477)
Net interest revenue	78	66
Net gain (loss) on financial instruments and derivatives	49	56
Leasing and hire revenue	73	68
Insurance premium revenue	113	108
Recoveries	3	4
Other income (including net gain on sale of property, plant and equipment)	56	72
Vehicle operating costs (including depreciation and impairment)	(420)	(38)
Insurance claims	(394)	(544)
Other expenses	(54)	(108)
Profit (Loss) before income tax equivalents	(120)	(316)
Income tax equivalent expense	-	-
Profit (Loss) after income tax equivalents	(120)	(316)
Total comprehensive income	(120)	(316)
Assets		
Cash, short-term assets and investments	12,765	9,991
Loans	45,671	40,939
Derivatives receivable	259	110
Property, plant and equipment (including held for sale)	296	284
Other assets	532	561
Total assets	59,523	51,884

	2026 $million	2025 $million
Liabilities		
Deposits and short-term borrowings	14,489	12,983
Bonds, notes and debentures	42,930	36,960
Outstanding claims	1,961	1,692
Derivatives payable	183	181
Payables and other liabilities	66	54
Total liabilities	59,628	51,870
Total equity	(106)	15

* Table may not add due to rounding.

Statement of Comprehensive Income

Interest revenue and expense

Interest revenue and expense are recognised on a market value accounting basis and accrued in line with the terms and conditions of the underlying financial instruments. Interest revenue increased by $760 million (30%), while interest expense increased by $749 million (30%), mainly due to increased borrowing and higher interest rates in 2025-26. They were also impacted by the timing of maturities and settlements for financial instruments, including derivatives.

Net gain on financial instruments and derivatives

SAFA's operating result includes a net gain of $49 million on financial instruments and derivatives in 2025-26. This represents upward movements in the prices of the financial instruments and derivatives SAFA held, mostly as a result of changes in market rates.

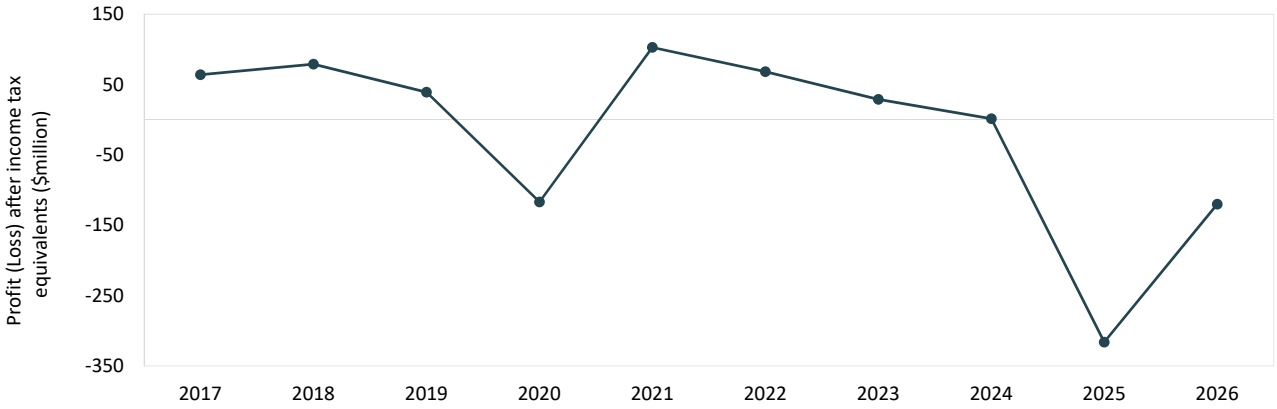
Leasing and hire revenue

Leasing and hire revenue reflects the fees charged to other SA Government agencies for leasing fleet vehicles. It increased to $73 million in 2025-26 due to more fleet vehicles and higher average vehicle costs.

Profit (Loss)

SAFA is required to pay the Treasurer an income tax equivalent on its profit, calculated by applying a tax rate of 30% to its profit before tax. It made a loss of $120 million in 2025-26, mainly due to losses on its insurance activities of $197 million. SAFA is not required to pay income tax equivalents if it does not make a profit.

The 10-year trend in SAFA's profit or loss after income tax equivalent expense is shown in the following chart. It highlights the volatility in SAFA's results.



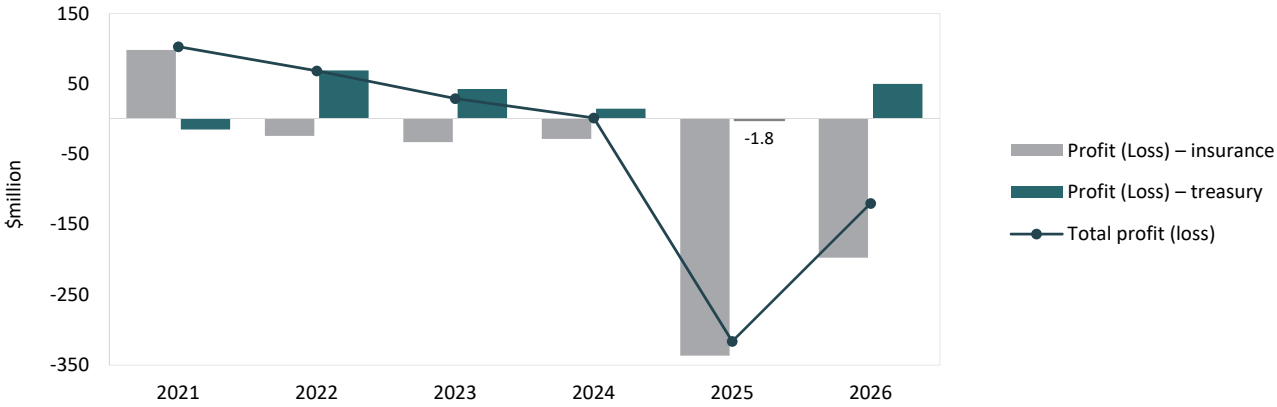
Insurance activity impact on profit (loss)

SAFA's insurance activities are separated into five funds. Its result after income tax equivalents is, in net terms, only affected by the results of Fund 1. SAFA has negotiated funding arrangements with the Treasurer for the other insurance funds. Fund 2 is used to fund liabilities from insurable incidents that:

- occurred before 1 July 1994
- involve claims under the building warranty indemnity reinsurance arrangements up to 30 June 2013
- involve the former State Government Insurance Commission's residual claims and workers compensation claims managed by the former South Australian Asset Management Corporation
- are historical workers compensation and asbestos claims previously managed by other SA Government entities.

Fund 3 is used to fund liabilities arising from claims under the building indemnity insurance scheme effective from 1 July 2013. Fund 4 is used to manage liabilities for the SA Government's participation in the National Redress Scheme for Institutional Child Sexual Abuse (see 'National Redress Scheme for Institutional Child Sexual Abuse'). Fund 5 holds funds to facilitate insurance arrangements specific to SA Government infrastructure projects. All of SAFA's remaining insurance activities are funded through Fund 1.

The impact of SAFA's insurance activities on its profit or loss after income tax equivalent expense over the last six years is shown in the following chart.



The insurance loss of $197.3 million in 2025-26 reflects:

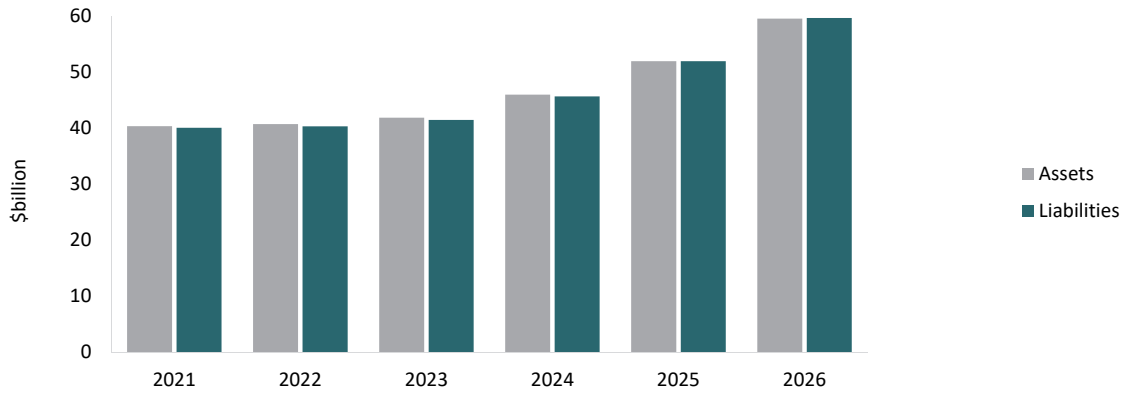
- income of $230.6 million, mainly comprising:
  - an insurance premium of $112.7 million
  - a net unrealised gain on financial instruments held with Funds SA of $62.5 million
  - indemnity from the Treasurer of $47.9 million
  - interest revenue on cash and short term assets of $7.8 million
- expenses of $427.9 million, mainly comprising:
  - insurance claims expense of $394.4 million, which includes the movement in outstanding claims liability of $269.7 million
  - outwards reinsurance of $25.9 million.

These changes highlight the inherent volatility of insurance activities and the impact on SAFA's overall financial performance.

Statement of Financial Position

Assets and liabilities

SAFA's assets and liabilities for the six years to 2026 are shown in the following chart.



There was a $7.8 billion increase in SAFA's liabilities in 2025-26, with total assets increasing by $7.6 billion, mainly for:

- loans ($4.7 billion), mainly to the Treasurer at cost of funds and cash and loans to public non-financial corporations
- investments ($4.3 billion), mainly in bank and corporate securities, offset by decreases in semi-government securities.

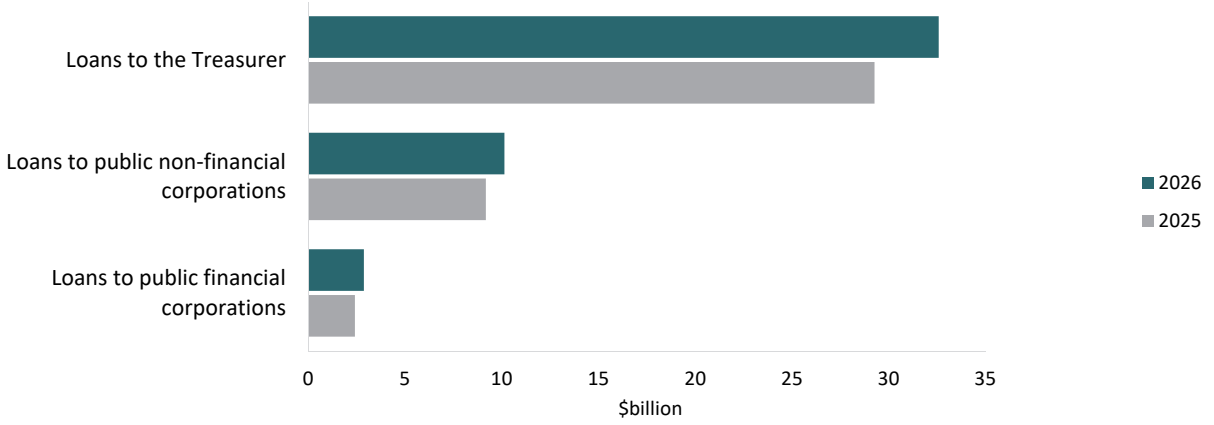
These were offset by a decrease in cash and short-term assets ($1.5 billion), mainly in secured cash lending, overdraft facility to HomeStart Finance and negotiable certificates of deposit.

The main increases in liabilities were:

- bonds, notes and debentures ($6 billion)
- deposits and short-term borrowings ($1.5 billion), mainly in the Treasurer's at call deposit and commercial paper
- outstanding claims ($270 million).

Loans to government agencies

Assets include loans of $45.7 billion, comprising SAFA's loans to the Treasurer to fund accumulated Consolidated Account deficits and loans to other public authorities. SAFA's loans to the Treasurer totalled $32.6 billion at 30 June 2026. The Treasurer also had funds on deposit with SAFA totalling $11.2 billion ($10.3 billion). SAFA's government sector loan composition for the last two years is shown in the following chart.



Loans to the Treasurer increased by $3.3 billion in 2025-26, due to funding for the $3.9 billion deficit in the Consolidated Account, funding for future needs ($1.9 billion) and market value movements. Loans to public non-financial corporations increased by $962 million, while loans to public financial corporations increased by $460 million. Loans to public non-financial corporations were to the South Australian Water Corporation, Urban Renewal Authority, Adelaide Venue Management Corporation, Adelaide Cemeteries Authority and West Beach Trust.

Capital and distributions

SAFA's capital reserves were represented by its retained earnings of -$106 million ($15 million). A dividend distribution of $1.5 million was made to the Treasurer in 2024-25 under the *Government Financing Authority Act 1982*, which states that any surplus of funds remaining after SAFA's costs are met in any financial year must be paid into the general revenue of the State or otherwise dealt with as the Treasurer determines. The $1.5 million payment in 2024-25 was a final payment of dividends for 2023-24. No dividend payment was made for 2024-25 or 2025-26.

Further commentary on operations

SAFA Advisory Board

The *Government Financing Authority Act 1982* (SAFA Act) establishes the South Australian Government Financing Advisory Board (Advisory Board), comprising up to seven members, one of whom is the Under Treasurer who is also the Presiding Member. The SAFA Act allows the Under Treasurer to request and consider advice from the Advisory Board. The Advisory Board can provide advice to the Treasurer or SAFA, as it sees fit. SAFA's annual report must include details of any advice from the Advisory Board that the Treasurer or SAFA has decided not to follow and the reason for that decision. There were no instances of advice from the Advisory Board not being followed in 2025-26.

Business risk management

General market risk management

SAFA is the State's central borrowing authority and manages most of the State's debt. It raises funds from financial markets and lends them to South Australian public sector clients, including the Treasurer, who borrows on behalf of public sector agencies to support their operations.

SAFA's risk appetite statement requires it to perform its treasury, insurance, fleet and commercial advisory functions in a way that protects the interests of its owners and clients. SAFA manages risk by defining the level of risk it is willing to accept for each enterprise risk it is exposed to. Its risk tolerances are:

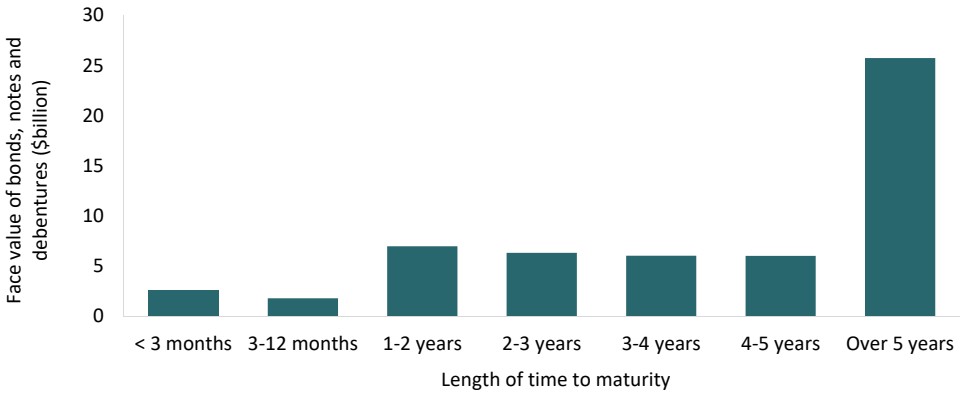
- no/very low tolerance for legal and compliance risk and people risk
- low tolerance for strategy and action plan risk, client advice risk, reputational risk, technology, cyber and information security risk, data governance and data management risk and control management risk
- moderate tolerance for funding risk, financial risk and insurance risk.

A moderate risk tolerance means that SAFA is prepared to accept exposure to these risks within defined limits.

Funding risk management

SAFA raises funds from domestic and international financial markets to support the SA Government's budgetary funding requirements. Funding risk is the risk that SAFA may be unable to raise funds when required or may only be able to raise funds at a higher cost. To manage this risk, SAFA seeks to ensure that it is not exposed to a significant refinancing or funding risk in any financial year. The Under Treasurer sets the funding risk guidelines.

A maturity profile of the undiscounted principal and interest repayment amounts for SAFA's bonds, notes and debentures at 30 June 2026 is shown in the following chart. These instruments include SAFA's core funding through the select line issuances and floating rate notes.



The chart shows SAFA's principal and interest repayments will vary each year over the next four years. From 2032, SAFA will have $25.7 billion of principal and interest repayments. The chart does not include expectations for the SA Government's early refinancing or future financing requirements.

Catastrophe reinsurance program

The SA Government is fundamentally a self-insurer. However, to protect the State's finances against a very large loss or claim, or a series of large losses or claims in a year, a commercial catastrophe reinsurance program is placed in the international insurance market. The reinsurance program is renewed annually and then approved by the Treasurer after it is considered by the Advisory Board. The structure of SAFA's catastrophe reinsurance program for 2025-26 is shown in the following table.

Catastrophe insurance class	Program cover (reinsurance)	Aggregate annual retention (SAFA)	Each and every event retention (agency/SAFA)
Industrial special risks*	$2.25 billion	–	$40 million
Public and products liability	$650 million	$20 million	$1 million/$3 million
Airport aviation liability	$500 million	–	$0
Terrorism property	$500 million	–	$25 million
General aviation liability	$250 million	–	$0
Professional indemnity**	$250 million	$20 million	$1 million/$3 million
Medical malpractice	$100 million	–	$20 million
Directors and officers liability**	$50 million	$20 million	$1 million/$3 million
UAV (drone) liability	$50 million	–	$1 million
Network security and privacy (cyber)	$50 million	–	$20 million
Tourism liability	$20 million	–	$5 million

* Includes property.
** Full insurance placement could not be completed at acceptable/affordable terms for this insurance class.

SAFA's catastrophe reinsurance premium expense increased by 8% to $25.9 million ($23.9 million) in 2025-26. The increase is mainly due to rising property and medical malpractice reinsurance costs, offset by a decrease in by liability insurance costs.

SAFA reviews its coverage levels annually. While various factors influence its final choice of cover, key drivers in this evaluation are the market's willingness to accept risk for SAFA's preferred coverage, and SAFA's internal value-for-money assessments of the prevailing insurance market.

School loans scheme

In the 2016-17 State Budget, the SA Government established a $250 million low-interest loan scheme to help non-government schools upgrade their infrastructure and facilities. Loans of between $500,000 and $10 million per school were made available over five years, with loan terms up to 15 years. All non-government schools were eligible to apply and access was granted based on highest need, taking into account a school's socioeconomic status score. Priority was given to projects that invest in science, technology, engineering and maths, and early learning facilities.

There have been six funding rounds since the scheme started. The first loan was drawn down under the scheme in February 2017. Total funds advanced to non-government schools were $113.8 million, and $52.2 million of this funding has been paid back at 30 June 2026.

In the 2020-21 State Budget, the SA Government announced a new $320 million low-interest loan scheme to help non-government schools upgrade their existing facilities, including early learning centres co-located on a school site. SAFA is administering the new scheme, although loans under the scheme are reported in the Department of Treasury and Finance's administered items financial statements – see 'Department of Treasury and Finance'.

SA Venture Capital Fund

In June 2017 Cabinet approved the establishment of the $50 million SA Venture Capital Fund as a notional fund in SAFA's Statement of Financial Position. The objective of the Fund is to help early-stage South Australian companies attract private sources of co-investment from national and international investors. It has been managed by Artesian Venture Partners since March 2020.

Investments from the Fund are required to meet a range of criteria, including requirements for assets and staff to be located in South Australia within 12 months of the initial investment date. In 2025-26, there was further investment in two companies totalling $1.4 million. At 30 June 2026 investments from the Fund totalled $37 million and had been made to 12 companies.

National Redress Scheme for Institutional Child Sexual Abuse

In May 2018, the SA Government approved the State's participation in the National Redress Scheme for Institutional Child Sexual Abuse and appointed SAFA to administer all Scheme payments. The Premier formally confirmed South Australia's participation by signing the Intergovernmental Agreement in June 2018. The Scheme started in February 2019 and will accept applications until 30 June 2027.

To fund the expected cost of claims made under the Scheme, the Treasurer approved the transfer of $146.4 million from the Victims of Crime Fund to SAFA in June 2018. Further funds were approved and transferred in June 2023 ($25 million) and July 2025 ($65 million) to reflect the increased estimate of future costs. Any funds remaining when the Scheme closes will be returned to the Victims of Crime Fund.

The Scheme is administered through insurance Fund 4. An external actuary estimates the outstanding claims liability based on:

- the expected number of applications that the SA Government will have full or partial liability
- the average redress payment per application
- other expenses, including counselling, legal and administration costs
- expected payment patterns and the impact of discounting.

The outstanding claims liability for Fund 4 was $469.4 million ($479.2 million) at 30 June 2026. While the current estimate of claims exceeds the funding provided to date, the final cost remains uncertain because applications will continue to be accepted until 2027. In September 2023, the Treasurer approved funding any future shortfalls for Fund 4 as they arise.

5,431 (3,674) applications had been received under the Scheme by 30 June 2026. Redress payments totalling $47.3 million ($46.5 million) were made to 1,757 (455) applicants in 2025-26.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- cash
- financing
- treasury
- insurance
- general ledger
- IT general control over its agency risk management and insurance data system, Riskonnect.

We considered the work of SAFA's internal auditors in planning and conducting the audit. We specifically considered the work performed by SAFA's compliance unit and internal auditors for elements of our program, including:

- quarterly reporting by its compliance unit
- internal audit reviews of its financial risk management, data governance, building indemnity insurance, market risk stress and contract management.

We reviewed controls over SAFA's borrowings, investments, outstanding claims liability, interest expense, guarantees and indemnities, reinsurance process and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

South Australian Housing Trust (SAHT)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- SAHT does not have consolidated asset condition information to support decision-making across its asset portfolio.
- SAHT has not completed an ISO 55001 asset management self-assessment since June 2024.
- Annual asset management strategy KPI reporting to the Board has not occurred since July 2024.
- Contract closure assessments are not promptly submitted to SAHT's Procurement Services Unit.
- Contract management plans were approved after the contracts had started.
- Conflict of interest declarations were not completed by procurement evaluation chairpersons.
- There was no evidence to show that all allocation criteria were checked before housing was allocated to tenants.

Key statistics

$494 million
Total income

$910 million
Total expenditure

$416 million
Net deficit

819
FTEs

$13 billion
Value of rental properties

$6 billion
Value of service concession assets and assets under arrangements

31,712
tenants

52,646
occupants

89%
of tenants are on rebated rent

Significant events and transactions

Property, plant and equipment was revalued up by $2.7 billion.

Key findings

Asset management

SAHT owns and is responsible for managing 34,735 rental properties, with another:

- 5,384 properties managed by community housing providers (CHPs) as service concession assets
- 1,426 specialist housing assets managed by CHPs as service concession assets
- 6,283 properties managed by CHPs as assets under arrangement.

The age of SAHT-owned rental property and the 5,384 CHP-managed service concession assets are shown in the following table.

The age profile of these properties is a key consideration in SAHT's asset management, as older properties generally require increased maintenance, renewal investment and lifecycle planning.

SAHT does not have consolidated asset condition information to support decision-making across its housing portfolio

Reliable asset condition information is essential for effective management of SAHT's housing portfolio. It helps management understand the condition of its assets, identify maintenance needs, assess safety and compliance risks, forecast future capital expenditure, prioritise asset renewal and replacement activities, and support long-term asset management planning.

Between 2018 and 2021, SAHT completed a significant inspection program that identified asset condition issues, deterioration, safety risks and emerging asset failures across its portfolio. However, limitations in asset management systems, data integration and governance arrangements restricted SAHT's ability to use this information to support lifecycle planning, maintenance prioritisation and long-term investment decisions.

As a result, SAHT lacks comprehensive and reliable asset condition information to support strategic asset management, maintenance and investment decisions. This increases the risk that these decisions are based on incomplete or unreliable information.

SAHT responded that it is progressing its asset management reform program, which includes analysing existing asset information, data quality, and system requirements. SAHT expects that this work will inform future system development, including an asset condition management framework. SAHT also advised us that its initial analysis confirmed that it holds a significant volume of asset data. However, it needs to improve its data cleansing, validation and governance before the data can be relied on as a central source of asset information.

SAHT is also defining its business requirements and procurement options for a future asset management system. The proposed system is intended to support integrated asset information management, lifecycle planning and evidence-based decision-making across SAHT. It expects the outcome of this scoping work to be considered by the SAHT Executive by March 2027.

SAHT currently obtains information about property condition through maintenance work performed by head contractors, tenant maintenance requests, home visits and inspections of vacant properties. SAHT advised us that contractors completed around 250,000 maintenance work orders across the housing portfolio in 2025-26.

While these activities help identify individual defects and maintenance issues, they are primarily reactive and do not provide a comprehensive or systematic assessment of asset condition across the portfolio. Information obtained through these activities is not currently consolidated and analysed in a way that demonstrates a complete understanding of portfolio condition or effectively supports strategic asset management decisions.

SAHT has not completed an ISO 55001 asset management self-assessment since June 2024

SAHT's strategic asset management framework states that SAHT intends to achieve competency in asset management in alignment with the ISO 55001 standard, supported by an annual self-assessment against the standard.

SAHT had not completed an assessment since June 2024. As a result, SAHT is not able to monitor its alignment with the ISO 55001 standard and assess its progress towards achieving its stated asset management capability objectives.

SAHT responded that the assessment will be completed by December 2026.

Annual asset management strategy KPI reporting to the SAHT Board has not occurred since July 2024

SAHT's strategic asset management framework requires it to report to the Board on asset management performance against the KPI in its asset management strategy every year.

We found that the most recent annual KPI report provided to the SAHT Board was in July 2024 for the 2023-24 financial year. There is a risk that SAHT does not achieve its performance targets in its asset management strategy.

SAHT responded that its 2025-26 KPI report noted progress against the asset management strategy and will be provided to the SAHT Board by December 2026.

Project and contract management (construction projects)

Contract closure assessments are not promptly submitted to SAHT's Procurement Services Unit

SAHT's contract management procedure requires contract managers to submit contract closure assessments to the Procurement Services Unit (PSU) within 60 days from the end of each contract. We found that contract managers do not consistently submit these assessments within the required time frame.

The PSU maintains a register of overdue contract closure assessments and reports their status to the Procurement Governance Committee. At December 2025, the register listed 44 contracts completed between May 2024 and November 2025 that were overdue for contract closure assessments. The value of these contracts totalled $107.6 million.

Underperforming contractors may be reappointed where delays in completing contract closure assessments prevent tender evaluation panels from considering past performance.

Of the five contract closure assessments we tested, all received positive contract outcomes.

SAHT responded that it will reinforce the requirement to complete contract closure assessments with its project and contract management staff and monitor compliance with the procedure. SAHT advised us that it is developing an online reporting solution to support contract management oversight and compliance activities across SAHT. The reporting tool will provide its staff with access to real-time information on contract closure report obligations and enable users to generate up-to-date lists of outstanding and overdue reports on demand. SAHT expects that this reporting tool will be available from October 2026.

Contract management plans were approved after the contracts had started

Our review of contract management plans (CMPs) for five complex construction projects found that three were approved after the contracts had started. Approval delays ranged from three days to 31 days, with an average delay of 20 days. In one case, the CMP was not approved until after the contractor had been granted access to the site.

SAHT's contract management procedure requires a CMP to be documented for all construction contracts and approved by the contract manager no later than the contract commencement date.

Without a formal contract management plan there is a risk that a contract is not appropriately managed. Delays in approving CMPs increase the risk that contracts will not be managed in line with documented governance, monitoring and performance requirements.

SAHT responded that it will reinforce the requirement to complete CMPs with project and contract management staff and monitor compliance with the procedure.

Procurement (construction projects)

Conflict of interest declarations were not completed by procurement evaluation chairpersons

We noted an opportunity to strengthen SAHT's control environment for managing conflicts of interest declarations.

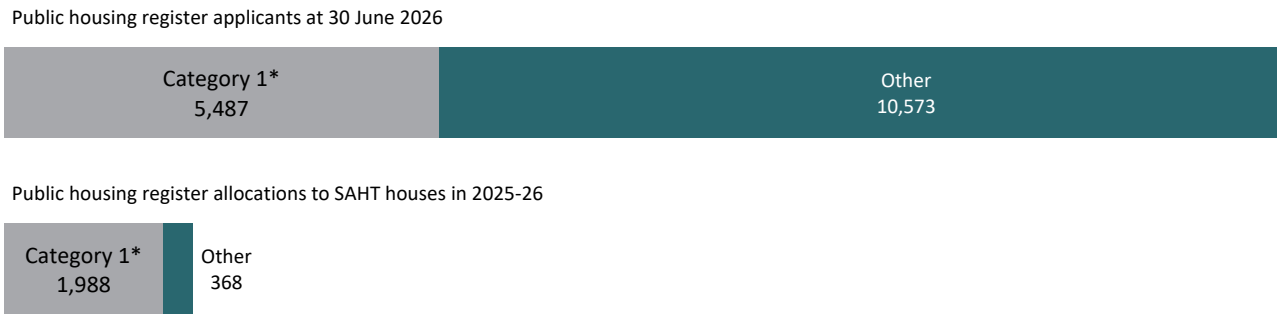
For all three procurements we reviewed, the evaluation chairpersons (Senior Procurement Advisor and Manager, Procurement) had not completed conflict of interest declarations.

Although the chairpersons are non-voting members of the final tender evaluation, they oversee the evaluation process, participate in assessing whether tenders meet mandatory requirements and have access to confidential tender information. Without completed conflict of interest declarations, there is an increased risk that actual, perceived or potential conflicts may not be identified and managed appropriately.

SAHT responded that it is reviewing its procurement and contract management policies, frameworks and procedures, in line with changes to Treasurer's Instruction 18 *Procurement*, which take effect on 1 September 2026. SAHT will assess its conflict of interest processes and update procedures to strengthen these controls.

Rental allocation processes

SAHT can allocate housing to only a small proportion of applicants each year. Applicants who are not assessed as having an urgent housing need are least likely to receive an allocation. The number of applicants on the public housing register at 30 June 2026 and the housing allocations made in 2025-26 are shown in the following chart.



* Category 1 applicants are people with urgent housing need and long-term barriers to accessing or maintaining private housing options.

No evidence to show that all allocation criteria were checked before housing was allocated

SAHT's allocations guidelines require housing needs assessments to be supported by source documents, including proof of household income and assets and South Australian land information system (SAILIS) property ownership checks.

In 2025-26, SAHT implemented an allocation checklist to help its staff ensure all required allocation activities are completed and appropriately recorded on the system before housing is allocated.

Our review of 19 property allocations made in 2025-26 found that three did not include evidence that a SAILIS property ownership check was completed. Without this check, there is a risk that properties may be allocated to applicants whose circumstances have changed since they applied and who may no longer be eligible.

SAHT responded that it reviewed the errors and determined that they resulted from human error. Its management would reinforce the correct procedure at team meetings and remind staff to use the allocation checklist.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Rental income	323	307
Grants and subsidies	74	119
Recoveries	27	22
Other	70	36
Total income	494	484
Expenses		
Employee benefits	87	80
Maintenance	197	151
Council rates and water rates	89	83
Land tax equivalent	244	212
Depreciation and amortisation	174	151
Grants and subsidies	38	33
Other expenses	81	73
Total expenses	910	783
Net result	(416)	(299)
Other comprehensive income	2,711	1,621
Total comprehensive result	2,295	1,322
Assets		
Current assets	249	273
Non-current assets	19,606	16,884
Total assets	19,855	17,158
Liabilities		
Current liabilities	220	127
Non-current liabilities	36	39
Total liabilities	256	166
Total equity	19,599	16,991

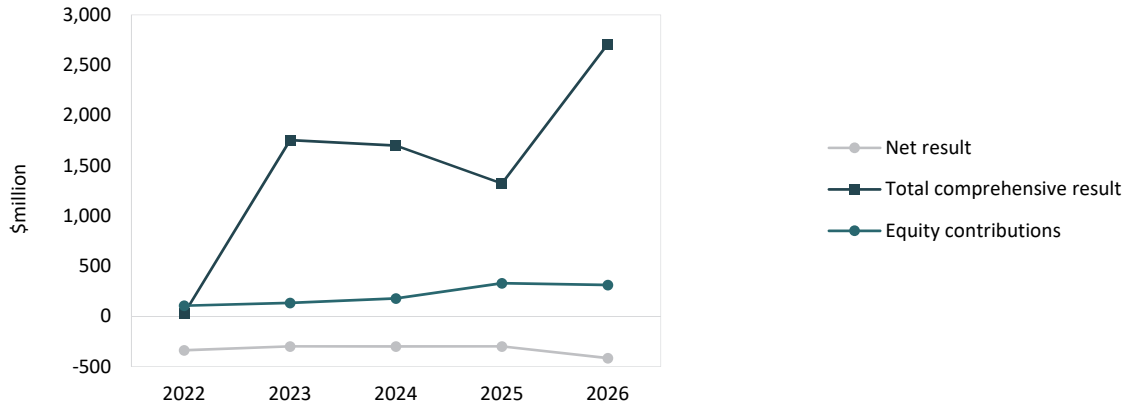
* Table may not add due to rounding.

Statement of Comprehensive Income

Total comprehensive result and equity contributions

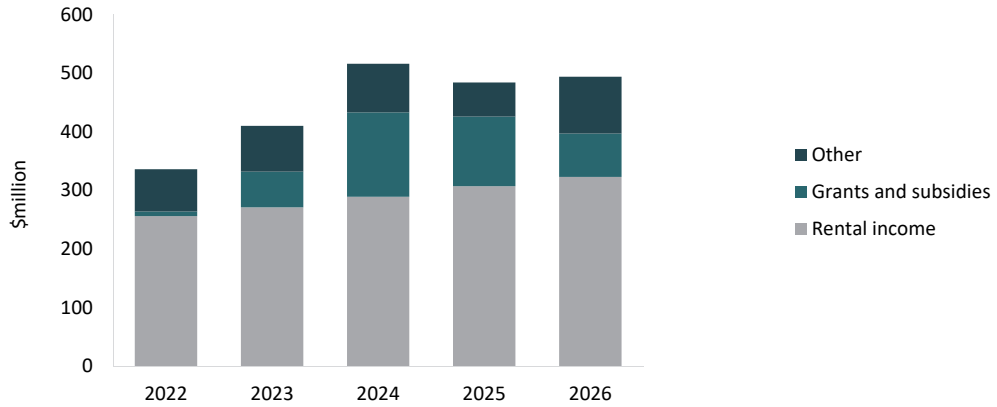
SAHT's net result, total comprehensive result and equity contributions for the five years to 2026 are shown in the following chart. It shows deficits in the net results for the last five years, which were impacted by the SA Government's funding arrangements for SAHT. SAHT is funded mainly by equity contributions, which are not recognised as income in its Statement of Comprehensive Income. The SA Government provided an equity contribution of $313 million ($330 million) and grants of $74 million ($119 million) in 2025-26.

The total comprehensive result reflects the financial impact of property, plant and equipment being revalued up, which has been significant since 2023.



Income

SAHT's income for the five years to 2026 is shown in the following chart.



Rental income increased by $16 million to $323 million, mainly due to increases in market rents and Centrelink benefits, which are included in household income calculations for determining tenant rents.

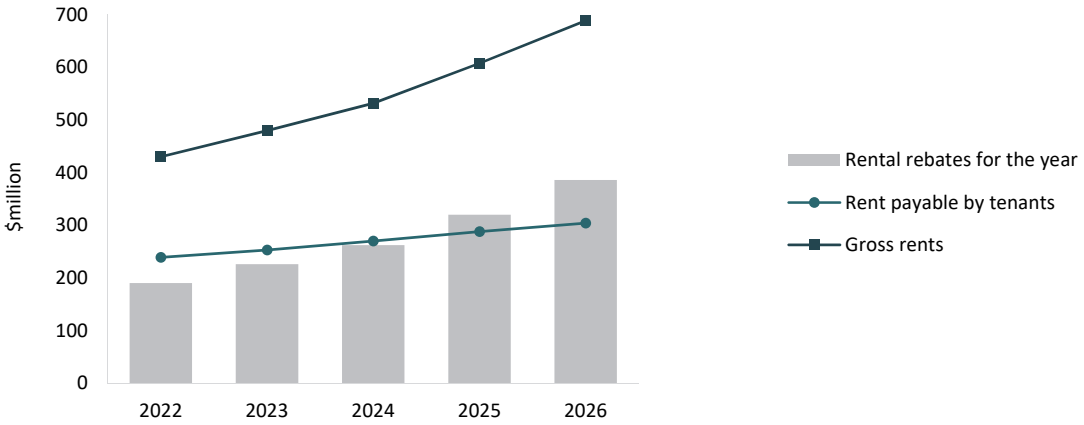
Grants and subsidies decreased by $45 million to $74 million in 2025-26, mainly due to a $56 million decrease in grants when the Social Housing Accelerator Payment and Housing Australia Future Fund for remote maintenance ceased. This was offset by a $12 million increase in SAHT's general purpose grant.

Other income shown in the chart above includes net gains from the disposal of property, plant and equipment. These gains increased by $24 million in 2025-26, largely due to an increase in project sales through the Affordable Housing Initiative Program. This initiative aims to construct and sell 1,000 affordable homes across South Australia for low- to moderate-income households.

Other revenue increased by $8 million, mainly due to a $4 million profit share from the Urban Renewal Authority's Seaton development project and gains from CHP redevelopment projects. Under funding and project agreements, CHPs can redevelop existing SAHT assets. In 2025-26, several CHP projects led to redevelopment gains that exceeded the value of the original assets provided by SAHT. These arrangements require SAHT to receive assets with a value at least equal to that of the original assets.

Rental operations

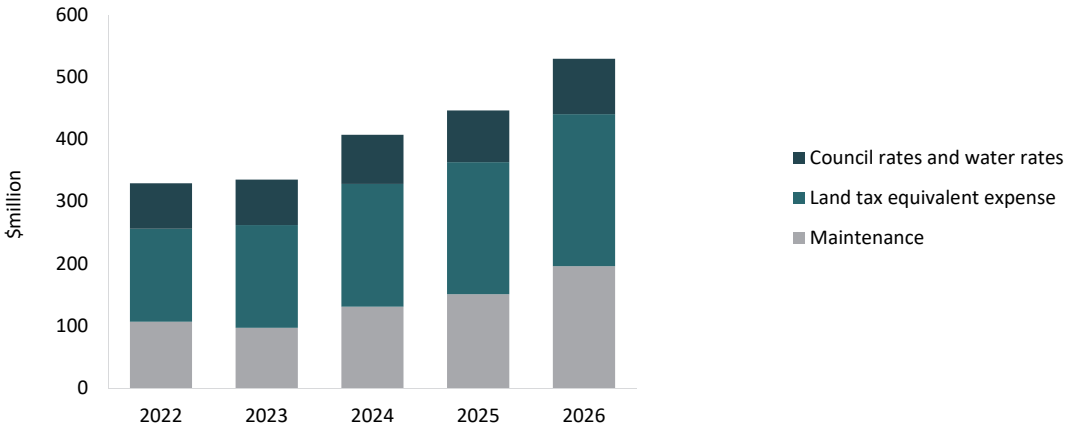
Information provided by SAHT shows that 89% (87%) of tenants pay reduced (rebated) rent. The amount of rent rebates depends on each tenant's circumstances, with rent payable charged at 30% of household income or market rent, whichever is lower. The trend in tenant rents and rebates for the last five years is shown in the following chart.



Gross rent (market rent) increased by $82 million to $689 million in 2025-26, reflecting higher market rents determined by the Valuer-General. Rent payable by tenants increased by $16 million to $304 million, mainly due to increases in Centrelink benefits that are included in household income calculations for determining tenant rents. Rebates (the difference between market rents and rent payable by tenants) rose by $66 million to $386 million. Rebates as a percentage of gross rent increased from 53% to 56%, reflecting that market rents have increased at a rate faster than that of household incomes.

Expenses

Rental property expenses of $530 million make up 58% of SAHT's total expenses. Major rental property expenses for the five years to 2026 are shown in the following chart.

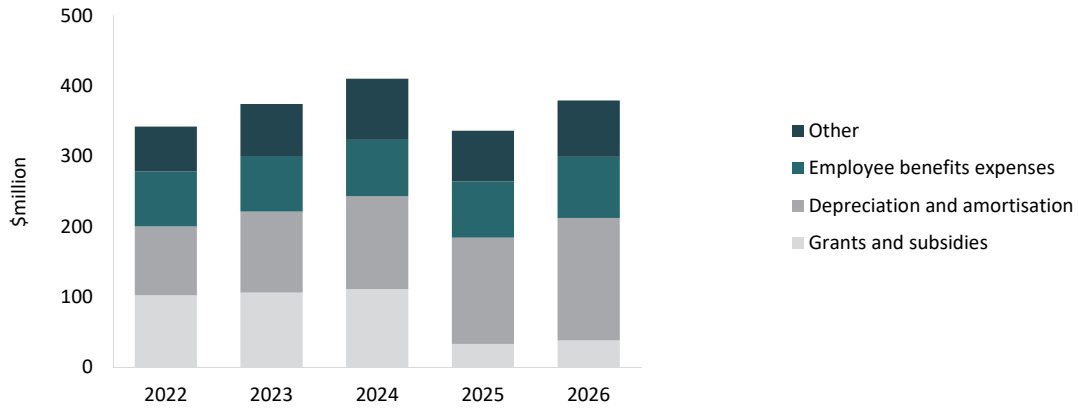


Land tax equivalent expenses increased by $32 million to $244 million, mainly driven by increases in land values. SAHT is responsible for the land tax equivalent paid on properties owned by SAHT but managed by CHPs.

Maintenance expenses increased by $45 million to $197 million, with increases in work orders and a focus on maintenance performed on vacant properties in 2025-26. Industry-wide cost increases for labour and material costs also impacted these costs.

Council rates and water rates remained relatively consistent over the last five years, increasing by $5 million to $89 million in 2025-26. SAHT is not responsible for council and water rates on CHP-managed properties. Charges paid by SAHT are driven by changes in the value of properties and rates charged by local government and the South Australian Water Corporation.

All other major expense items for the five years to 2026 are shown in the following chart.



All other expenses totalled $380 million in 2025-26, mainly comprising:

- depreciation and amortisation of $174 million, an increase of $24 million, largely due to higher property, plant and equipment values
- employee-related expenses of $87 million, an increase of $7 million resulting from the renegotiation of the SA Public Sector Enterprise Agreement: Salaried 2026
- supplies and services of $55 million, an increase of $15 million. This included a $7 million increase in contractor expenses mainly for market research, environmental assessments, engineering and surveying studies for the Seaton project ($6.3 million). SAHT recovered $4.5 million from the Urban Renewal Authority, which is recognised in recoveries income
- grants and subsidies of $38 million, including $17 million for the Emergency Accommodation Assistance program
- other expenses of $26 million.

Statement of Financial Position

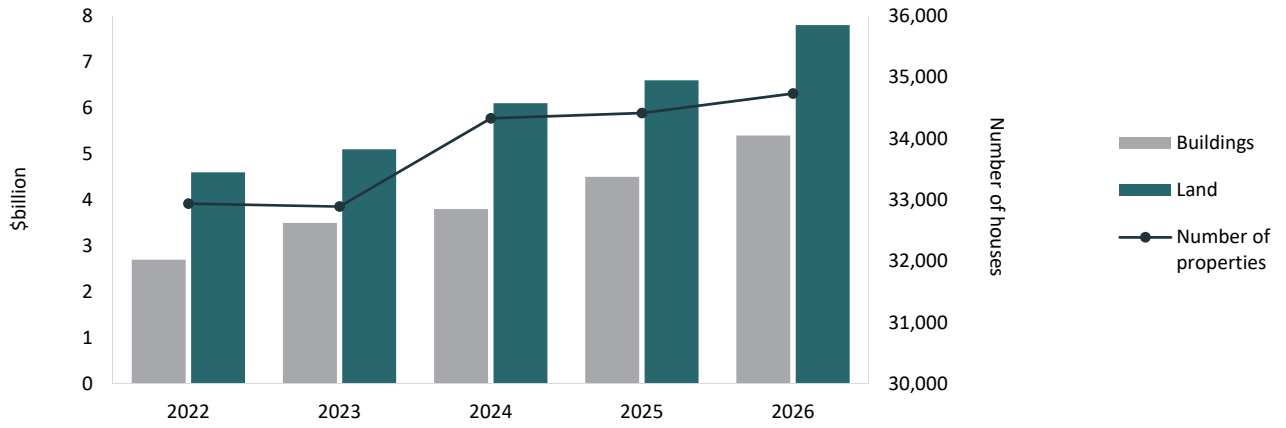
Assets

SAHT's assets are mainly made up of property assets, which were valued at $19.6 billion at 30 June 2026. These assets comprised:

- rental property ($13.2 billion)
- assets under arrangement ($2.6 billion)
- service concession assets ($3.2 billion)
- capital works in progress ($242 million)
- other property, plant and equipment ($358 million).

Rental properties

SAHT's rental properties comprise 67% (66%) of SAHT's property, plant and equipment. The movements in SAHT's rental properties value over the past five years are shown in the following chart.



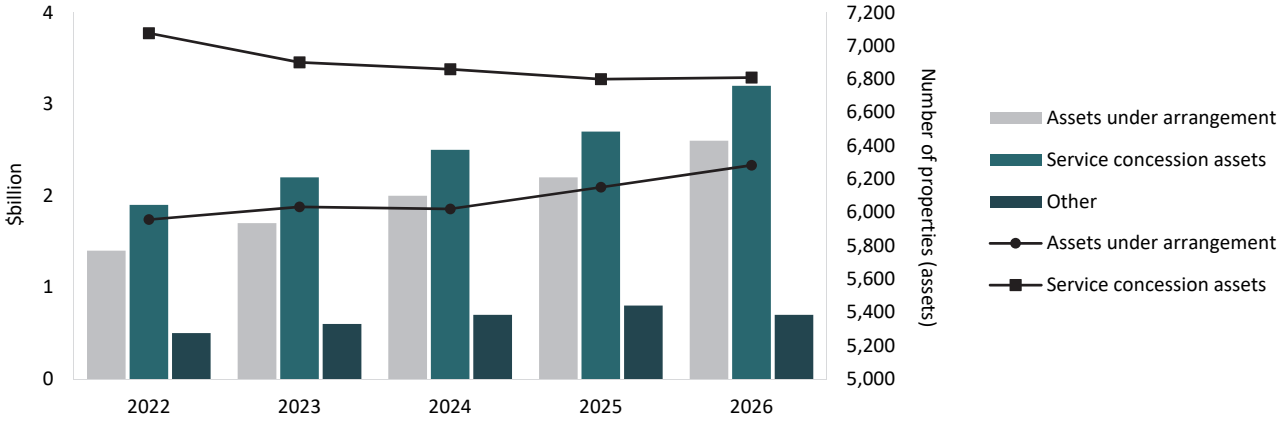
The $2 billion rise in the value of rental properties to $13.2 billion in 2025-26 reflects an upward revaluation of land and buildings of $1.8 billion and additions of $356 million, including completed capital works and maintenance upgrades. These increases were partially offset by depreciation expense of $102 million, transfers to other asset categories of $45 million (mainly to capital works in progress for redevelopments) and disposals of $28 million.

Since 2023 SAHT-owned rental property numbers have risen by 1,843 to 34,735 properties in 2026. Rental stock excludes 5,384 (5,362) SAHT-owned rental properties managed by the community housing sector on behalf of SAHT, and 1,426 (1,438) SAHT-owned rental properties in specialist housing programs. These are classified as service concession assets.

SAHT revalues most land and buildings annually using the Valuer-General's valuation. Because of the timing of the update of the Valuer-General's database and SAHT's financial reporting obligations, reported values lag current market values. The values for 2025-26 were issued by the Valuer-General at 1 July 2025. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock. The Valuer-General published a notice in the South Australian Government Gazette advising that the average percentage change in site values is 13.8% at 1 July 2025 and 12.4% at 1 July 2026.

Property, plant and equipment (excluding rental properties)

The values of SAHT's property, plant and equipment, excluding rental properties, over the past five years are shown in the following chart.



Assets under arrangement and service concession assets are properties managed by the community housing sector on behalf of SAHT under a variety of arrangements.

SAHT's property, plant and equipment, excluding rental properties, increased by $700 million in 2025-26, mainly due to these movements:

- Service concession assets increased by $438 million to $3.2 billion, largely driven by a net upward revaluation of land and buildings of $449 million. These were partially offset by depreciation expense of $21 million. These assets are revalued in the same way as rental properties using the Valuer-General's valuation.
- Assets under arrangement increased by $351 million to $2.6 billion, following a net upward revaluation of land and buildings of $383 million. These increases were partially offset by depreciation expense of $21 million. These assets are revalued in the same way as rental properties using the Valuer-General's valuation.
- Capital works in progress decreased by $110 million to $242 million, with works completed and transferred to other asset categories of $441 million exceeding the value of additional works of $230 million and properties transferred from other asset categories for development of $99 million.

Liabilities

Liabilities increased by $90 million to $256 million, mainly due to a $94 million increase in payables. The increase in payables was mainly due to two unpaid quarters of land tax equivalent instalments, totalling $122 million at 30 June 2026. SAHT deferred payment of the third and fourth instalments until July 2026, following the receipt of annual funding from the Department of Treasury and Finance to support its land tax equivalent payments based on expected land values. However, increases in land value in excess of these expectations meant that this funding was insufficient. SAHT did not receive additional funding to meet this additional cost pressure in 2025-26.

The increase in payables was offset by a $32 million decrease in invoices outstanding for construction and maintenance activities.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- revenue, including tenants and recoveries
- accounts payable
- payroll
- property expenses, including maintenance, land tax, councils rates and water rates
- fixed assets, including rental properties, service concession assets and capital works
- house sales
- general ledger.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- rental income
- asset management, including land, buildings and improvements, assets under arrangement and service concession assets
- the receipt, expenditure and investment of money through the SAHT Operating Account.

South Australian Tourism Commission (SATC)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	No significant findings.

Key statistics

$184.7 million
Total income

$183.7 million
Total expenditure

151
FTEs

Significant events and transactions

- SATC performed a major role in delivering the SA Government's initiatives to combat the algal bloom outbreak. This included delivering the Coast is Calling Travel Voucher and Summer Plan Dining Cashback programs, and managing the Algal Bloom Event Support Fund for coastal events.
- In 2025-26, SATC continued to sponsor and support major events such as LIV Golf, the AFL Gather Round and Illuminate Adelaide.

Financial information

Highlights of the financial report

	2026 $million	2025 $million
Income		
Appropriation	87	67
Government grants, subsidies and transfers	84	59
Other	14	15
Total income	185	141
Expenses		
Employee-related	22	20
Advertising and promotion	36	30
Industry assistance	91	58
Event operations	27	27
Other	8	8
Total expenses	184	143
Total comprehensive result	1	(2)
Assets		
Current assets	15	13
Non-current assets	4	5
Total assets	19	18
Liabilities		
Current liabilities	11	11
Non-current liabilities	7	7
Total liabilities	18	18
Total equity	1	-

Statement of Comprehensive Income

SATC's financial activities vary each year depending on the funding and mix of marketing, destination development, event activities and other SA Government initiatives it supports.

SATC continued to sponsor major events such as LIV Golf and the AFL Gather Round in 2025-26. Other SATC sponsored and managed events included the Santos Tour Down Under cycling race, National Pharmacies Christmas Pageant, Tasting Australia and Illuminate Adelaide.

Income

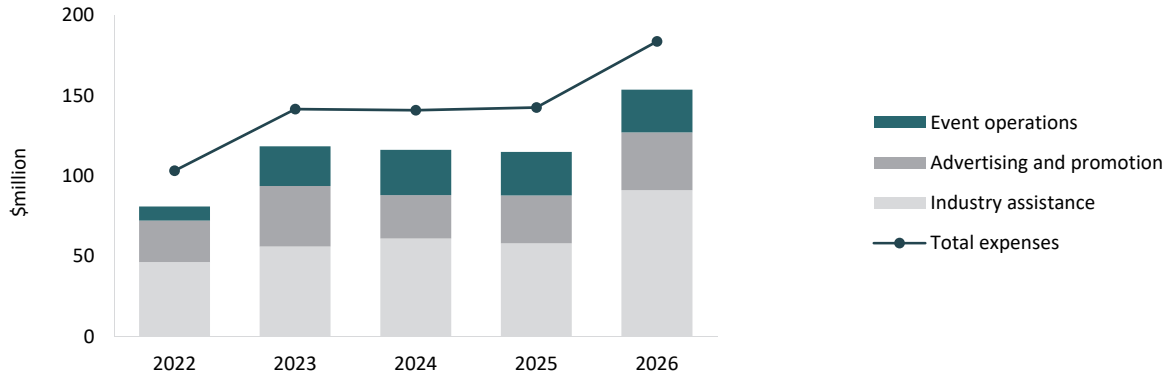
Income increased to $184.7 million ($140.6 million), mainly due to increases in:

- appropriation of $20.3 million, mainly for funding SATC's role in delivering the SA Government's initiatives to combat the algal bloom outbreak
- government grants, subsidies and transfers of $24.7 million, driven by a $14 million rise in funding from the Department of the Premier and Cabinet's Major Event Fund, and Department of Treasury and Finance contingency funding of $5.7 million mainly for financial assistance packages to grow the South Australian international visitor economy.

Income from the SA Government totalled $171.3 million ($126.3 million) or 93% (90%) of total revenue in 2025-26.

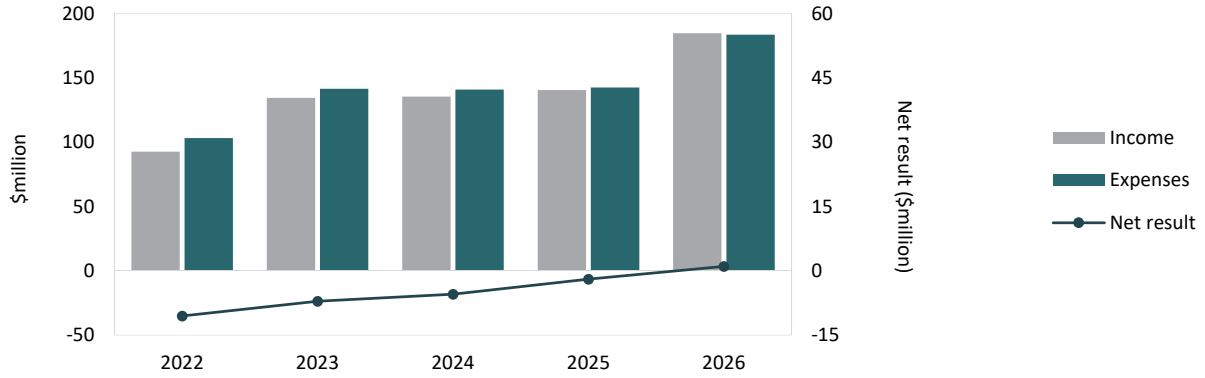
Expenses

SATC's main expenses rose by $38.8 million (33.8%) to $153.7 million, as shown in the following chart. This was largely due to increased expenditure to meet the SA Government's initiatives to combat the algal bloom outbreak and the provision of airline access and route support.



Net result

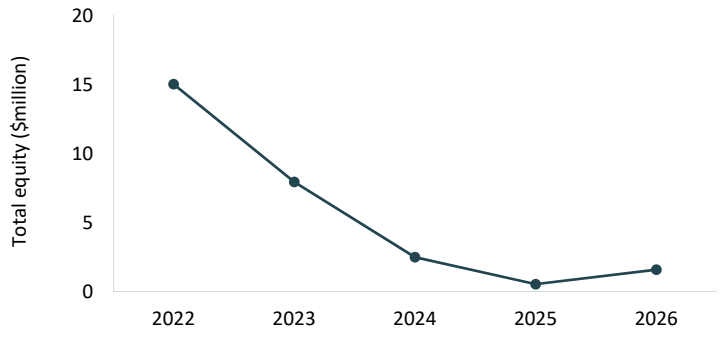
SATC's total income, total expenses and net result for the five years to 2026 are shown in the following chart. It highlights that in 2025-26 SATC recorded its first positive net result over the period.



Statement of Financial Position

Equity (net assets)

Total equity increased by $1 million to $1.6 million in 2025-26. SATC's total equity (at 30 June) decreased over the period 2022 to 2025 before a positive net result of $1 million in 2025-26, as shown the following chart.



Further commentary on operations

Algal bloom outbreak

SATC supported coastal tourism, hospitality and seafood businesses affected by reduced visitation and weaker trading conditions caused by the algal bloom crisis. As part of the State and Commonwealth Governments' response, it delivered demand-stimulation initiatives, including the Coast is Calling Travel Voucher and Summer Plan Dining Cashback programs, related marketing activities and the Algal Bloom Event Support Fund to encourage coastal visitation and business activity.

Coast is Calling

The program released 50,000 vouchers to the public across two rounds for accommodation and tourism experiences in affected coastal areas.

Summer Plan Dining Cashback

The program provided for 300,000 cashback payments to the public from November 2025 to March 2026, offering 50% cashback up to $50 for eligible coastal dining or seafood purchases.

Algal Bloom Event Support Fund

SATC managed the Fund that provided grants of up to $20,000 for existing coastal events to support marketing, delivery and enhanced programming from December 2025 to March 2026.

See Part A of this report for more information about the impact of all three initiatives.

Scope of the audit

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- cash and cash management
- contract management
- employee benefit expenses and workforce management
- supplies and services expenditure.

South Australian Water Corporation (SA Water)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- SA Water continues to improve its conflict of interest framework.
- SA Water's governance of project and contract management needs to be strengthened.
- Requirements for updating condition information in the asset management system are not documented.
- Some financial reporting controls could improve.

Key statistics

$1.8 billion
Total income

$1.6 billion
Total expenditure

1,973
FTEs

$9.2 billion
System infrastructure assets

$2.1 billion
Capital works in progress

37,260 km
Length of pipes and mains

Significant events and transactions

- SA Water invested $1.4 billion in capital expenditure in 2025-26, including continued delivery of the $1.2 billion Metro Growth and $470 million Eyre Peninsula Desalination Plant programs.
- The carrying value of SA Water's infrastructure plant and equipment increased from $11.8 billion to $12.1 billion, with significant capital spending partially offset by an $808 million downward revaluation of network assets during the year.
- Long-term debt increased by $1 billion to fund capital expenditure.

Key findings

Capital works procurement

SA Water's procurement of capital works is significant, with capital works in progress totalling $2.2 billion in 2025-26. Sound procurement processes address risks relating to value for money, probity, project and contract management and achievement of project outcomes.

Managing conflicts of interest in procurement

SA Water is progressing updates to its conflict of interest framework to better align it with Procurement SA requirements and address improvement opportunities identified in last year's audit.

At the time of our 2025-26 audit, the revised framework remained under review and not been implemented. Existing procurement guidance does not require all procurement evaluation participants to complete conflict of interest declarations – regardless of whether there are conflicts to declare – nor does it clearly define responsibilities for reviewing declarations, documenting management actions and providing guidance on unacceptable conflicts. The revised framework will address this.

While we recognise that updating governance frameworks in a large organisation requires appropriate consultation, review and approval, completing the update will strengthen assurance that potential conflicts are consistently identified, assessed and managed throughout procurement processes.

Until the updated framework is fully implemented, there remains a risk that conflicts are not managed consistently, reducing assurance over the integrity, transparency and probity of procurement outcomes.

SA Water expects to finalise the improvements in 2026-27.

Project and contract management

Project and contract management are critical to delivering capital infrastructure projects. Effective project and contract management addresses risks relating to cost escalation, schedule delays, scope changes, contractor performance and achieving intended project outcomes.

Project management governance framework requires consolidation and clarification

SA Water's project governance requirements are spread across multiple documents, creating ambiguity about mandatory project documentation, approval requirements and governance expectations. We found gaps in its project tiering framework, corporate project management methodology and supporting guidance. We also found that some key project management governance documents lacked the formal approval required by SA Water policy.

The absence of a clear governance framework increases the risk of inconsistent application of project controls, unclear accountability and non-compliance with approved project management processes.

SA Water responded that it was drafting a consolidated policy and procedure to capture its project management requirements.

Contract management

Contract management requirements for construction contracts are not documented

SA Water's procurement and contract management procedures exclude construction contracts and direct users to project management guidance that does not define key contract management requirements. We found that staff were uncertain about responsibility for activities such as assigning contract managers, preparing contract management plans, managing contract risks, conducting contract meetings and approving contract variations.

This lack of clarity in documented expectations increases the likelihood of inconsistent contract management practices and may affect the achievement of contract objectives relating to cost, time and performance.

SA Water responded that it will review its policies, procedures and other supporting documentation to clarify its expectations for capital contract management.

Contract management plans do not adequately address contract expiry planning

A repeat finding identified that SA Water's policies do not require the lead time required for re-tendering or renewing significant contracts to be documented in contract management plans. This issue was highlighted by transition planning for the contract with Riverland Water to operate and maintain 10 Riverland water treatment plants, which started later than the time frame considered optimal for an effective transition.

Delayed transition planning increases the risk of higher costs and procurement decisions being made without sufficient lead time to achieve best value outcomes.

SA Water responded that it now requires end-of-contract review procedures and the required lead time for retendering or renewing contracts to be included in contract management plans for complex and strategic contracts.

Incomplete risk management documentation for strategic contracts

SA Water has not fully implemented its commitment to establish formal risk management plans for existing strategic and complex contracts. Although examples of contract management plans containing risk registers were provided, tailored risk management plans were not consistently available.

The absence of formally documented risk management arrangements reduces assurance that contractor performance, contractor viability and other strategic risks are consistently identified, monitored and escalated through appropriate governance channels. This may lead to increased costs, reduced service quality and unmanaged contract risks.

SA Water responded that it will review its policies and procedures to clarify its expectations for risk management in construction contract management.

Asset management

Managing SA Water's $12.1 billion in infrastructure, plant and equipment is a significant business activity supporting the delivery of reliable water and sewerage services. Effective asset management is critical to managing risks relating to asset condition, service reliability, capital investment planning and long-term asset sustainability.

The requirements for updating condition information in the asset management system need to be documented

We identified opportunities to strengthen controls over the maintenance of asset condition information in SA Water's Maximo asset management system. Our testing of wastewater treatment plant assets found that some condition assessment outcomes were not fully reflected in Maximo, with system condition ratings continuing to rely on historical information despite more recent inspection-based assessments being available. In some instances, historical condition ratings remained in the system even though more recent assessments had been completed.

We also found that responsibilities, time frames and monitoring expectations for updating condition assessment outcomes in Maximo are not clearly documented. As a result, there is a risk that asset condition information used to support maintenance, renewal, investment and risk management decisions may not consistently reflect the latest available assessment results.

While acknowledging the scale and complexity of maintaining condition information across a large and geographically dispersed asset portfolio, our finding highlights an opportunity for SA Water to strengthen its governance arrangements for recording, reviewing and monitoring asset condition information. Clearer accountabilities and documented processes would improve confidence that asset management decisions are informed by current and reliable asset condition data.

SA Water accepted our finding and advised that it would develop and implement a documented procedure for recording condition assessment outcomes.

Financial reporting controls

General ledger processing controls need strengthening

We identified weaknesses in SA Water's controls over manual general ledger journals.

Most of the journals we tested were not processed in line with SA Water's general journal procedure, with instances of missing or late authorisation, incomplete supporting documentation and required fields not being completed consistently. While no material errors were identified, stronger adherence to review and approval requirements would improve assurance over the accuracy and appropriateness of manual journal processing.

We also found that a small number of staff have system access that allows them to both create and post manual journals. Although access is limited and journal activity is subject to review requirements, the absence of a system-enforced segregation of duties increases reliance on manual controls and creates an increased risk of processing errors or inappropriate journal entries. Strengthening preventative or detective controls would further support the integrity of general ledger processing.

SA Water responded that its existing core system replacement project will address these issues by introducing an automated process for reviewing and authorising general ledger journals. Until this control is introduced, SA Water will periodically review journals to ensure their approval and validity. It has also strengthened existing controls to ensure no-one can create and post a manual journal.

Documentation to support SA Water's review of capital works in progress is incomplete

We found opportunities to improve the documentation supporting SA Water's review of capital works in progress balances. While management has dashboards, analytical models and investigation summaries to monitor project balances, expectations on how these tools should be used, their underlying assumptions and review responsibilities have not been formally documented. SA Water also could not demonstrate that the quarterly review meetings required by its capitalisation procedures had been implemented.

While we acknowledge the complexity of monitoring a large capital program, clearer documentation of review processes, accountabilities and governance expectations would strengthen assurance that capital works in progress balances are reviewed consistently and support the timely identification of assets that should be capitalised. It would also reduce the risk of misstatements in asset and depreciation balances.

SA Water views the risk of material error as low, but committed to updating its procedures to reflect its performance expectations.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Water and sewer rates and charges	1,383	1,343
Community service obligations	147	146
Other	313	280
Total income	1,842	1,769

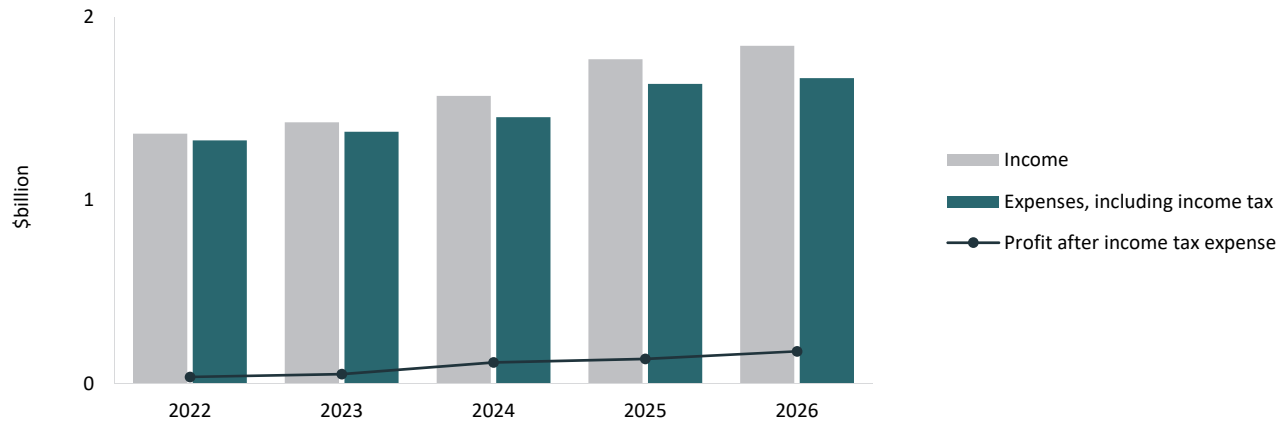
	2026 $million	2025 $million
Expenses		
Borrowing costs	416	360
Operational and service contracts	331	340
Depreciation and amortisation expense	280	282
Supplies and services	257	225
Employee benefits expenses	203	199
Electricity expense	89	103
Other expenses	17	70
Total expenses	1,594	1,579
Net profit before income tax equivalents expense	249	190
Income tax expense	72	55
Net profit after income tax equivalents expense	176	135
Other comprehensive income (net of tax)	(552)	58
Total comprehensive result	(376)	193
Assets		
Current assets	299	254
Non-current assets	12,364	12,082
Total assets	12,663	12,336
Liabilities		
Current liabilities	463	395
Non-current liabilities	9,908	9,108
Total liabilities	10,371	9,503
Total equity	2,292	2,833

* Table may not add due to rounding.

Statement of Comprehensive Income

Operating result

SA Water's profit after income tax equivalents expense increased by $41 million to $176 million. The following chart shows its income, expenses (including income tax) and profit after income tax for the past five years.



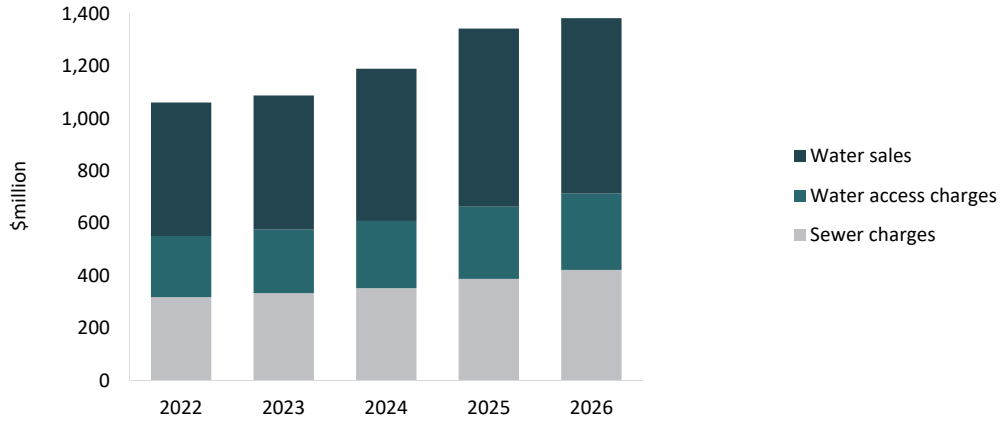
Income

Water and sewer rates and charges

The major source of SA Water's income is water and sewer rates and charges, which mainly comprise:

- water sales, charged by volume of water used
- water access charges, mainly set at a fixed amount
- sewer charges, mainly set on property values.

The following chart shows these components for the past five years.

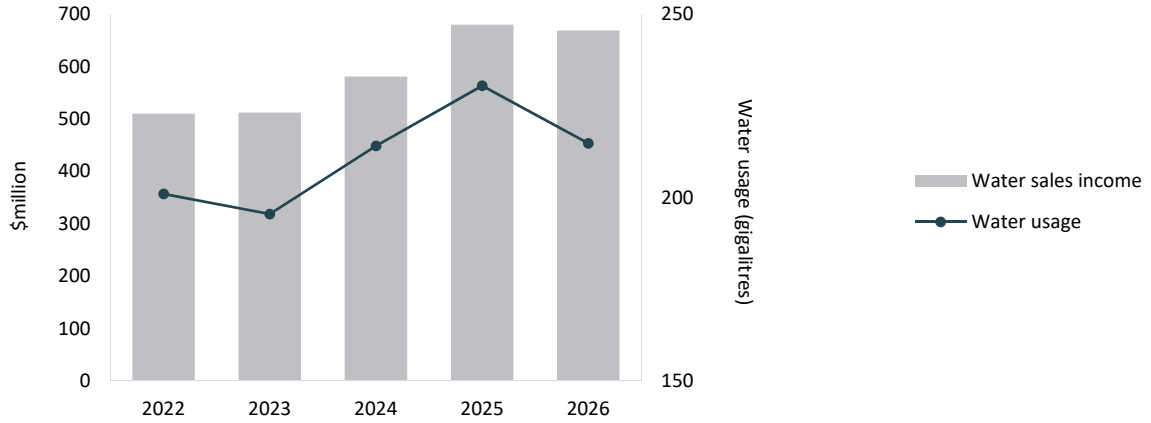


Water and sewer rates and charges revenue is affected by changes in prices charged and water consumption. The rates and charges revenue increased by $40 million (3%) in 2025-26, mainly due to price increases for water and sewer rates and access charges of $74 million (5.5%), with reduced demand for water in the current year due to wetter conditions. Growth in the customer network was 1% for water access and 1% for sewer access.

Since 2013 the Essential Services Commission of South Australia (ESCOSA) has regulated the revenue that SA Water can earn from providing drinking water and sewerage retail services. ESCOSA determines the revenue (not price) that SA Water can derive from these services, with SA Water setting annual water and sewerage charges within these revenue limits, and ESCOSA monitoring SA Water's performance.

In February 2024 the Treasurer issued a pricing order for drinking water and sewerage retail services provided by SA Water. The new regulatory period (RD24) and the 2024 pricing order commenced on 1 July 2024 and provided for annual 3.5% plus CPI increases to annual water and sewerage charges.

Water usage and water sales income for the past five years are shown in the following chart.



There was a 6.8% decrease in the estimated water usage to 214.8 gigalitres in 2025-26, down from 230.5 gigalitres in 2024-25, due to wetter conditions in 2026 compared to below average rainfall and above average temperatures in 2025.

The current ESCOSA regulatory period that commenced on 1 July 2024 had a 203.7 gigalitre water demand forecast, increasing by about 0.5% per year to 206.6 gigalitres in 2027-28. Actual demand for water in 2025-26 was 214.8 gigalitres, an increase of 5% over the forecast.

Contributed assets and developer fees

Contributed assets and developer fees increased by $22 million to $123 million in 2025-26. This is mainly due to an additional $26 million in augmentation charges, offset by a $4 million decrease in assets transferred from developers to SA Water for no cost – see 'Further commentary on operations'.

In June 2024, the Minister for Housing Infrastructure (now Minister for Housing and Urban Development) directed SA Water under the *Public Corporations Act 1993* to charge additional augmentation charges for all new incremental allotments in the greater Adelaide region where connection to water and wastewater infrastructure was required. The charges are payable for all connection applications made between 1 July 2025 to 30 June 2026 and will continue to apply for the future years in the ESCOSA regulatory period.

Fees and charges

Fees and charges increased by $14 million to $84 million in 2025-26, mainly due to increases in charges for new property connections to the water and sewer network of $13 million.

Community service obligations (CSOs)

SA Water is required to provide a number of non-commercial services to the community on behalf of the SA Government. The SA Government provides SA Water with CSO funding to compensate it for these activities. Funding provided includes:

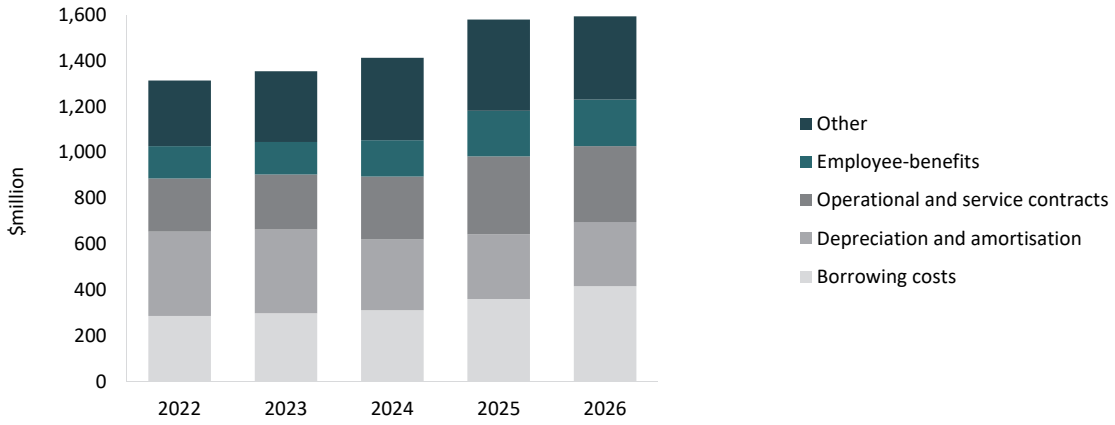
- $110 million ($110 million) for the shortfall in the recovery of costs for country water and sewer services (due to the requirement for statewide pricing)

- $23 million ($21 million) for the provision of water and sewer exemptions and concessions to certain properties, including charities and public schools
- $14 million ($16 million) for other payments such as South Australian Government Radio Network and emergency functional services, and maintaining water and sewerage services in remote communities.

CSOs are provided under SA Water's financial ownership framework, which is agreed with the Treasurer and Minister.

Expenses

SA Water's main expenses (excluding income tax equivalents expense) for the past five years are shown in the following chart.



Total expenses (excluding income tax equivalents expense) increased by $15 million to $1.6 billion in 2025-26.

Borrowing costs are SA Water's largest expenses at $416 million (26%), and are impacted by the size of its debt and movements in interest rates. SA Water's total borrowings increased by $1 billion (13%) in 2025-26 and the associated interest expense increased by $56 million (16%). SA Water's long-term borrowings are held at fixed rates so movements in interest rates take time to significantly impact the interest expense.

Services and supplies expenditure increased by $32 million to $257 million (14%), mainly due to:

- $10 million in increased materials and chemical costs resulting from increased operational activity, the transfer of the River Murray water treatment and Victor Harbour wastewater treatment plants to SA Water operations, commissioning of the Kangaroo Island desalination plant, poorer raw water quality following higher rainfall, and flooding and backlog clearance activities
- $9 million in other supplies and services, driven by the reclassification of motor vehicle lease costs and increased compliance and safety requirements resulting in higher reactive maintenance costs for SA Water facilities
- a $3 million increase in the cost of goods and services provided primarily due to additional works performed by SA Water on behalf of the Murray Darling Basin Authority.

Operational and service contract expenditure relates to contracts that SA Water has with service delivery providers for metropolitan field operations (including maintenance for the metropolitan pipe network) and water production and treatment. These expenses decreased by $8 million in 2025-26, largely due to:

- a $30 million decrease after the reclassification of design, project management and stakeholder engagement costs to expenditure, following revisions to the Eyre Peninsula desalination plant project and other capital projects in 2024-25 that did not recur in 2025-26
- offset by an $18 million increase for the metro alliance contract expenses, with dry weather conditions resulting in increased water repairs, network growth, additional work performed to address the water leak backlog, and higher labour and chemical costs.

Other expenses decreased by $53 million to $17 million. This included:

- a $20 million decrease in net bad and doubtful debts, reflecting the prior year recognition of SA Water's expectation that the $19.9 million in outstanding water charges from OneSteel Manufacturing Pty Ltd, which was placed into administration in February 2025, is unlikely to be recovered
- $6 million (2024-25: $39 million) of expenditure previously recognised as capital expenditure that was written off due to the deferral, redesign or cancellation of projects in 2025-26.

Other comprehensive income

Other comprehensive income includes gains and losses on the revaluation of infrastructure, plant and equipment, and the income tax equivalent impact of these revaluations. Other comprehensive income saw a loss of $552 million in 2025-26, compared to a gain of $58 million in 2024-25, mainly due to the downward revaluation of infrastructure assets – see 'Statement of Financial Position'.

Statement of Financial Position

Assets

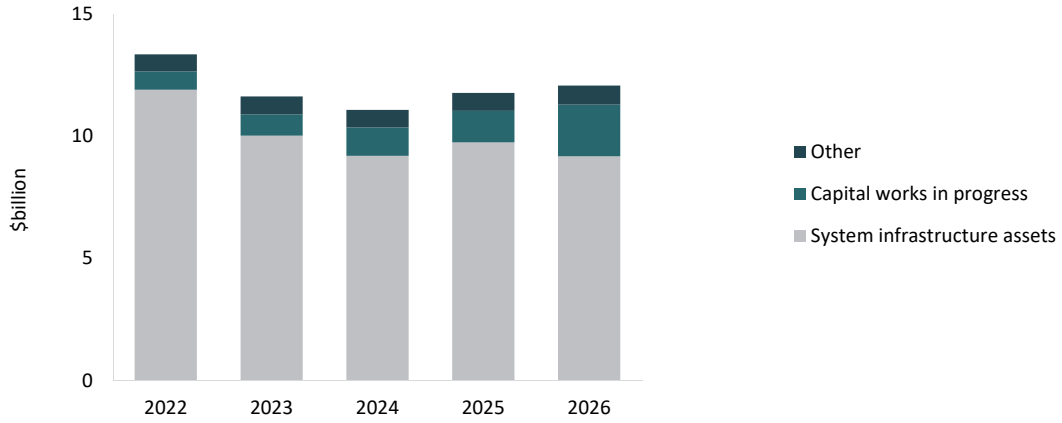
Total assets increased by $327 million to $12.7 billion in 2025-26. Significant movements affecting assets during the year were:

- additions of $1.3 billion in assets or capital works in progress. Main projects included:
  - $335 million for the Metro Growth program
  - $238 million for the Eyre Peninsula desalination plant
  - $105 million for upgrading the Tea Tree Gully sustainable sewers program
  - $71 million for metro water and wastewater connections
  - $53 million for contributed assets from developers
  - $498 million for other programs, including renewals of existing assets
- offset by an $808 million downward revaluation for infrastructure, plant and equipment, and depreciation and amortisation of $280 million.

SA Water's financial position is dominated by water and sewer infrastructure assets and related borrowings.

Infrastructure, plant and equipment

System infrastructure assets are operationally and financially significant to SA Water, representing $9.2 billion (72%) of the $12.7 billion in total assets. The movement in infrastructure, plant and equipment assets, which are mostly system infrastructure assets, for the past five years is shown in the following chart.



Infrastructure, plant and equipment assets have decreased by $1.3 billion since 2021-22, reflecting net revaluation decrements and depreciation, offset by additions to water and sewer infrastructure.

Valuation of SA Water's infrastructure, plant and equipment

Since 2020, SA Water has used an income approach to value its infrastructure, plant and equipment assets. It measures the fair value of the infrastructure by estimating the net future cash flows generated by the use of its water and sewer assets, discounted to present value using a weighted average cost of capital.

SA Water's infrastructure, plant and equipment includes all land, system infrastructure assets, plant and equipment, other property, plant and equipment, intangibles, right-of-use assets and work in progress assets that are valued as an integrated network, as all of the assets are required to deliver water, sewerage and recycled water to and from the customer.

A separate income valuation is performed for renewable energy assets, as these assets generate a separately identifiable income source from the water and sewer asset network – see 'Zero Cost Energy Future (renewable energy) assets'.

SA Water aligns its approach to determining the future cash flows with the methodology ESCOSA applies. In addition to the cash flows for regulated assets under this approach, SA Water's fair value calculations include estimated cash flows for their renewable energy assets, which are not included in ESCOSA's methodology. The valuation of SA Water's assets in its financial statements does not affect the regulated asset base used by ESCOSA when making revenue determinations – see 'Regulation of water and sewer rates and charges'.

Asset valuations are sensitive to changes in assumptions

The discounted cash flow models that SA Water uses to determine the fair value of its infrastructure, plant and equipment assets are highly sensitive to changes in key assumptions and inputs. The primary driver of a discounted cash flow model is the income forecasting used in the predicted future cash flows. SA Water uses the methodology ESCOSA applies in determining its future cash flows. The positioning within the regulatory period impacts the certainty of revenue forecasts. The current year is the middle of the regulatory period so the maximum allowable revenue is known for the current and next two years. As the regulatory period progresses, the forecast makes assumptions about future revenue amounts that fall outside of the current regulatory period.

The revaluation of the water and sewer asset network in 2025-26 resulted in a downward revaluation of $808 million. This was driven by increases in the discount rate, which reduce the present value of net cash flows, offset by higher revenue over the forecast period.

In the current year, SA Water revised its approach to estimating tax depreciation, resulting in higher forecast tax depreciation, which reduced tax payment cash outflows and increased the fair value of the assets by $874 million compared to what the result would have been without this change. SA Water assessed this as a change in estimate, so the impact only applies to the current and future years.

Zero Cost Energy Future (renewable energy) assets

The Zero Cost Energy Future (ZCEF) program involved installing over 367,000 solar panels and battery storage across 33 of SA Water's high electricity usage sites. The project originally aimed to provide 70% of SA Water's electricity needs.

The ZCEF program is an unregulated activity, meaning that ESCOSA removed all program costs and future savings that SA Water expects to receive from its final revenue determination. All risks and benefits from the ZCEF program will therefore accrue to SA Water and the SA Government, meaning that neither costs or expected future savings arising from the ZCEF program are reflected in the final drinking water and sewerage retail service revenues for the current regulatory period.

SA Water has elected to value its ZCEF assets using the income approach through a discounted cash flow model, using electricity market data and renewable energy certificate pricing estimates. The inputs used for the cash flows are largely derived from the capacity output of the ZCEF program based on estimated energy prices over the life of the assets, up to 2050.

The revaluation using the income approach resulted in ZCEF assets being revalued down by $6 million (3% of the 2025 fair value of the assets). This decrease was driven by the deterioration in the value of large scale generation certificates, mostly due to higher supply and lower demand. The decrease is recognised as an other expense in the Statement of Comprehensive Income, as there is no existing revaluation reserve for this class of assets after it was also revalued down by $4 million in 2025 and $47 million in 2024. The written down value of these assets at 30 June 2026 was $184 million.

Liabilities

SA Water's total liabilities increased by $869 million to $10.4 billion in 2025-26. Borrowings represent 88% of total liabilities. The increase in total liabilities is largely due to an increase in:

- borrowings of $1 billion to $9.2 billion to fund capital expenditure. SA Water's borrowings are with the South Australian Government Financing Authority (SAFA). Most of the debt is long term and at fixed interest rates
- offset by decreases in deferred tax liabilities of $197 million to $397 million, due to the tax effect of the system infrastructure assets revaluation and decreases for timing differences between tax and accounting depreciation.

Current assets and liabilities

Current liabilities amounted to $463 million at 30 June 2026, exceeding current assets of $299 million by $164 million. While such a deficiency in working capital can be of concern, SA Water has a strong cash flow position from operating activities and access to sufficient borrowing facilities with SAFA, which would enable all of its current liabilities to be met. A large component of its current liabilities is payables, comprising 69% (71%) of the balance.

Further commentary on operations

Financial ownership framework, charter and performance statement

SA Water operates under a financial ownership framework, charter and performance statement, which are all approved by the Treasurer and Minister. The *Public Corporations Act 1993* requires the charter and performance statement to be reviewed at the end of each financial year.

The performance statement defines SA Water's contribution to the SA Government for dividends, repayment of capital, income tax equivalents and other rates and taxes. The key financial performance measures agreed to in the performance statement are shown in the following table.

Performance measure	Target 2025-26	Actual results 2025-26
Profit before tax ($million)	193	248.7
Tax expense ($million)	57.9	72.4
Dividend ($million)	134.4	167.0
Total contribution ($million)	192.3	239.4
Gearing ratio (%)*	66	73

* Total interest-bearing debt (including borrowings and lease liabilities) divided by total assets.

SA Water's actual contribution of $239 million was $47 million above its performance target. The target is calculated at 100% of profit, in line with SA Government requirements for government businesses.

SA Water's performance statement and financial ownership framework includes CSO payments from the SA Government to support non-commercial services (see 'Community service obligations') and requires SA Water to maintain a gearing ratio of at least 45%. A target gearing ratio of 66% was specified for 2025-26, while the actual result was 73%. The gearing ratio represents the proportion of debt (interest-bearing liabilities) to assets for the entity.

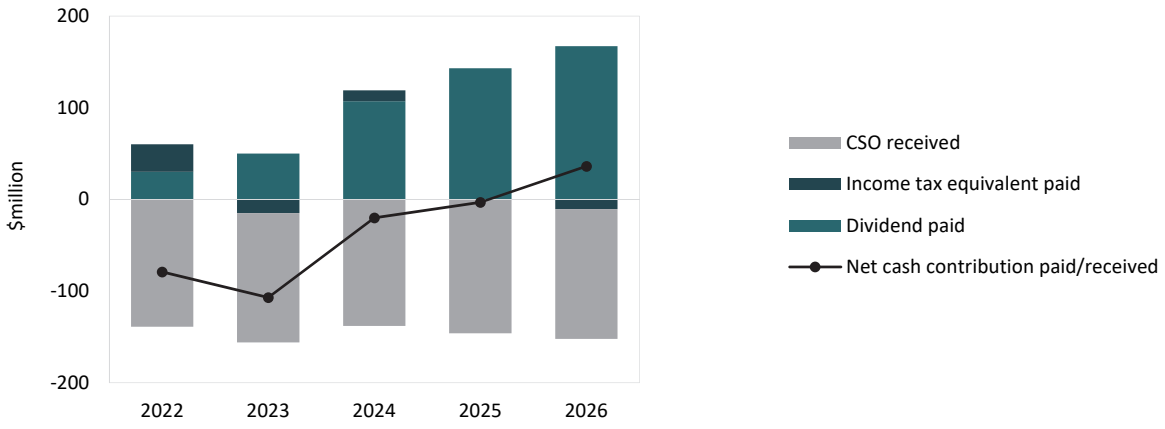
Movements in the major items influencing SA Water's borrowings (debt) are summarised in the following table.

	2022 $million	2023 $million	2024 $million	2025 $million	2026 $million
Net cash inflows from operating activities	372	461	460	469	456
Net cash outflows from investing activities	(455)	(548)	(656)	(790)	(1,310)
Surplus (Shortfall in) cash from operations after investing activities	(83)	(87)	(196)	(321)	(855)
Dividend payments to owners	(30)	(50)	(107)	(143)	(167)
Surplus (Shortfall in) funds to pay for dividends and investing activities	(113)	(137)	(303)	(464)	(1,022)
Net increase in borrowings	116	142	322	482	(1,033)

Note: Table may not add due to rounding.

Net borrowings increased by $1 billion in 2025-26, reflecting the new debt required to pay for dividends and investing activities. In December 2025, the Treasurer approved a core debt limit of $10.5 billion for SA Water, an increase of $2.3 billion. The approved working capital facility limit with SAFA was $150 million at 30 June 2026. This debt limit increase was needed after the implementation of the 2024–2028 regulatory determination period to accommodate higher capital investment levels.

SA Water's cash contributions to the SA Government (dividends and net income tax equivalent paid) and CSO funding provided by the SA Government for the past five years are shown in the following chart.



The chart shows the money returned to/received from the SA Government through income tax equivalent and dividend payments increasing from 2022-23. The net cash contribution paid to the SA Government in 2025-26 was $36.2 million.

Comparison with other water utilities

As discussed above, SA Water is required to maintain a debt to asset ratio of at least 45%. This is designed to ensure its debt is in line with other interstate water utilities. The following table shows SA Water's 2026-26 gearing ratio, measured as total debt divided by total assets, compared to those of four major water utilities from around Australia at 30 June 2025. SA Water's gearing ratio is higher than these other utilities.

	SA Water (2026)	Sydney Water	Melbourne Water	Yarra Valley Water
Gearing ratio	73	57	46.1	59.5

SA Water's gearing ratio increased in 2025-26, up from 67% in 2024-25, mainly due to the $1 billion increase in borrowings in 2025-26.

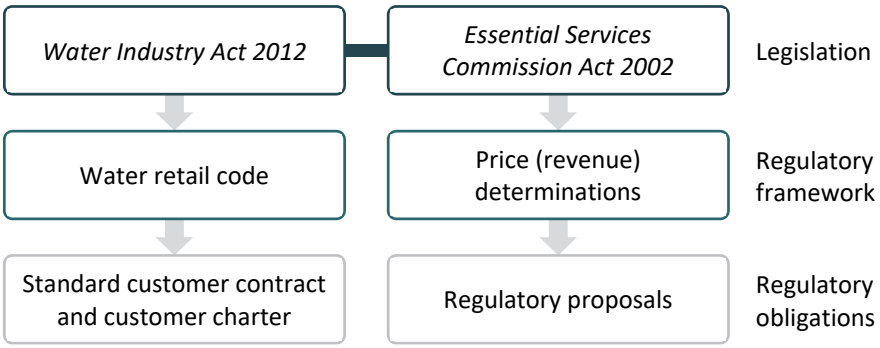
Regulation of water and sewer rates and charges

Essential Services Commission of South Australia (ESCOSA)

ESCOSA was appointed as the independent economic regulator for the South Australian water industry from 1 January 2013 under the *Water Industry Act 2012* (WI Act). SA Water operates within the requirements of the WI Act by holding a licence and continuing to provide water supply and sewerage services.

Under the WI Act, ESCOSA is responsible for making revenue determinations and complying with the requirements of any pricing order issued by the Treasurer under the WI Act.

Legislation and regulatory framework



Pricing orders

The Treasurer has issued a number of pricing orders under the WI Act since September 2012. They have specified that ESCOSA is to determine the revenue (not price) that may be derived from the provision of drinking water and sewerage retail services (separately). ESCOSA considers specified values for SA Water's retail water and sewerage regulated asset bases when determining the revenue for water and sewerage services.

In February 2024, the Treasurer issued a pricing order under the WI Act setting out various parameters, principles or factors that ESCOSA must adopt or apply in making its determination for SA Water's water and sewerage services for the regulatory period 1 July 2024 to 30 June 2028 (RD24).

The 2024 pricing order required the determination to allow SA Water to recover costs (less any contributions to these costs it receives) from activities that SA Water is required to provide in line with a direction from the Minister under the *Public Corporations Act 1993*.

In June 2024, the Minister issued a direction under the *Public Corporations Act 1993*, requiring SA Water to fund over $1.5 billion in capital expenditure to meet water and wastewater requirements in metropolitan Adelaide and upgrade the Tea Tree Gully community wastewater management system over the four-year period. The Minister also directed SA Water to charge additional augmentation charges for all new incremental allotments in the greater Adelaide region where connection to water and wastewater infrastructure was required. The charges are payable for all connection applications made between 1 July 2025 and 30 June 2026 and will continue to apply for the future years in the ESCOSA regulatory period.

Housing Roadmap – Metro Growth program

In June 2024, the SA Government released the Housing Roadmap Plan in response to housing shortages across metropolitan Adelaide. The plan includes a $1.2 billion investment in water and wastewater infrastructure to grow the capacity of the network over the next four financial years under the Ministerial direction outlined above.

The growth areas in the plan are mainly focused in the northern metropolitan region, with one southern area included at Onkaparinga Heights. The program includes installing 30 km of water mains, 37 km of wastewater mains, nine new pumping stations and two water storage tanks. The program also includes an increase in the capacity of South Australia's largest wastewater treatment plant at Bolivar.

Construction works for the Metro Growth program started in September 2024. The funding for this investment will come from increases in retail water and wastewater charges, increased augmentation fees for new developments and infill and contributions from the SA Government. SA Water advised us that at June 2026, the Metro Growth program was progressing in line with the SA Government-endorsed delivery dates. More than 56 km (77%) of water and wastewater pipe has been installed out of a total of 72 km over the four years of the program. Other upgrades currently under way are the construction of two 10-million-litre water storage tanks at Sandy Creek and two 15-million-litre wastewater storage tanks at Edinburgh.

Regulatory accounting statements

SA Water is required to submit regulatory accounting statements to ESCOSA. ESCOSA's Water Industry Guideline No. 2 *Water regulatory information requirements – major retailers*, issued under the *Essential Services Commission Act 2002*, specifies the requirements for major retailers to collect, allocate, record and report their regulated business data to ESCOSA.

We do not audit the regulatory statements submitted to ESCOSA, which are special purpose financial statements.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- revenue, including the billing, collection, receipting and banking of water and sewer rates and charges
- expenditure, including operational and service contracts, services and supplies and electricity expenses
- cash and borrowings, including borrowing costs
- employee benefits expenses and provisions
- fixed assets, including additions to and transfers from capital works in progress, capital purchases, depreciation and revaluations
- governance
- general IT controls.

We reviewed controls over the purchase of non-financial assets (procurement, contract management and project management), management of water and sewerage assets, and sale of goods and services (water and sewerage revenue) as part of our overall controls opinion, which is discussed in Part B of this report.

Department of State Development (DSD)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- DSD did not have IT assurance controls for its grants management system.
- The service level agreement between DSD and the South Australian Skills Commission is not signed.

Key statistics

$635 million
Total income

$626 million
Total expenditure

426
FTEs

Administered

$16 million
Total income

$16 million
Total expenditure

Significant events and transactions

- DSD provided $278 million to TAFE SA to support the provision of vocational education and training.
- DSD paid $15.8 million to recipients as part of the algal bloom event support package.
- DSD provided $8.2 million to recipients for final payments as part of the Whyalla Steelworks support package.

Key findings

DSD did not have IT assurance controls for its grants management system

SmartyGrants is a cloud-based grants management system that DSD has used since 2022 to manage various grants programs under a software as a service arrangement. The system records sensitive applicant information, including bank details, financial performance data, business activity statements and debt information.

DSD had not defined how often and to what extent it should assess and monitor the effectiveness of the vendor controls for the SmartyGrants system.

Without appropriate and ongoing assurance, control weaknesses may not be identified or addressed, increasing the risk of unauthorised access to or disclosure of sensitive information. This could result in reputational damage to DSD and the SA Government.

We recommended that DSD:

- assess the security risks for DSD's use of the SmartyGrants system
- determine the extent and frequency it should assess and monitor the vendor's security controls over the system.

Given that other SA Government entities also use the SmartyGrants system, we recommended that DSD liaise with the Office of the Chief Information Officer (OCIO) to determine whether a centralised supplier security monitoring approach would provide more effective and efficient ongoing assurance over the system's controls.

DSD accepted our finding and advised us that it completed a further security risk assessment of the SmartyGrants system and identified controls and mitigation measures for it to consider. It will conduct annual risk assessments and review independent assurance reports and security certificates to address changes to the service, emerging threats and current guidance. DSD will also engage with OCIO to explore using its whole-of-government supplier cyber security monitoring platform to support ongoing assurance over the SmartyGrants system.

The service level agreement with the South Australian Skills Commission is not signed

DSD has not formalised a service level agreement (SLA) with the South Australian Skills Commission (the Commission) for the services it has provided to the Commission since July 2024. While DSD has drafted an SLA, the Commission has not agreed to these arrangements.

SLAs define the roles, responsibilities and performance expectations between agencies. They support accountability by setting measurable service standards and provide a basis for monitoring performance and resolving disputes.

Without an agreed SLA, DSD and the Commission may have different understandings of their respective roles and responsibilities and service expectations. This increases the risk of service failures and limits their ability to assess performance against agreed standards, which may result in financial loss.

DSD and the Commission acknowledged the importance of a documented and signed SLA. DSD intends to resolve the matter by 31 January 2027.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Appropriation	489	433
Fees and charges	2	3
Grants and subsidies	66	44
Intra-government transfers	67	92
Other revenue	11	8
Total income	635	580
Expenses		
Grants and subsidies	521	476
Employee benefits expenses	60	53
Supplies and services	43	41
Other expenses	3	3
Total expenses	626	573
Changes in property, plant and equipment	-	-
Total comprehensive result	9	8
Assets		
Current assets	96	88
Non-current assets	15	17
Total assets	110	104
Liabilities		
Current liabilities	17	19
Non-current liabilities	15	17
Total liabilities	32	36
Total equity	78	69

* Table may not add due to rounding.

Statement of Comprehensive Income

Income

DSD is mainly funded by appropriation and received $489 million in 2025-26, an increase of $56 million. The increase reflects additional funding for:

- the algal bloom event support package of $22.5 million
- National Skills Agreement initiatives of $16.3 million
- TAFE SA to deliver the National Security Centre of Excellence program of $4.3 million
- other budget measures of $12.9 million.

DSD received $66.9 million in intra-government grants and transfers, including:

- $40.6 million from the Treasurer's Contingency Fund, including:
  - $28.2 million to meet the higher demand for training subsidies in government priority areas
  - $3.7 million to support initiatives at TAFE SA in line with the National Skills Agreement with the Commonwealth Government
- $24.6 million from the Business Growth Fund for the Powering Business Grants program of $20.9 million and $3.7 million for energy efficiency grants.

DSD received $66 million in Commonwealth-sourced grants of:

- $48.9 million under the National Skills Agreement
- $11.4 million for the Fee Free TAFE initiative
- $5.7 million for various other national partnership initiatives.

Expenses

Grants and subsidies

Grants and subsidies totalled $520.8 million in 2025-26 and mainly comprised:

- $278.1 million for TAFE SA Vocational Education and Training (VET) funding
- $118.7 million for Skills SA VET subsidies to registered training organisations
- $41.8 million for small and family business grants, including:
  - $15.8 million for the algal bloom event support package
  - $8.2 million for Whyalla creditor assistance grants
  - $8.4 million for Powering Business grants
  - $6.1 million provided to small businesses by the Business Growth Fund's energy efficiency grants (round two)
- $37.7 million for other VET grants
- $37.3 million for industry, innovation and science grants and subsidies
- $6.3 million in trade and investment grants.

Grants and subsidies are paid to TAFE SA in line with the annual funding agreement between the Minister for Education, Training and Skills, DSD and TAFE SA. TAFE SA is mainly funded by DSD, as shown in the following table.

	$million
Base funding	256.2
Centre of Excellence – Early Childhood Education and Care	6.1
Centre of Excellence – National Security Centre	3.0
Fee Free TAFE	9.8
Other initiatives	3.0
Total	278.1

Employee benefits expenses

Employee benefits expenses increased by $7.6 million to $60.3 million in 2025-26, driven by a $5.4 million increase in expenses for more staff (31 average FTEs) and enterprise bargaining agreement increases totalling $1.9 million.

Supplies and services

Supplies and services of $42.6 million mainly consisted of:

- $14.8 million in contractor expenses, partly to support the Digital Transformation Project to replace a number of manual systems and processes ($7.9 million)
- overseas trade representation to support 17 overseas offices of $6.5 million
- information and communication technology costs of $5.8 million
- accommodation and property costs of $5.3 million
- marketing costs of $3.4 million, mainly for trade and investment initiatives such as Brand SA.

Statement of Financial Position

Equity totalled $77.8 million, comprising assets of $110.3 million and liabilities of $32.5 million.

Assets included cash of $85.6 million. Liabilities included employee-related liabilities of $15.9 million and lease liabilities of $7.2 million.

Administered items

DSD administers student travel concessions for all VET and higher education students, the disbursement of salaries and allowances pursuant to the *Agent-General Act 1901* and the disbursement of salary and allowances for the Minister.

The decrease in DSD's administered activities is largely due to student travel concessions, with the administered appropriation decreasing by $2.5 million to $15 million in 2025-26. This reflects price and volume adjustments for student transport concessions.

Further commentary on operations

Whyalla Steelworks support package

DSD provided final funding payments to support South Australian businesses and workers affected by the OneSteel administration, with $8.2 million paid to recipients in 2025-26 as follows:

- 97 Whyalla creditor assistance payments totalling $8 million ($15.4 million).
- 88 Whyalla small local business support grant payments totalling $210,000 ($67,000).

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- expenditure, including grants and accounts payable
- payroll processing
- revenue, including grants and subsidies revenue and accounts receivable
- cash
- property, plant and equipment
- general ledger and reconciliations.

We reviewed controls over bank accounts covered as part of our overall controls opinion, which is discussed in Part B of this report.

Superannuation sector overview

South Australian public sector superannuation

The SA Government and its controlled entities contribute to defined benefit and defined contribution superannuation schemes for their employees. Defined benefit schemes provide post-employment benefits to members as defined by the relevant scheme rules. The main defined benefit schemes are now closed to new members.

Defined contribution schemes are post-employment benefit schemes under which the employer pays fixed contributions into a fund. The amount of benefits payable to members depends on a number of factors such as the amount of member and employer contributions, investment earnings and fees charged to the member's account.

The Auditor-General audits the following South Australian public sector superannuation schemes.

Scheme	Type	Membership/Beneficiaries
Governors' Pensions Scheme (GPS)	Defined benefit	Former Governors of the State
Judges' Pensions Scheme (JPS)	Defined benefit	South Australian judges
Parliamentary Superannuation Scheme (Parliamentary Super)	Hybrid (defined benefit and defined contribution)	Members of Parliament
Police Superannuation Scheme (Police Super)	Defined benefit	South Australian police officers who commenced employment with South Australia Police on or before 31 May 1990
South Australian Ambulance Service Superannuation Scheme (Ambulance Super)	Hybrid (defined benefit and defined contribution)	Employees of the SA Ambulance Service Inc
South Australian Superannuation Scheme (SASS)	Hybrid (defined benefit and defined contribution)	Pension Scheme SA Government employees who elected to contribute to SASS before 30 May 1986 Lump Sum Scheme SA Government employees who elected to contribute to SASS after 1 July 1988 and before 4 May 1994
Southern State Superannuation Scheme (Triple S)	Defined contribution	SA Government employees from 1 July 1995
Super SA Retirement Investment Fund (SSARIF)	Mixed (income stream and defined contribution)	SA Government employees who have retired, or are nearing retirement age, or have ceased employment with the SA Government
Super SA Select (Select)	Defined contribution	SA Government employees wishing to join a taxed scheme

All public sector superannuation schemes are exempt schemes that are not regulated by the Australian Prudential Regulatory Authority (APRA) under Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994. However, while not regulated by APRA, for statutory purposes the schemes report to APRA under an agreement between the Commonwealth and State Governments.

These schemes have unique attributes that include, but are not limited to, the following:

- concessional contributions (ie contributions before tax) plus earnings may be released from the age of 55 (or 50 for Police Super members), on termination of South Australian public sector employment. This does not require permanent retirement
- non-concessional contributions plus earnings may be released irrespective of age on terminating South Australian public sector employment
- a member's preservation age will generally remain at age 55 (or 50 for Police Super members) and not increase to age 60.

A number of South Australian public sector superannuation schemes are constitutionally protected (ie Triple S, SASS, Parliamentary Super, JPS, GPS, Police Super). Consequently, these schemes have the following unique attributes:

- concessional contributions are not taxed on receipt into the scheme, and therefore there is no requirement to deduct the 15% contributions tax
- there is no tax payable on contributions or earnings until the member leaves the scheme. This includes tax on fund income
- there are no annual concessional contribution caps, but a lifetime concessional contribution cap is in place
- annual non-concessional caps do apply to members of the constitutionally protected fund. However, any tax payable levied by the ATO is against the member.

Administration and funds management

The following table shows the entities responsible for administering (that is, receiving contributions and paying benefits) for each of the public sector superannuation schemes.

Scheme	Entity responsible for administration
JPS, GPS	Legislation is committed to the Treasurer
Parliamentary Super	South Australian Parliamentary Superannuation Board
Police Super	Police Superannuation Board
SASS, Triple S, SSARIF, Ambulance Super	South Australian Superannuation Board
Select	Southern Select Super Corporation

Except for Police Super, the Department of Treasury and Finance – State Superannuation Office (Super SA) provides outsourced administration services to the schemes. The Police Super Office, an administrative unit of South Australia Police, provides administration services to Police Super.

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for investing and managing the superannuation schemes' funds in line with the *Superannuation Funds Management Corporation of South Australia Act 1995*. The Funds SA commentary in this report provides an extensive overview of its investment option performance for its tax-exempt investment options and multi-sector strategies for 2025-26.

Investments and related performance

The superannuation schemes held $45 billion ($41.4 billion) in combined assets as reported in individual scheme statements of financial position at 30 June 2026. The fair value of these combined assets increased by $3.6 billion (8.7%), reflecting strong investment returns.

Combined investment expenses were $104 million ($104 million), as reported in individual scheme statements of comprehensive income for 2025-26.

Global financial markets remained broadly resilient in 2025-26, although conditions were more uneven and volatile than in the previous year. Market performance was shaped by conflict in the Middle East, higher energy and commodity prices, renewed inflation risks and evolving expectations about artificial intelligence-related productivity and investment.

Australian financial markets recorded modest positive gains over the year, with the S&P/ASX 200 finishing slightly higher than 2024-25. Market outcomes were strongly influenced by commodity price movements, with the materials sector performing well, while higher interest rate expectations and valuation pressures weighed on other sectors of the Australian economy.

Annual CPI rose to 4.6% in March 2026, with housing, transport and food the largest contributors. In response, the Reserve Bank of Australia increased the cash rate in 2026 before holding it at 4.35% in June 2026.

Surplus (Deficit) of net assets to member benefits liabilities

The SA Government controls and funds a number of defined benefit superannuation schemes designed to provide employees with pensions or defined lump sum benefits on retirement. Except for JPS and GPS, these schemes are now closed to new members.

The total deficit of net assets to member benefit liabilities was $3.3 billion ($3.7 billion), as shown in the table below.

	Net assets available for member benefits		Member benefits liabilities		Total equity over (under) funded	
	2025 $million	2026 $million	2025 $million	2026 $million	2025 $million	2026 $million
SASS	4,531	4,665	8,345	8,122	(3,814)	(3,457)
Police Super	2,570	2,747	2,621	2,761	(51)	(14)
Parliamentary Super*	294	297	266	257	28	40
Ambulance Super*	300	309	257	264	43	45
JPS	351	376	295	307	56	69
GPS	4	4	4	4	0	0
	8,050	8,398	11,788	11,715	(3,738)	(3,317)

* Amounts included relate only to the defined benefit portion of the schemes.

The total unfunded member benefits liabilities (deficit of net assets to member benefits liabilities) were calculated in line with AASB 1056 *Superannuation Entities*.

Different liability balances are reported under separate accounting standards

The terms of these defined benefit schemes create an obligation for the SA Government to pay future benefits to scheme members. The SA Government estimates a $5.4 billion liability at 30 June 2026 for unfunded superannuation benefits in the 2026-27 State Budget (see Paper 3 *Budget Statement*, page 54).

This figure is significantly larger than the accumulated deficit of net assets to accrued benefits identified above. This variance is mainly due to the different discount rates used to calculate accrued member benefit liabilities under AASB 1056, and the rate required under AASB 119 *Employee Benefits*. While both standards require measurement of the present value of expected future benefit payments, superannuation schemes are required to use a market-determined, risk-adjusted discount rate appropriate to the scheme.

For the purposes of the State Budget and whole of government financial reporting, the SA Government's unfunded superannuation liability is measured in line with AASB 119, which requires the use of a risk-free discount rate reflecting the market yields on Commonwealth Government bonds.

Catch-up funding cash payments

The unfunded superannuation liability is long-term in nature and can be subject to significant volatility. This is reflected over the years in the short-term variability from valuation assumptions, such as the discount rate and actual investment earnings.

A program began in 1994-95 to fully fund all employer superannuation liabilities and have the defined benefit schemes fully funded by 2034 (see 2026-27 State Budget Paper 3 *Budget Statement*, page 57).

The estimated past service liability contribution for 2025-26 was $592 million (see 2026-27 State Budget Paper 3 *Budget Statement*, page 57). Its purpose is to cover the shortage of funding for employment in years before the full funding policy was implemented. The past service contribution is affected by a number of factors, including the long-term earnings rate on superannuation assets. To meet the 2034 funding target, future past service payments will be adjusted to compensate for investment performance that varies from the assumed rate. Past service payments are estimated to grow at 4% per annum to 2034.

Superannuation Funds Management Corporation of South Australia (Funds SA)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

No significant findings.

Key statistics

Funds SA

$24.9 million
Total income

$23.9 million
Total expenditure

77
FTEs

Funds under management

$4.9 billion
Net income

$52.1 billion
Net assets

20
Investment options

32
Client accounts managed

Significant events and transactions

- Funds under management increased by $4.3 billion (9%) to $52.1 billion. This was driven by net investment income of $4.9 billion, partially offset by $611 million of net client redemptions.
- Net investment income was positive for all asset classes, led by International Equities. This reflects the strategic asset allocations which are weighted towards this asset class.
- While funds under management increased by 9%, Funds SA's administration fee income (calculated as a percentage of funds under management) increased by 1% after changes to the rates charged were applied.

Financial information

Highlights of the financial report

Funds SA	2026 $million	2025 $million
Total income	24.9	24.7
Total expenses	23.9	23.3
Net surplus (deficit) and total comprehensive result	1.0	1.4
Total assets	22.1	20.9
Total liabilities	7.8	7.6
Total equity	14.3	13.3

Funds under management	2026 $billion	2025 $billion
Net income	4.9	4.2
Net assets	52.1	47.8

Funds SA (corporate entity)

Funds SA's operating result for the year was a net surplus of $1 million ($1.4 million).

Funds SA's main income is administration fees charged to clients of $24.5 million ($24.3 million). Administration fee rates are reviewed annually and are set based on a rate that will cover the cost of its budgeted expenditure for the year. The fees are calculated based on average funds under management. While funds under management increased by 9% in 2025-26, administration fees increased by 1%. This is due to Funds SA revising its fee structure and rates in 2025-26, with fees now charged at the investment option level instead of asset class.

Funds SA's main expenses are employee-related expenses ($16.4 million) and supplies and services ($6.7 million). Employee expenses increased by $1.2 million (7.7%) due to increases in FTEs and its enterprise bargaining agreement. Supplies and services decreased by $494,000 (6.9%) due to fewer contractors and agency staff employed.

Assets increased by $1.2 million to $22.1 million. Funds SA's main assets are cash and administration fees receivable. Liabilities increased by $243,000 to $7.8 million. Funds SA's liabilities mainly relate to employee leave liabilities and associated on-costs.

Funds under management

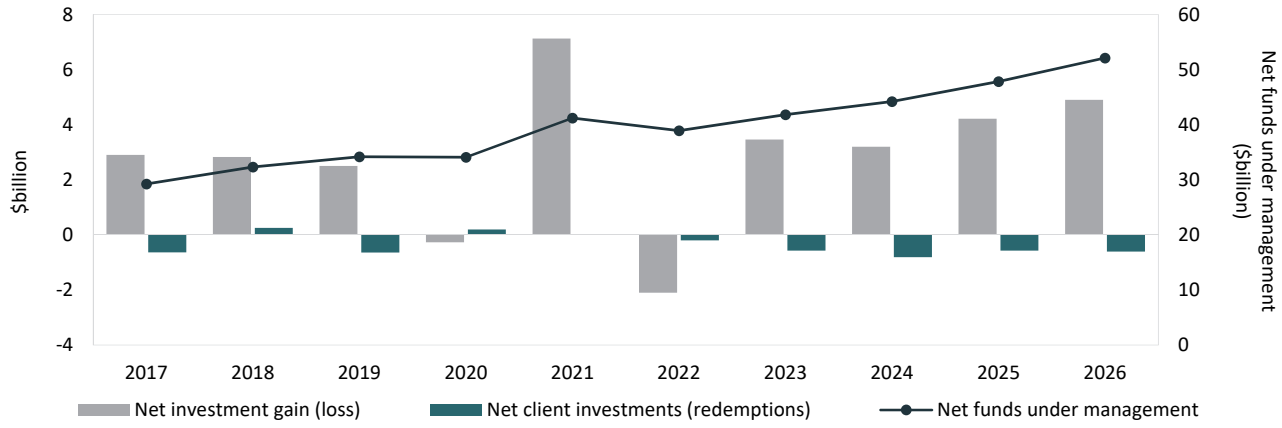
Funds SA exists to invest and manage the public sector superannuation funds, funds of eligible superannuation funds and nominated funds of approved authorities. Funds SA works with clients to design investment strategies that meet their investment needs. Clients deposit funds with Funds SA to acquire units in an investment option, which in turn hold units in various asset classes.

The value of Funds SA's funds under management was $52.1 billion at 30 June 2026, of which:

- $48.1 billion (92.2%) was for public sector superannuation funds and eligible superannuation funds, which are mostly administered by Super SA (85.8%). The superannuation sector overview section of this report details the public sector superannuation structure, entities and administration arrangements
- $4 billion (7.8%) was from other public sector entities, with the largest balances held by the Lifetime Support Authority ($2.3 billion) and the South Australian Government Financing Authority ($960.7 million).

Funds under management increased in 2025-26

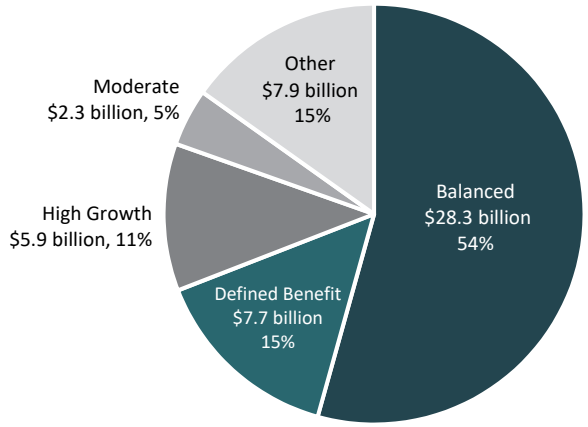
Funds under management increased by $4.3 billion to $52.1 billion in 2025-26, due to net investment income of $4.9 billion, offset by net investor redemptions of $611 million. The net funds under Funds SA's management at 30 June for the last 10 years are shown in the following chart.



Net investment gains and losses were a main driver of the change in funds under management. The chart also shows a trend of net client redemptions in recent years, with a total of $2 billion of net redemptions over the last three years. The net redemptions are mostly due to members of public sector superannuation funds.

Investment options

Funds SA has a range of different investment options and tailored multi-sector strategies for its clients. These options and strategies are a mix of differing strategic asset allocations to meet its clients' investment objectives, differing time horizons and levels of acceptable risks. The different Funds SA investment options, with most funds invested in the balanced option, are shown in the following chart.

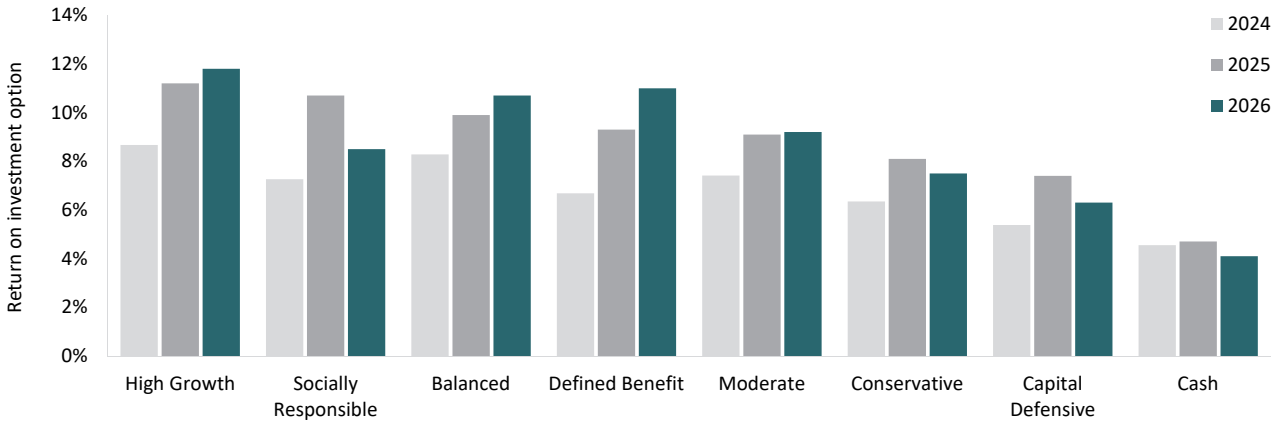


Note: The chart combines both taxable and tax-exempt investment options.

In 2025-26 Funds SA introduced three new investment options: Indexed High Growth, Indexed Balanced, and Continuum Strategy (a strategy developed for nominated funds of approved authorities). The indexed options invest in limited asset classes as part of its strategic asset allocations to minimise cost. At 30 June 2026 they represent only 0.5% of funds under management.

Investment option performance

The returns for Funds SA's tax-exempt investment options at 30 June for the past three years are shown in the following chart.



Note: Investment option returns are provided by Funds SA and are unaudited.

The returns of each investment option reflect the performance of the underlying asset classes. For example, High Growth, Balanced and Defined Benefit investment options had increased returns in 2025-26. These options have a greater allocation to equities asset classes, particularly International Equities, which drove most of the returns this year. Other investment options including Conservative, Capital Defensive and Cash had lower returns. These options have higher allocations to Fixed Interest and Cash Assets classes, which had lower returns than last year. See 'Asset allocation' below for more information.

Overall performance can be volatile as market conditions fluctuate. Funds SA has target investment objectives for each investment option and monitors asset class performance against benchmarks.

The following table shows Funds SA's percentage returns for the Balanced tax-exempt investment option for the past 10 years, which represents over 45% of total funds under management. These figures were provided by Funds SA and are unaudited.

	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	2024 %	2025 %	2026 %
Balanced option	11.0	9.5	8.1	(0.3)	21.9	(6.4)	9.7	8.3	9.9	10.7

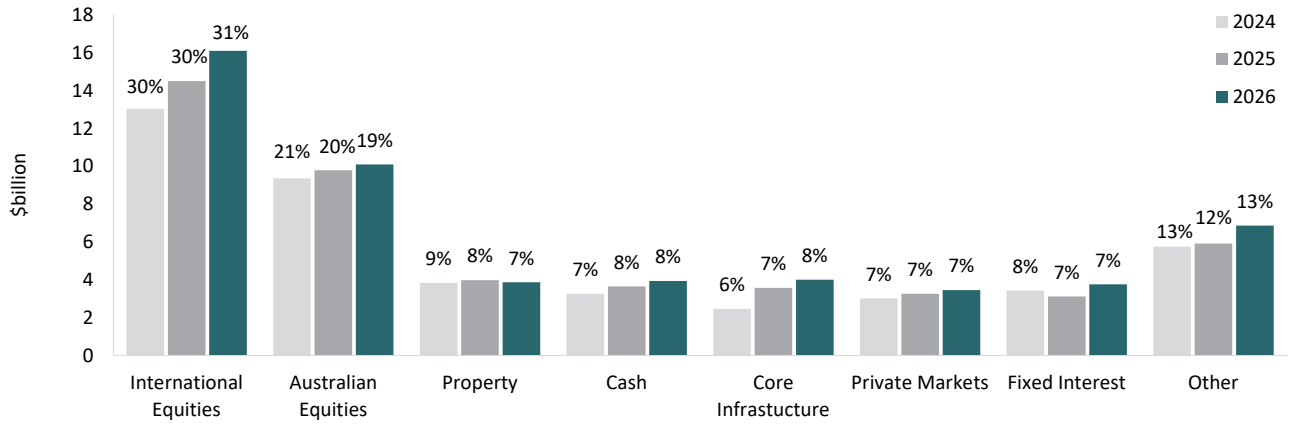
Asset allocation

An investment policy drives decisions about how funds will be invested. The *Superannuation Funds Management Corporation of South Australia Act 1995* (SFMCSA Act) provides that Funds SA's objective in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level
- the need for liquidity in the funds
- any other matters that are prescribed by regulation.

Underpinning the investment policy and decision making is an understanding of the financial risks facing Funds SA. One of the key strategies Funds SA uses in managing its financial risk is to diversify its funds under management into various asset classes. Funds SA continually monitors investment performance and makes adjustments to ensure holdings are in line with target asset allocations.

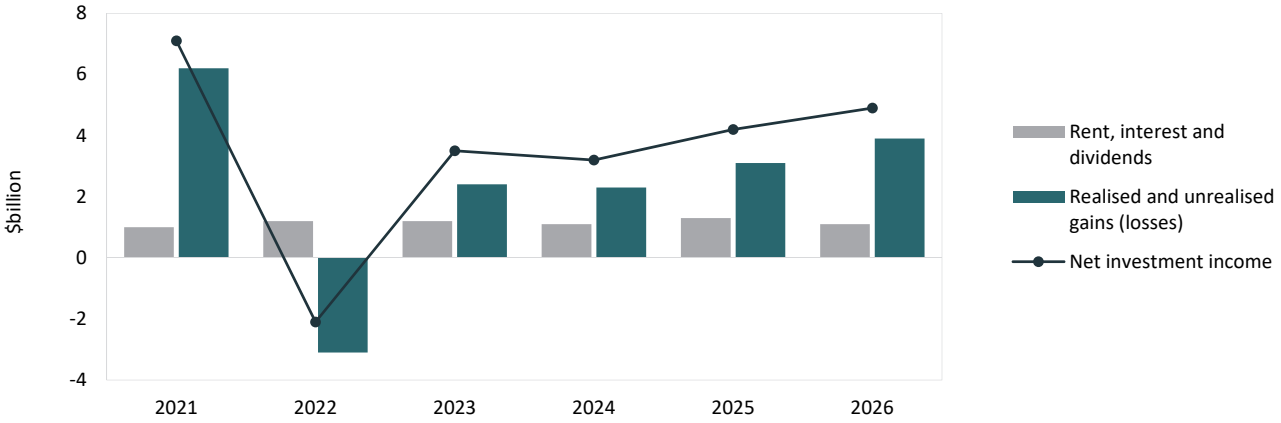
Asset class holdings as a percentage of total funds under management at 30 June for the last three years are shown in the following chart. The asset classes are grouped by asset type and include both taxed and untaxed funds where applicable.



Movements in asset class value and percentage holdings are due to a combination of investment returns, investor switches and investment strategic asset allocation changes. All asset classes had positive returns for 2025-26. Benchmarking data used by Funds SA indicates that while positive results were achieved, not all asset classes met the benchmarked return.

Income from investments

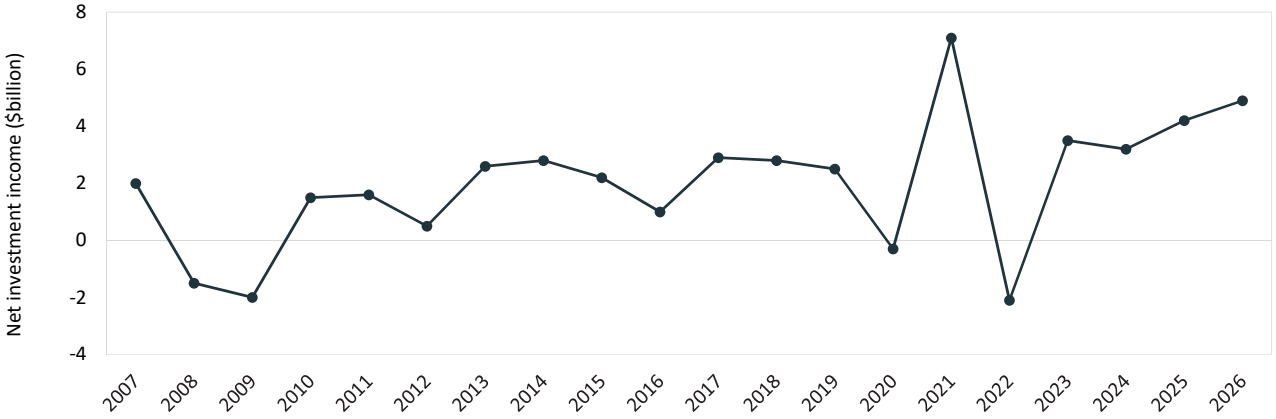
Net income from investment activities produced a surplus of $4.9 billion ($4.2 billion surplus). This comprises income from rent, interest and dividends, and realised and unrealised gains and losses from investment assets, less expenses incurred in the investment activity. The investment result for funds under management for the six years to 2026 is shown in the following chart.



Rent, interest and dividends income was $1.1 billion in 2025-26, which is relatively consistent with previous years. In 2025-26, there was a significant increase in the value of investment assets, represented by unrealised gains of $2.5 billion ($3 billion gain) and realised gains of $1.5 billion ($117 million gain). This resulted in an upward trend in net income consistent with overall funds under management.

56% of net investment income was derived from equities, generally corresponding with the allocation towards these asset classes at 30 June (50%).

The mostly long-term nature of investment strategies means funds under management are exposed to periodic changes in financial markets. Negative returns may occur during the investment horizon. For example, the balanced option's current investment objective has a risk of negative returns in three to four years out of 20 years. There may be volatility in the short term, as indicated by the negative result most recently in 2021-22. Net investment income over the long term is shown in the following chart.



The years with overall negative performance reflect significant events that impacted the economy. Losses correspond with the Global Financial Crisis in 2008 and 2009, the start of the COVID-19 pandemic in 2020 and the Russian-Ukrainian war in 2022. While there was market volatility in 2025-26 as a result of international trade policies and conflicts, overall returns increased significantly in the later part of the financial year. This was mainly driven by International Equities. Infrastructure and property also contributed to the increase in net investment income.

Investment expenses

In 2025-26 investment expenses totalled $131 million ($139 million). This represents only those expenses incurred directly by the fund, such as management and administration fees. Indirect investment expenses are captured as part of unrealised gains/losses through the revaluation of Funds SA's pooled investments. Investment expenses reported in Schedule 1 of Funds SA's financial report are 0.3% (0.3%) of average funds under management as shown below.

Year	Investment expenses $million	Average funds under management $billion
2023	141.9	40.7
2024	146.5	43.0
2025	139.2	46.3
2026	131.2	50.4

Investment expenses have decreased in recent years, while average funds under management have increased. In 2025-26, investment expenses decreased by 5.8% as Funds SA moves to invest in more passive asset classes and fund managers, resulting in lower management fees. Funds SA also changed its administration fee structure to charge fees at the investment option rather than the asset class level. New rates were applied as part of this change. While administration fees are slightly higher than last year, these changes have resulted in overall lower fees proportionate to funds under management.

Further commentary on operations

Funds SA adopts a 'manager of managers' approach to managing client funds. It appoints external fund management firms for most investment assets. Funds SA uses a custodian to safeguard investment assets. The custodian is also responsible for executing investment transactions, asset valuation and accounting, calculation of unit prices, maintaining the unit register, and providing performance reports to Funds SA. Funds SA remains responsible for developing investment strategies and its asset valuation policies, as well as managing the performance of the custodian and external fund managers.

The SFMCSA Act and Regulations limit the borrowing of money and place some restrictions on what type of investments it can enter into, unless authorised by the Minister. The Minister has provided authority for Funds SA to enter into certain investments.

Scope of the audit

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- investment policy and strategy approval and compliance
- client fund allocation and redemption transactions
- investment allocation, income and valuation
- monitoring of custodian activities
- fund manager appointment, monitoring and termination activities
- fund administration fees
- Funds SA corporate payroll, expenditure and banking arrangements.

We reviewed controls over investment assets under management as part of our overall controls opinion, which is discussed in Part B of this report.

South Australian Superannuation Board (SASB)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- User access to the Bluedoor superannuation administration application (Bluedoor application) is not promptly removed.
- Controls over granting access to the Bluedoor application should be improved.
- There are weaknesses in the Bluedoor application user access review process.

Key statistics

$50.8 million
Total income

$50.8 million
Total expenditure

Significant events and transactions

- Despite uncertain global market conditions, investment performance for all investing options was positive in 2025-26.
- A formal framework was developed and adopted to establish reserve targets, monitoring requirements and strategies to support long-term financial sustainability.
- While not regulated by the Australian Prudential Regulation Authority (APRA), SASB continued implementing arrangements to align with emerging APRA prudential expectations.

Key findings

User access to the Bluedoor application is not promptly removed

The Bluedoor application is a web-based, cloud-hosted registry platform mainly used by SASB for superannuation administration purposes.

We found that:

- access to this application was not promptly removed for seven former employees and two labour-hire personnel
- two former employees and three labour-hire personnel retained active Bluedoor accounts beyond their employment termination or end-of-service dates. However, we did confirm that no login activity occurred after these employees and personnel stopped working for SASB.

Delayed account deactivation increases the risk that personnel could gain unauthorised access to applications and their sensitive information. This is a repeat finding from last year.

SASB responded that the Bluedoor application cannot be accessed once the network account is revoked. SASB also advised us that user deletion is now documented, network access is reviewed monthly, security monitoring and logging are in place and application access is checked when network accounts are requested to be deleted.

Controls over granting access to the Bluedoor application should be improved

We sampled 15 users of the Bluedoor application and found that one user was granted access that did not match the access requested and approved. The inappropriate access was subsequently removed and no transactions were performed while the access remained active.

Incorrectly granted access may give users excessive or unauthorised permissions, increasing the risk of unauthorised transactions or access to sensitive information.

SASB responded that this was due to human error, but that it had established robust access processes requiring relevant approvals. Its staff have also completed training and shared knowledge about user access controls for this application.

Weaknesses in the Bluedoor system user access review process

SASB does not retain any evidence to support the completeness of the Bluedoor application user access reviews it performs. Several key Bluedoor application user access groups were also not reviewed.

Consequently, we could not confirm that all Bluedoor application access was comprehensively reviewed or that identified issues were promptly addressed. This is a repeat finding from last year.

Incomplete access reviews increase the risk that users retain inappropriate or excessive permissions, which may enable unauthorised transactions, inappropriate system activity or access to confidential information.

SASB responded that the automated review process used a static list that had not been updated for new Bluedoor application user permissions, and that it will work with the script owner to automate quarterly updates to the user permission list.

Financial information

SASB's financial report reflects its administration role, in that:

- revenue is mainly administration fees recovered from the superannuation schemes
- expenses are mainly fees paid to the Department of Treasury and Finance (DTF) to administer the superannuation schemes.

Highlights of the financial report

	2026 $million	2025 $million
Total income	50.8	48.5
Total expenses	50.8	48.7
Total comprehensive result	-	(0.2)
Assets		
Cash and cash equivalents	0.3	0.9
Receivables	9.9	8.0
Total assets	10.2	8.9
Total liabilities	9.3	8.0
Total equity	0.9	0.9

Statement of Comprehensive Income

The total comprehensive result was break-even in 2025-26, which reflects the nature of SASB's administration and fee recovery operational model. Specifically, administration fees are charged to the superannuation schemes that SASB administers to recover its costs of operating them. The amount received is then paid to DTF to reimburse costs incurred in operating SASB.

Both revenue and expenses proportionately increased in 2025-26. The rise in expenses was mainly due to increases in DTF service level agreement costs, while spending on SASB's strategic projects remained steady.

Further commentary on operations

SASB updated its risk management, privacy and governance frameworks, which reflected its focus on increasing its enterprise risk maturity levels in 2025-26. SASB continued to focus on its critical technology platforms and IT risk dependencies.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- reviewing IT general controls for the general ledger and primary superannuation systems
- investment valuation
- measuring accrued benefits and current funding position
- taxation
- controls over SASB's bank accounts.

Major superannuation schemes

The three major South Australian public sector superannuation schemes are the:

- South Australian Superannuation Scheme (SASS)
- Southern State Superannuation Scheme (Triple S)
- Super SA Retirement Investment Fund (SSARIF).

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for investing and managing these superannuation schemes' funds in line with the S*uperannuation Funds Management Corporation of South Australia Act 1995*. The Funds SA commentary in this report provides an extensive overview of its 2025-26 investment option performance for the year ended 30 June 2026.

Financial report opinions

Unmodified

The financial statements are materially correct and can be relied on.

Key findings

See the South Australian Superannuation Board section in this report for an overview of our audit findings.

Financial information

Highlights of the financial reports

	Triple S		SSARIF		SASS	
	2025 $million	2026 $million	2025 $million	2026 $million	2025 $million	2026 $million
Assets						
Investments	27,779	30,497	7,861	8,535	4,490	4,651
Total assets	27,911	30,613	7,929	8,603	4,550	4,693
Total liabilities excluding member benefits	82	148	99	111	20	28
Net assets available to pay member benefits	27,829	30,465	7,830	8,492	4,530	4,665
Member benefits						
Defined benefit member liabilities	-	-	-	-	7,959	7,771
Defined contribution member liabilities	27,541	30,210	-		385	351
Income Stream member liabilities	-	-	5,649	6,145	-	-
Flexible Rollover Product member liabilities	-	-	2,150	2,321	-	-
Total member liabilities	27,541	30,210	7,799	8,466	8,344	8,122

	Triple S		SSARIF		SASS	
	2025 $million	2026 $million	2025 $million	2026 $million	2025 $million	2026 $million
Equity						
Defined benefits that are over (under) funded	-	-	-	-	(3,814)	(3,457)
Total equity	288	255	31	26	(3,814)	(3,457)
Income						
Changes in investments measured at fair value	2,581	3,008	678	737	409	486
Total income	2,583	3,010	681	740	410	487
Total expenses	93	94	25	27	30	30
Result from superannuation activities	2,490	2,916	656	713	380	457
Net change in defined member benefits liabilities	-	-	-	-	(14)	(61)
Allocation to defined contribution member accounts	-	-	-	-	(34)	(38)
Net benefits allocated to members accounts	2,315	2,872	625	703	-	-
Income tax expenses	-	-	11	15	-	-
Net insurance activities	4	72	-	-	-	-
Operating result	171	(28)	20	(5)	332	358
Changes in member benefits						
Net contributions	2,272	2,460	1,521	1,591	575	578
Benefits to members (paid and payable)	(2,504)	(2,660)	(1,556)	(1,627)	(939)	(901)

Southern State Superannuation Scheme

Statement of Financial Position

The accumulative nature of the Triple S defined contribution scheme means that member benefits liabilities are fully funded.

Net assets available for member benefits

Net assets available to pay member benefits increased by $2.63 billion (9.5%) to $30.47 billion. This increase reflects Triple S's accumulative nature, where the contributions received and net investment income are offset by benefits paid and other expenses.

Income Statement

Revenue

Revenue increased by $427 million (16.5%) to $3 billion, driven by higher earnings from net changes in investments measured at fair value.

Expenses

Expenses of $94.5 million ($93.4 million) remained consistent with last year.

Statement of Changes in Member Benefits

Net contribution revenue

2025-26 net contributions increased by $188 million (8.3%) to $2.46 billion. This was partly due to member salary bracket creep impacting the value of the statutory concessional employer contributions, and an increase in member contribution rates.

Details of membership statistics are provided in the table below. Membership data was provided by Super SA and is unaudited.

	2024 $million	2025 $million	2026 $million
Employer contributions	1,504	1,643	1,817
Member contributions	79	77	100
Transfers from other super entities	492	551	542
Government co-contributions	1	1	1
Total	2,076	2,272	2,460

	2024 Number	2025 Number	2026 Number
Contributory members	127,647	127,805	131,328
Preserved members	42,843	50,177	50,490
Spouses	702	759	799
Total	171,192	178,741	182,617

Super SA Retirement Investment Fund

Statement of Financial Position

As SSARIF is a mixed income and defined contribution scheme, its accumulative nature means that member benefits liabilities are fully funded.

Net assets available for member benefits

Net assets available to pay member benefits increased by $662 million to $8.49 billion. This was mainly due to positive 2025-26 investment returns. It also shows the accumulative nature of SSARIF, where the increases reflect the contributions received and net investment income less benefits paid and other expenses.

Income Statement

Revenue

Revenue increased by $59 million (8.7%) to $740 million, mainly due to positive investment returns.

Expenses

Expenses increased by $2 million to $27 million.

Statement of Changes in Member Benefits

Net contributions increased by $70 million to $1.59 billion, mainly due to increases in:

- rollovers from other schemes of $38 million
- member contributions of $33 million.

Member contributions to SSARIF are all voluntary and therefore can fluctuate.

Benefits paid or payable to members increased by $71 million to $1.63 billion. The increase in benefits paid and payable is due to an increase in scheme membership, higher member exits and the increased value of its member accounts at exit. This was driven by strong investment performance in 2025-26. Total benefits available to members ultimately depend on the investment strategy and investment performance, with no guarantee of return provided by the SA Government.

Membership statistics and total investments for the last three years are shown in the following table. Membership data is provided by Super SA and is unaudited.

	2024 Number	2025 Number	2026 Number
Income Stream	13,912	14,604	15,329
Flexible Rollover Product	8,417	8,761	9,177
Total	22,329	23,365	24,506
	$billion	$billion	$billion
Total investments	7.2	7.9	8.5

South Australian Superannuation Scheme

Funding of benefit payments

Benefit payments are funded from numerous sources that remained consistent in 2025-26. Over half of the benefit payments are funded from the South Australian Superannuation Scheme – Employer Account.

The South Australian Superannuation Fund portion of a benefit is fully funded. Member contributions are deposited into the Fund and, on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are several arrangements addressing the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the South Australian Superannuation Board, they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested by Funds SA.

Note 1(d) of SASS's financial report provides details of these various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits must be paid out of the Consolidated Account, or a special deposit account established for that purpose.

Statement of Financial Position

Investments

Investments increased by $161 million (3.6%) to $4.65 billion in 2025-26.

Member benefits liabilities

SASS is a defined benefit superannuation scheme. It is comprised of the old scheme, with its members entitled to a pension benefit payment, and the new scheme with its members entitled to a lump sum benefit payment.

The net assets available for member benefits, member benefits liabilities and the resulting excess of liabilities over net assets are shown in the following table.

	2025 $billion	2026 $billion
Net assets available for member benefits	4.5	4.7
Member benefits liabilities	8.3	8.1
Over (Under) funded member benefits liabilities	(3.8)	(3.4)

Income Statement

Revenue

Revenue increased by $76.9 million to $487.1 million as a result of strong investment earnings growth.

Expenses

Investment expenses declined slightly from $11.7 million to $11.2 million.

Statement of Changes in Member Benefits

Contribution revenue and membership statistics are shown in the following table. Membership statistics were provided by Super SA and are unaudited.

	2025 $million	2026 $million
Contributions for past service liability	523	530
Contributions by employers	14	13
Public authority employer contributions	31	30
Contributions by members	6	5
Total	574	578

The SA Government started a program in 1994-95 to fully fund all employer superannuation liabilities and have the defined benefit schemes fully funded by 2034. See the Superannuation Sector Overview section in this report for an overview of this funding program.

Membership statistics for the last three years are shown in the following table. This data was provided by Super SA and is unaudited.

	2024 Number	2025 Number	2026 Number
Pension Scheme			
Contributory	68	50	43
Preserved	90	72	63
Superannuants	12,846	12,474	12,078
Total	13,004	12,596	12,184
Lump Sum Scheme			
Contributory	1,037	837	699
Preserved	612	522	414
Total	1,649	1,359	1,113
Total members			
Contributory	1,105	887	742
Preserved	702	594	477
Superannuants	12,846	12,474	12,078
Total	14,653	13,955	13,297

As expected with closed schemes, total member numbers are decreasing, with declines of 412 (3.3%) in the Pension Scheme and 246 (18.1%) in the Lump Sum Scheme in 2025-26.

Scope of the audit

The audit program for all three schemes covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- reviewing IT general controls for the general ledger and primary superannuation system
- investment valuations
- contributions revenue
- benefits payments
- cash management
- reconciling data from the superannuation administration systems to the general ledger
- maintenance of member accounts.

We reviewed controls over all three schemes' bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

TAFE SA

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Key asset management documents were not finalised.
- Payroll overpayments occurred, mainly due to delays in processing payroll forms.

Key statistics

$392 million
Total income

$402 million
Total expenditure

2,189
FTEs

12.6 million
Number of registered training hours commenced
(provided by TAFE SA and unaudited)

Significant events and transactions

- Funding from the SA Government increased to $278 million.
- Revaluation of property, plant and equipment resulted in a $62 million increase to other comprehensive income.

Key findings

Asset management

Asset management framework was incomplete

We found that TAFE SA had not finalised key asset management documents, including the asset management plan and asset information strategy, due to concerns about asset data quality and reliability.

We recommended that TAFE SA finalise these documents and implement a remediation program with clear accountability, timelines and governance oversight.

TAFE SA acknowledged the recommendation and advised us that it had strengthened its strategic asset management, including reviewing its strategic asset management framework and plan, policies and supporting asset information. It was working with its facilities management service provider (Ventia) to mitigate risks associated with the completeness, accuracy and currency of asset condition and lifecycle information maintained by Ventia.

Payroll

Overpayments due to delays in processing payroll forms

We found that at the time of our audit, TAFE SA was managing 465 employee overpayments totalling $866,000 caused mainly by delays in processing HR forms. We noted that new overpayment cases reduced after process changes were made in December 2025.

We recommended that TAFE SA ensures HR forms are completed and processed promptly and that it provides targeted training to business areas with higher rates of overpayments.

TAFE SA advised us that it implemented improved overpayment management processes, including a review of causes, stronger preventative controls, improved debt recovery arrangements and re-educating leaders. This contributed to a 32% reduction in overpayments in 2025-26.

Financial information

Highlights of the financial report

	2026 $million	2025 $million
Income		
SA Government subsidy funding	278	267
Student and other fees and charges	101	100
Other income	13	9
Total income	392	376

	2026 $million	2025 $million
Expenses		
Employee-related benefits	263	249
Supplies and services	106	99
Depreciation and amortisation	32	34
Other expenses	1	2
Total expenses	402	384
Changes in property, plant and equipment	62	-
Total comprehensive result	52	(8)
Assets		
Current assets	123	122
Non-current assets	923	878
Total assets	1,046	1,000
Liabilities		
Current liabilities	48	46
Non-current liabilities	49	49
Total liabilities	97	95
Total equity	949	905

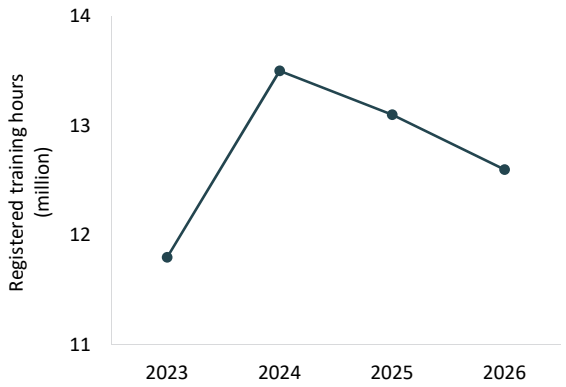
Statement of Comprehensive Income

Income

TAFE SA's main income source, making up 71% of its income, is SA Government subsidy funding from the Department of State Development. This funding increased by $11.3 million to $278 million in 2025-26, mainly due to increased capital funding for approved projects ($7.8 million) and higher subsidised training funding ($6.5 million). These increases were partially offset by a $3 million decrease in Fee Free TAFE funding. The table below shows the funding components.

	2026 $million	2025 $million
TAFE SA services	225	222
Capital funding for projects	33	25
Funding for Fee Free TAFE	10	13
Other	10	7
Total SA Government subsidy funding	278	267

The following chart shows the registered training hours that TAFE SA delivered over the last four years.



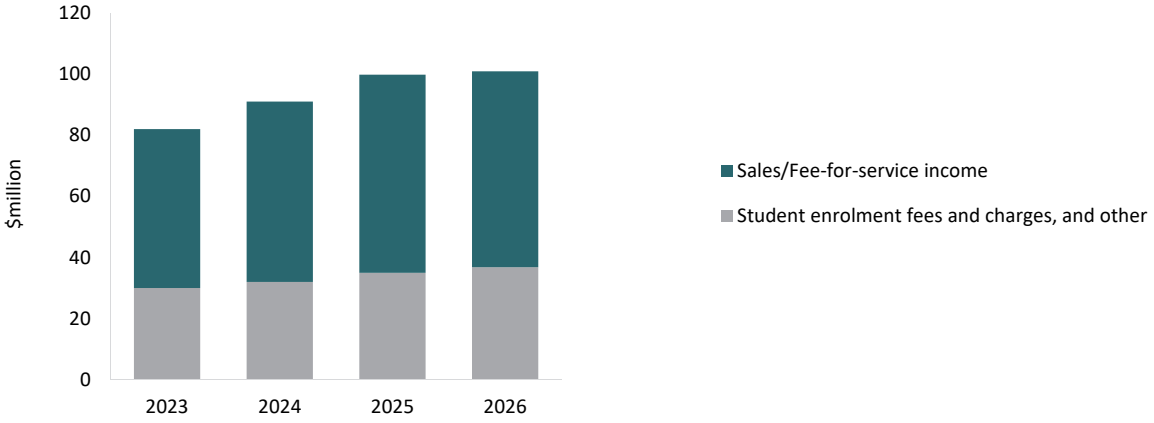
Source: Training hours data provided by TAFE SA and unaudited.

Fee Free TAFE continued for selected courses in 2025-26 with 9,739 students enrolled, up from 8,291 students in 2024-25. This is a joint State and Commonwealth Government initiative to provide tuition-free training places to students wanting to train, retrain or upskill. It aims to help industries facing skills shortages and other growth industries to train the current and future workforce in high-level skills areas.

The reduction in registered training hours in 2025-26 is due to a change in course mix that saw more students enrolled in courses with lower registered training hours and fewer in courses with higher registered training hours. In addition, we were advised that there was a reduction in the registered training hours due to a change in the curriculum for some Commonwealth-funded programs.

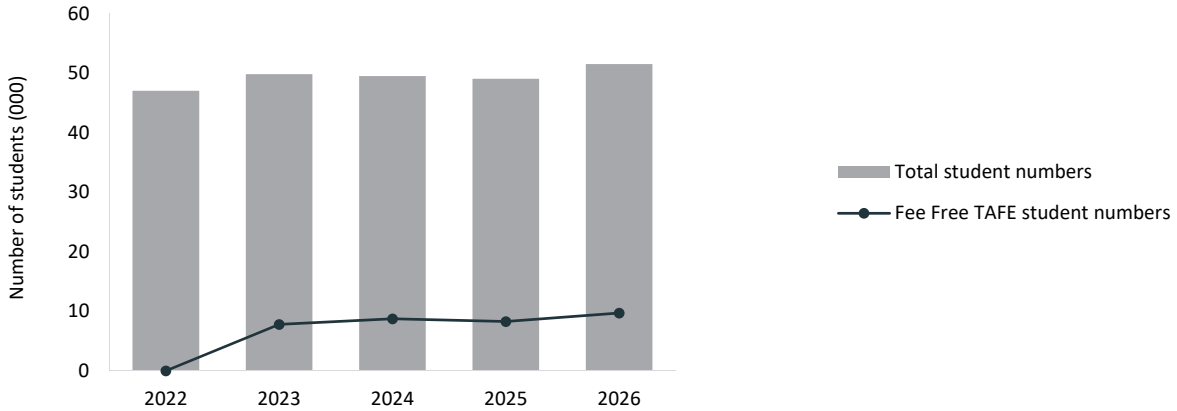
Student and other fees and charges

Student and other fees and charges totalled $101 million ($100 million) in 2025-26 and made up 26% of TAFE SA's total income. The main components for the past four years are shown in the following chart.



The chart shows a steady increase in sales/fee-for-service income for the three years to 2024-25, with a slight decrease in 2025-26.

The following chart shows TAFE SA's total student numbers rising to 49,795 in 2022-23 and staying relatively steady for the next three years, before increasing to 51,461 in 2025-26. The chart also shows the impact of Fee Free TAFE, which was introduced from semester 1 of the 2023 calendar year. The number of students studying Free Fee courses increased by 1,448 in 2025-26.



Source: Student number data provided by TAFE SA and unaudited.

Expenses

TAFE SA's total expenses increased by $18.8 million to $402 million in 2025-26. This included a $13.4 million increase in employee-related expenses and a $7.5 million increase in supplies and services.

Employee-related expenses

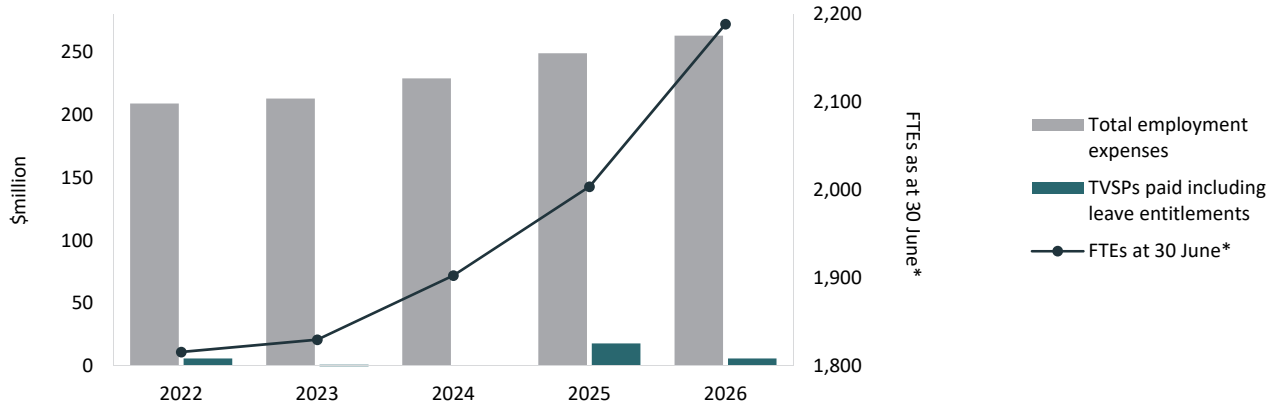
Employee-related expenses are TAFE SA's main expense, accounting for 65% of its total expenses. They increased by $13.4 million to $262.7 million in 2025-26, mainly due to:

- a $13.6 million increase in salaries and wages, driven by:
  - a 105 FTE increase in workforce numbers. This reflected increased staffing for the National Skills Agreement – National Centre of Excellence for Early Childhood Education and Care and National Security, and increased Commonwealth-funded activities
  - annual enterprise bargaining agreement increases
- increases in annual leave of $2.6 million and superannuation expenses of $2.5 million, impacted by the increased workforce numbers.

These increases were offset by:

- a $5.3 million decrease in workers compensation expense, largely reflecting the reduced provision for workers compensation liability resulting from movements in the actuarial assessment
- a $1.1 million decrease due to a lower number, six (18), and value of targeted voluntary separation packages (TVSPs) in 2025-26 compared to 2024-25.

The following chart shows employment expenses, TVSP payments and FTE staff (not including casual staff and hourly paid instructors) for the last five years.



* FTE data provided by TAFE SA and unaudited.

The chart shows the increase in FTEs since 2021-22, which are largely due to the increase in training activity, the Adult Migration English Program and additional priorities under the National Skills Agreement. Employment expenses since 2021-22 reflect these FTE increases. Salaried staff increased from 2,084 FTEs at 30 June 2025 to 2,189 FTEs at 30 June 2026, due to increases in the number of employees engaged under the *TAFE SA Act 2025* and the *Public Sector Act 2009*. The composition of FTEs at 30 June is shown in the following table, based on unaudited data from TAFE SA.

	2025 FTEs	2026 FTEs
TAFE SA Act staff	1,058	1,081
Public Sector Act staff	940	986
Excess staff	3	2
Hourly paid instructors	55	86
Casual staff	28	34
Total	2,084	2,189

Supplies and services

Supplies and services expenses totalled $106.6 million in 2025-26, an increase of $7.5 million (7.6%) from 2024-25. This increase was largely driven by a $2.3 million increase in maintenance and refurbishment costs due to aging infrastructure, and a $3.4 million increase in general administration, consumables and contracted services.

Statement of Financial Position

TAFE SA's total assets of $1.05 billion significantly exceed its total liabilities of $97.7 million.

Total assets largely comprise property, plant and equipment of $921 million and cash of $102.8 million. Property, plant and equipment increased by $48.4 million in 2025-26. The movement reflects a $61.9 million increase in the asset revaluation surplus from the land and buildings revaluation, together with additions of $23.9 million. These increases were partially offset by depreciation of $30.9 million and disposals of $7.5 million.

Total liabilities increased by $2.4 million to $97.7 million, and mainly comprised:

- employee-related liabilities of $69.3 million
- workers compensation and additional compensation provisions of $10.6 million
- payables of $13.5 million.

Further commentary on operations

TAFE SA Centre of Excellence in Early Childhood Education and Care

The TAFE SA Centre of Excellence in Early Childhood Education and Care was established in July 2024 as part of the National Skills Agreement. The agreement provides for $28 million in funding over five years, with $9.5 million received in 2025-26.

A joint initiative between the State and Commonwealth Governments, the Centre partners with key sector stakeholders to share knowledge, undertake research and drive early childhood education initiatives to improve workforce readiness, skill enhancement and workforce retention.

Guided by the recommendations of the Royal Commission into Early Childhood Education and Care, the Centre will develop and support solutions to ensure early childhood VET education is responsive to the needs of families and communities. The Centre has started early work on key projects by undertaking initial research and stakeholder engagement and developing early core initiatives.

The Centre had approximately 25 FTEs in 2025-26.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- payroll processing
- expenditure and accounts payable
- cash
- revenue, including funding from the Department of State Development, student revenue and accounts receivable
- property, plant and equipment
- general ledger and reconciliations.

We reviewed controls over bank accounts and the management of land and buildings as part of our overall controls opinion, which is discussed in Part B of this report.

Department of Treasury and Finance (DTF)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

- Analysis of payroll data identified 141 SA Government employees each being concurrently paid by more than one agency, with a combined number of work hours greater than a full-time position.
- Some key payroll processing controls could be improved.
- The payment system is not configured to enforce segregation between invoice coding and invoice approval.
- User access, limits and audit logging controls could be improved for some of Shared Services SA's main IT systems.
- Accounts payable control processes could be improved.
- Procurement and contract management processes for whole-of-government contracts could be improved.
- User access controls over a key taxation revenue system could be improved.
- Finance Reform Program contract management control processes could be improved.

Key statistics

$393 million
Total income

$408 million
Total expenditure

1,981
FTEs

Administered

$28.5 billion
Total income

$28.3 billion
Total expenditure

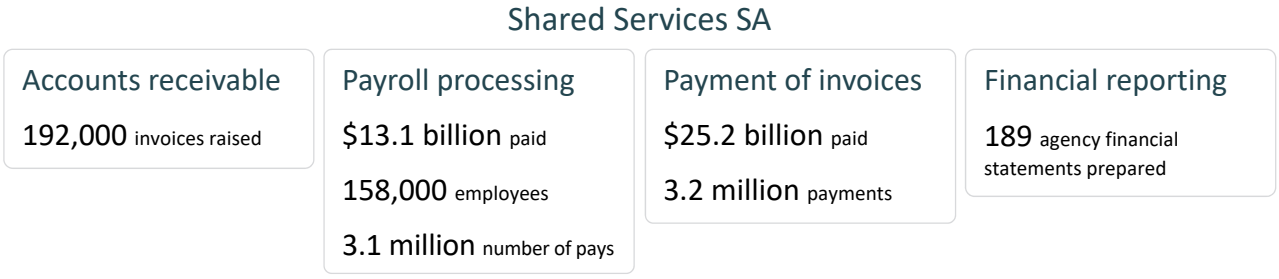
Significant events and transactions

- $347 million was paid to the administrators of the Whyalla Steelworks and $105 million for Port Pirie smelter assistance.
- Contributions were received from the Commonwealth Government to the Whyalla steel industry ($174 million) and Port Pirie smelter ($37.5 million).
- The carrying value of the State Owned Generator Leasing Company Pty Ltd was revised up by $107 million.
- A strategic diesel fuel reserve was purchased for $16 million.
- There was a $10 million impairment of the across-government energy rebate agreement prepayment to Zen Energy Retail Pty Ltd.
- In June 2026, the Treasurer entered into a contract to purchase 200 petajoules of gas as a strategic gas reserve over 10 years from early 2030. A $280 million prepayment was made under this arrangement on 1 July 2026.

Key findings

Shared Services SA financial systems and transaction processing controls

Shared Services SA (SSSA) processes financial transactions on behalf of a large number of SA Government agencies under service level determinations. Its services cover accounts payable, accounts receivable, payroll, general ledger and financial accounting. Statistics on the services provided annually are shown in the following chart.



The main IT systems that SSSA uses to deliver these services are:

- CHRIS21 and VALEO – payroll processing
- Tungsten – scanning invoices
- Basware – payment processing
- Masterpiece – accounts receivable, accounts payable, general ledger and fixed assets
- Oracle – accounts receivable, accounts payable, general ledger and fixed assets
- ANZ Transactive – banking software to process payments.

Payroll

SSSA payroll functions include:

- maintaining employee data
- processing, calculating and disbursing payroll
- identifying and managing salary overpayments
- calculating targeted voluntary separation packages and termination payments.

Most SA Government payroll is processed through CHRIS21, with VALEO used for the Department for Education.

We identified areas where SSSA could improve its internal controls for payroll processing.

SA Government employees were concurrently paid by more than one agency for working more than full-time hours

Our analysis of CHRIS21 payroll data at 31 December 2025 identified records indicating that 450 employees held concurrent employment arrangements across multiple SA Government agencies, including 141 employees working more than one FTE across multiple roles. This included employees who:

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

Our testing of a sample of these employees confirmed that they were paid for multiple roles in the same pay period. 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, compliant with relevant policies or suitable having regard to employee workload and wellbeing.

Not being able to easily identify employees working in multiple concurrent roles increases the risk that inappropriate employment arrangements, excessive or duplicate payments, payroll anomalies, policy non-compliance, employee fatigue and reduced workforce performance may not be detected in a timely manner.

Agencies are responsible for approving employment arrangements, managing workloads and ensuring employees perform the duties they are engaged and paid for. However, current systems do not provide a cross-agency view of employee FTE commitments, there is no unique employee identifier and limitations exist in cross-agency reporting. This means that agencies cannot easily identify and monitor employees whose combined roles exceed one FTE across the public sector.

SSSA acknowledged these risks, noting the primary responsibility for employee arrangements rests with agencies. SSSA advised us that existing controls include agency recruitment processes, outside employment declarations and centralised payroll data for agencies using CHRIS21. This does not include significant entities such as the Department for Education and various public authorities not using SSSA payroll services.

SSSA also advised us that it is working to strengthen 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 engaged with the Office of the Commissioner for Public Sector Employment to:

- use the Office's public sector data warehouse to develop reporting to identify scenarios where an employee may be engaged at more than one FTE 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.

Other SSSA payroll findings

We found that SSSA need to strengthen its review processes to ensure the completeness and accuracy of payroll processing. SSSA could not provide:

- signed quality assurance transfer checklists for any of the 19 employee transfers we tested
- evidence that six of the 19 employee increment reports we tested had been reviewed.

SSSA responded that it recently implemented an electronic scanning, capture and workflow solution for payroll records, which will improve its record-keeping processes.

Accounts payable

SSSA processes payments on behalf of SA Government agencies. Each year, we review key controls over SSSA's processing environment.

This year, we found that SSSA has not configured the Basware payment system to enforce segregation between invoice coding and invoice approval. This means that some delegates can approve invoices for payment and amend the general ledger coding applied to those invoices.

We identified more than 11,000 instances as at December 2025, totalling around $46 million, where the same delegate changed invoice coding and approved the payment. This is in the context of around 360,000 transactions valued at close to $8 billion being processed in the same six-month period.

Segregation of duties is a key internal control that reduces the risk of fraud and error by limiting the concentration of responsibilities. A single delegate being able to amend coding and approve payment increases the risk of inappropriate or incorrect expenditure allocations not being detected.

SSSA advised us that it does not consider some approvers being able to amend coding materially increases risk, because approvers are typically cost centre owners who are often best placed to determine the correct allocation of expenditure. SSSA further advised us that restricting this functionality would likely require significant system redesign, and may introduce invoice processing delays, and that implementing retrospective monitoring controls would create a substantial administrative burden for SSSA and agencies.

SSSA also advised us that agencies have access to existing controls to identify and correct expenditure misallocations. In response to this finding, SSSA will advise agencies of the risk and remind them of the functionality in Basware, that provides access to real-time invoice data that agencies can use to review expenditure allocations.

We recognise the complexity of designing and implementing controls in a shared services environment, where the effectiveness of the control framework may depend on both centralised system controls and agency review processes. Assessing whether risks are appropriately mitigated therefore needs to consider the controls operated by SSSA as the service provider and system administrator, and the compensating controls applied by agencies.

In 2026-27, we will consider any cost-benefit assessment of this control weakness by SSSA, including the basis for its conclusion that existing agency controls adequately mitigate the risks. We will also consider how SSSA has evidenced the design and operation of any compensating controls relied on to address the lack of segregation between invoice coding and approval.

IT general controls

Given the importance of SSSA's systems to SA Government transaction processing, we review IT general controls for them each year.

Basware

We found a number of exceptions relating to privileged user access, user offboarding and user access reviews.

SSSA responded that it had reviewed and addressed the exceptions we identified. It will also remind internal business units and agencies of their user access management responsibilities.

CHRIS21

We found a number of exceptions relating to user onboarding, offboarding, user access reviews and audit log monitoring.

SSSA responded that it had reviewed and addressed the exceptions we identified. It will remind internal business units and agencies of their user access management responsibilities. It will also continue relating with the system vendor to implement appropriate audit log reporting.

Masterpiece

We found exceptions relating to privileged user access, user offboarding and user access reviews.

SSSA responded that it had reviewed and addressed the exceptions we identified. It will remind internal business units and agencies of their user access management responsibilities.

ANZ Transactive

We found exceptions relating to user discretion limits.

SSSA responded that it had reviewed and addressed the exceptions we identified.

Oracle

We found weaknesses in privileged user access management and user offboarding exceptions.

At the time of this report SSSA was still preparing a response to our findings and recommendations.

Accounts payable

Stale cheques were not addressed

Cheques are generally considered stale if they are not presented within 15 months of being issued. Last year we noted a significant increase in the number of unpresented cheques for the Fines Enforcement and Recovery Unit (FERU), with the February 2025 bank reconciliation identifying 249 unpresented cheques that were stale but not cancelled.

DTF responded last year that it would continue to manage stale cheques and that it was working through requirements to phase out the use of cheques in line with the Commonwealth Government commitment.

This year the December 2025 bank reconciliation included 180 unpresented FERU cheques that were stale but not cancelled.

DTF responded that the FERU stopped using cheques in October 2025 and now uses direct credit for payments. It will work with SSSA to cancel the remaining unpresented cheques by January 2027.

Procurement and contract management for whole-of-government contracts

Post-sourcing review was not performed promptly

We found that a post-sourcing review for a procurement we reviewed was not performed within 60 days of the purchase recommendation approval, as required by Procurement SA's Procurement and Contract Management Framework.

DTF responded that extra time was needed to complete the review due to the complexity of the procurement and the large panel of suppliers involved.

Since the procurement was undertaken, Treasurer's Instruction 18 *Procurement* (TI 18) and the related procurement policy have been updated to require post-sourcing reviews to be completed within 60 days of contract execution rather than purchase recommendation approval. DTF considers the amended time frame better reflects the procurement lifecycle, particularly for panel arrangements where contract execution may occur progressively across multiple suppliers.

Negotiation plan was not completed

We found that a negotiation plan was not prepared for one complex procurement we reviewed. They are required for all complex procurements by Procurement SA's sourcing policy and procurement and contract management framework.

DTF responded that while the procurement was classified as complex based on the total contract value, the nature of the procurement and engagement with respondents was routine and of low complexity. It acknowledged that it should have documented the absence of a negotiation plan as a departure in the purchase recommendation.

Key contract management documents were not finalised and approved

We found that many key contract management documents for two contracts we reviewed were not finalised and approved, as required by Procurement SA's Procurement and Contract Management Framework.

DTF responded that its procurement and contract management system has been enhanced to record and monitor key contract management activities and approval requirements.

Taxation revenue systems

Changes identified from RevenueSA system user access reviews were not made promptly

We found that nine of the 25 user access change requests arising from the July 2025 user access review of RevenueSA's tax revenue systems had not been actioned at the time of our audit. We brought this to DTF's attention and were advised later that the requests had been actioned.

DTF responded that it will strengthen its user access management processes to ensure identified changes are actioned promptly.

Finance Reform Program

DTF has engaged a System Implementation Partner (SIP) to help implement its significant Finance Reform Program. We reviewed DTF's contract management processes for the SIP contract.

Contract management plan was out of date

We found that the SIP contract management plan was out of date, although an incomplete updated plan was in draft at the time of our audit.

DTF responded that it will finalise the updated plan and have it approved.

Annual review of the SIP contract had not been performed

The SIP contract has been in effect since September 2024. We found that the required annual reviews of the SIP contract had not been performed, although one was in progress at the time of our audit.

DTF responded that the annual review would be completed by 30 September 2026.

Contract manager had not completed mandatory training

We found that one of DTF's SIP contract managers could not provide evidence of having done the mandatory training required by TI 18.

DTF responded that it will implement a process to ensure all contract management staff responsible for strategic contracts complete mandatory training.

Financial information

Highlights of the financial report – controlled items*

	2026 $million	2025 $million
Income		
Appropriation	266	262
Fees and charges	108	102
Other income	20	18
Total income	393	382
Expenses		
Employee-related expenses	217	197
Supplies and services	166	152
Other expenses	24	28
Total expenses	408	377
Total comprehensive result	(14)	6

	2026 $million	2025 $million
Assets		
Current assets	93	94
Non-current assets	48	62
Total assets	140	156
Liabilities		
Current liabilities	41	44
Non-current liabilities	44	43
Total liabilities	86	87
Total equity	55	69

* Table may not add due to rounding.

Statement of Comprehensive Income – controlled items

Income

Income increased by $11 million to $393 million, mainly due to:

- a $4 million increase in appropriations
- a $6 million increase in revenue from fees and charges, mostly the result of increased services provided to the South Australian Superannuation Board ($1.7 million), South Australian Government Financing Authority ($1.4 million) and other SA Government agencies ($1.6 million).

Expenses

Expenses increased by $31 million to $408 million, mainly due to:

- a $14 million increase in supplies and services expenses, mostly due to increased expenses for ICT ($8.2 million), general administration and consumables ($2.5 million) and other supplies and services ($1.2 million)
- a $21 million increase in employee-related expenses, mostly due to additional salary costs ($16.1 million), superannuation ($2.7 million) and annual leave ($1.6 million)
- a $5 million decrease in surplus cash transferred to the Consolidated Account.

Statement of Financial Position – controlled items

Assets

Total assets decreased by $16 million to $140 million, mainly due to:

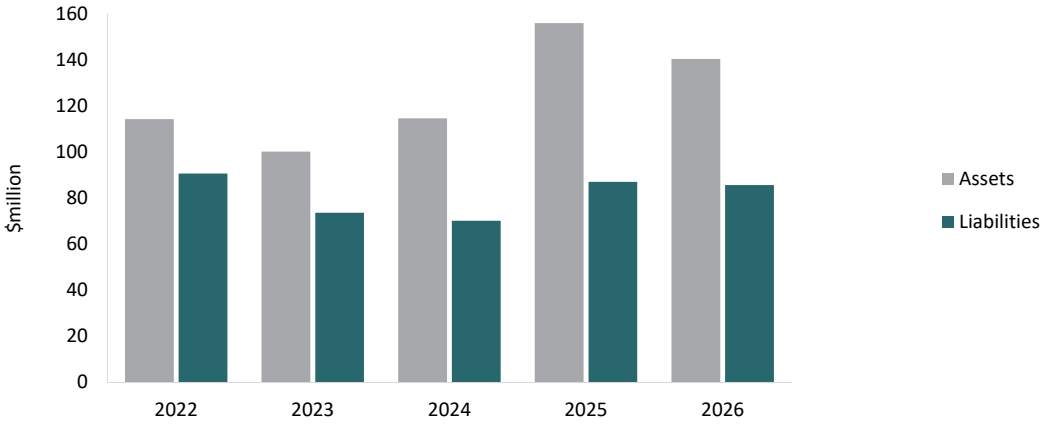
- a $10.6 million decrease in intangibles, mostly due to a $10.8 million amortisation expense, offset by $410,000 of additions
- a $3.6 million decrease in property, plant and equipment, mostly due to $4.2 million of additions, mainly in work in progress, offset by $6.2 million in depreciation and amortisation expenses and $1.1 million in costs expensed
- a $2.6 million decrease in cash
- a $1.3 million increase in receivables.

Liabilities

Total liabilities decreased by $1.4 million to $86 million, mainly due to:

- a $4.6 million decrease in payables, mainly from a $5.8 million decrease in accrued expenses
- an $805,000 decrease in the workers compensation provision
- a $739,000 decrease in accommodation incentive liabilities
- a $4.8 million increase in employee-related liabilities, mainly from increases in annual leave ($1.9 million), long service leave ($1.4 million), accrued salaries and wages ($857,000) and employment on-costs ($640,000).

The following chart shows DTF's asset and liability balances for the past five years.



Highlights of the financial report – administered items

The administered financial statements mainly reflect DTF's transactions on behalf of the SA Government for the Consolidated Account. The Consolidated Account result for 2026 is reported in the Treasurer's statements (published on the Audit Office of South Australia's website).

	2026 $million	2025 $million
Income		
Taxation	6,811	6,318
Commonwealth revenues	15,352	13,773
Appropriation	4,256	3,842
Other revenues	2,107	1,766
Total income	28,525	25,698
Expenses		
Payments to SA Government	18,573	16,995
Grants, subsidies and transfers	7,192	6,422
Other expenses	2,556	2,185
Total expenses	28,321	25,602
Other comprehensive income	-	(3)
Total comprehensive result	204	93

	2026 $million	2025 $million
Assets		
Current assets	2,423	1,686
Non-current assets	903	717
Total assets	3,326	2,403
Liabilities		
Current liabilities	1,379	800
Non-current liabilities	396	256
Total liabilities	1,775	1,056
Total equity	1,551	1,347

* Table may not add due to rounding.

Statement of Comprehensive Income – administered items

Administered revenue

Taxation revenue increased by $492 million to $6.81 billion, mainly due to:

- a $233 million increase in stamp duties on property sales conveyances, reflecting generally higher residential property prices
- a $228 million increase in payroll tax, due mainly to growth in employment and earnings
- a $63 million increase in income tax equivalents, due mainly to increases in tax payments from the Return to Work Corporation of South Australia ($66.5 million), HomeStart Finance ($8.5 million) and the Urban Renewal Authority ($2.2 million), offset by decreases from the State Owned Generators Leasing Co Pty Ltd ($9.6 million) and the South Australian Water Corporation ($6 million)
- a $34 million increase in stamp duties on general insurance, due to growth in premiums
- a $52 million decrease in land tax, reflecting the timing of payments, particularly by taxpayers with large holdings like the South Australian Housing Trust
- a $38 million decrease in casino duty, reflecting additional revenue in 2024-25 arising from the outcome of a High Court decision on tax payable on loyalty points converted to gambling credits and used by patrons.

The state taxation statistics in the following chart show that SA Government agencies paid:

- 27% of land tax and 5% of the Emergency Services levy collected in 2025-26
- 50% of payroll tax collected by RevenueSA from the top 20 taxpayers in 2025-26.

State taxation statistics

Split between SA Government and other levy/taxpayers

Land tax

27% Land tax equivalent regime

73% Other

Emergency Services levy

5% SA Government

95% Other

Payroll tax (top 20 taxpayers)

50% SA Government

50% Other

$829 million
Land tax

$210 million
Emergency Services levy

$2.5 billion
Payroll tax

Number of levy/taxpayers

54,000
Land tax

695,000
Emergency Services levy

15,000
Payroll tax

Emergency Services levy by land use type

Commonwealth revenue increased by $1.6 billion to $13.4 billion, mainly comprising an $829 million increase in GST revenue grants and a $740 million increase in funding received under the Inter-Governmental Agreement on Federal Financial Relations (IGAFFR).

Funding received from the Commonwealth Government in the current and prior years for various infrastructure and capital projects is initially recorded as unearned revenue and then recognised when expenditure on the projects is incurred. Grants received from the Commonwealth for capital projects and recognised as unearned revenue were $1.5 billion in 2025-26. Grant revenue recognised for capital works completed was $1.4 billion.

Appropriation increased by $415 million to $4.3 billion, reflecting increased funding for DTF's administered activities.

Other revenue increased by $339 million to $2.1 billion, mainly due to:

- a $147 million increase in the return of surplus cash from agencies to the Consolidated Account
- a $114 million increase in dividends from SA Government agencies, due mainly to increases of $57 million from the Urban Renewal Authority, $25 million from HomeStart Finance, $24 million increase from the South Australian Water Corporation and $11 million from the Public Trustee
- a $105 million increase in the carrying value of the State Owned Generator Lease Company Pty Ltd, due mainly to a $114 million gain on revaluation of the generators
- a $43 million increase in fees and charges, due mainly to increases of $20 million in court fees and fines, $14 million in guarantee fees, $5 million in Victims of Crime levy collections and $3 million in FERU suitor collections
- a $19 million increase in grants and contributions

- a $54 million decrease in the return of equity contributions by agencies. This amount varies each year as it generally relates to specific transactions
- a $17 million decrease in interest revenues.

Administered expenses

Administered expenses increased by $2.7 billion to $28.3 billion, mainly due to:

- a $1.58 billion increase in payments to the SA Government, mostly due to a $1.59 billion increase in the transfer of revenue received on behalf of the Consolidated Account, offset by an $11 million decrease in the repayment of advances to the Consolidated Account
- a $770 million increase in grants, subsidies and transfers, mostly due to increases of $628 million in recurrent grants, subsidies and transfers and $221 million in capital grants, subsidies and transfers, offset by an $84 million decrease in equity capital contributions
- a $176 million increase in interest costs, mainly on the Treasurer's borrowings from the South Australian Government Financing Authority
- a $105 million Port Pirie response package
- a $30 million increase in payments to the administrators of the Whyalla Steelworks
- a $27 million increase in employee-related expenses, mostly due to a $23 million increase in payments to the Police Superannuation Scheme and the South Australia Superannuation Fund to support funding of the defined benefit liabilities of these schemes.

Administered assets

Administered assets increased by $922 million to $3.3 billion, mainly due to:

- a $718 million increase in cash, reflecting an increase in deposits with the Treasurer
- a $107 million increase in the value of contributed capital in the State Owned Generator Lease Company Pty Ltd, due mainly to a $114 million gain on revaluation of the generators
- a $79 million increase in loans to the Treasurer
- a $12 million strategic diesel fuel reserve.

Administered liabilities

Administered liabilities increased by $718 million to $1.8 billion, mainly due to:

- a $486 million increase in revenues collected but not yet paid into the Consolidated Account
- an $88 million increase in unearned Commonwealth revenue relating to capital projects
- a $57 million Commonwealth Government non-interest bearing loan as a contribution to a program to improve the supply of housing for first home buyers
- a $62 million increase in accrued expenses.

Further commentary on operations

Commonwealth Government funding arrangements

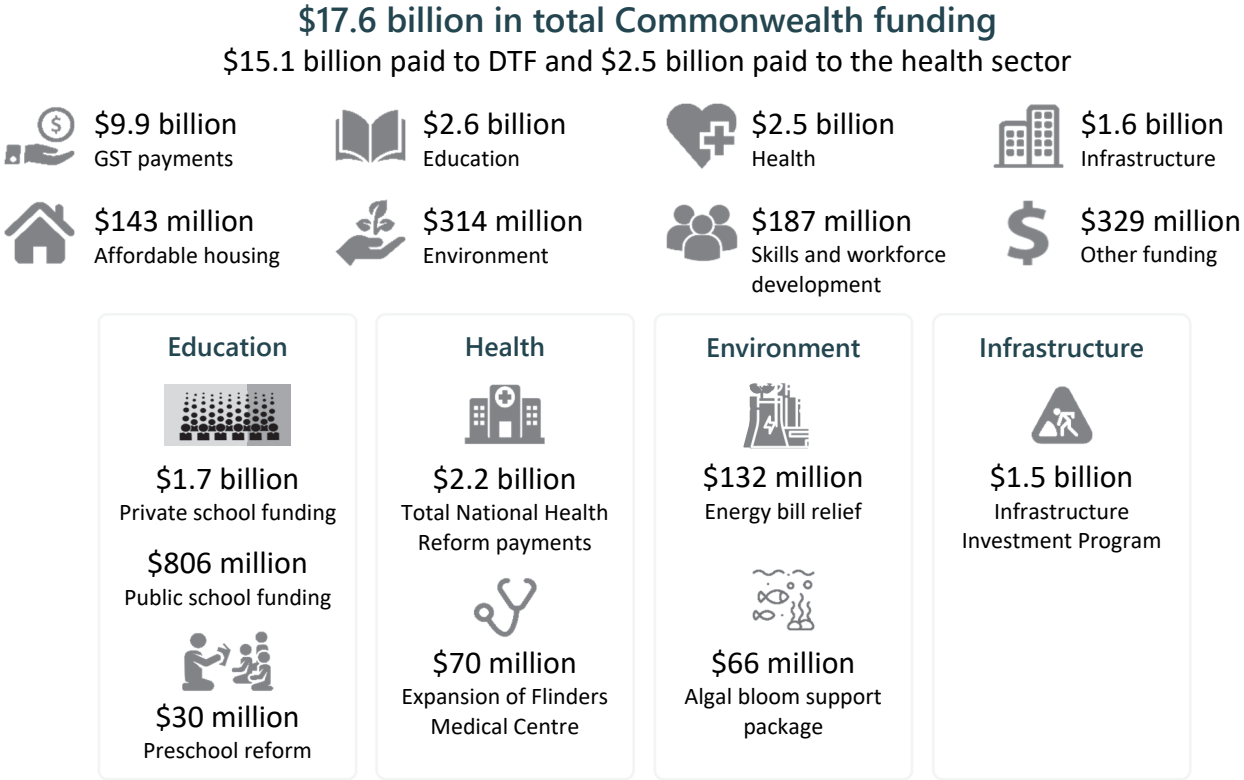
The IGAFFR is the framework for the Commonwealth's financial relations with the states and territories. It provides for the following types of Commonwealth payments:

- general revenue assistance, including the ongoing provision of GST payments, to be used by the states and territories for any purpose
- national specific purpose payments to be spent in the key service delivery sectors agreed between the Commonwealth and the states. Each national specific purpose payment is linked to a national agreement that contains objectives, outcomes, outputs and performance indicators, and clarifies the roles and responsibilities of each jurisdiction
- national partnership payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

All Commonwealth funding under the IGAFFR, with the exception of funding under the National Health Reform Agreement, is provided to DTF. DTF then distributes the funds to agencies. The Treasurer has established a special deposit account to receive and disburse money paid to the State for the national specific purpose payment and national partnership payment purposes listed in the IGAFFR.

The balance of the IGAFFR account was $293 million ($149 million) at 30 June 2026. These are the funds that DTF is yet to transfer to other agencies.

Commonwealth funding, presented on a cash basis, was provided for the purposes shown in the following chart in 2025-26. The Commonwealth provided $15.1 billion to DTF and $2.5 billion directly to the health sector. Of this, 56% related to GST revenue grants of $9.9 billion that can be used for any purpose, whereas most of the remaining Commonwealth funding is for specific purposes.



Source: Australian Government GovTeams report at 30 June 2026.

Whyalla Steelworks assistance

In February 2025, the Commonwealth and SA Governments announced a multi-billion dollar package to support the Whyalla Steelworks and jobs in Whyalla, and to encourage more investment in Australian-made iron and steel.

Payments to the administrators of the Whyalla Steelworks totalled $347 million in 2025-26, with the Commonwealth contributing $174 million of this. Payments to the administrator since administration commenced totalled $665 million at 30 June 2026, with the Commonwealth Government contributing $336 million.

At 30 June 2026, the Treasurer had indemnified the debts of the Whyalla Steelworks administrator for up to $768 million. The Treasurer's remaining exposure was $103.5 million. In addition to the indemnity, the Commonwealth and SA Governments have committed $1.9 billion to fund improvements to the Whyalla Steelworks following a successful sale process.

Port Pirie smelter assistance

In August 2025 the Commonwealth, South Australian and Tasmanian Governments announced a $135 million support package to accelerate the transformation of Nyrstar's Port Pirie and Hobart smelters. The funding contributions from the Commonwealth ($57.5 million), South Australia ($55 million) and Tasmania ($22.5 million) ended on 1 May 2026.

In June 2026 a new $105 million funding package was announced, with the Commonwealth Government contributing $62.5 million, South Australia $35 million and Tasmania $7.5 million.

Assistance for Port Pirie of $105 million was paid through DTF's administered items in 2025-26, with the Commonwealth Government contributing $38 million of this. This was a combination of amounts paid under the original and revised funding packages.

Unpaid committed funding of $75 million remained at 30 June 2026.

Strategic diesel fuel reserve

To address uncertainty about ongoing fuel supply, particularly diesel, the SA Government entered into a supply storage and distribution service agreement in 2025-26. The agreement provides for an initial supply of 10 megalitres of diesel fuel, with an option to secure an another 10 megalitres exercised in July 2026. The fuel is stored at the supplier's facility at Port Bonython.

The value of the fuel at 30 June 2026 was $11.8 million, after a write-down of $4.3 million due to a decrease in the market price of diesel between the time of purchase and 30 June. Inventory is held at the lower of its cost or market value, meaning that even though prices for diesel have increased since 30 June, the value will not increase unless the inventory is sold and the gain is realised as income.

Strategic gas reserve

In June 2026, the Treasurer entered into a contract with Santos on behalf of the SA Government to purchase 200 petajoules of gas as a strategic gas reserve. The gas will be received over a 10-year period from early 2030.

In line with the contract, a prepayment of $280 million was made on 1 July 2026. The remaining amounts will be paid monthly after delivery.

School loans scheme

In the 2021-22 State Budget the SA Government announced a $320 million low interest loan scheme to help non-government schools upgrade their existing school facilities, including early learning centres co-located on a school site. Loans of between $500,000 and $10 million per school were made available for six years, with loan terms up to 15 years.

The South Australian Government Financing Authority administers the loan scheme and there have been four funding rounds since its inception.

Rounds 1 and 2 provided schools with an initial five-year interest free period, while subsequent rounds provide a two-year interest-only period during construction of an approved project, with principal repayments commencing on completion of construction.

Funds advanced to non-government schools totalled $130.9 million at 30 June 2026. Approved school loans totalled $141.7 million, with $10.8 million not yet drawn down.

Fines Enforcement and Recovery Unit – $550 million debt outstanding

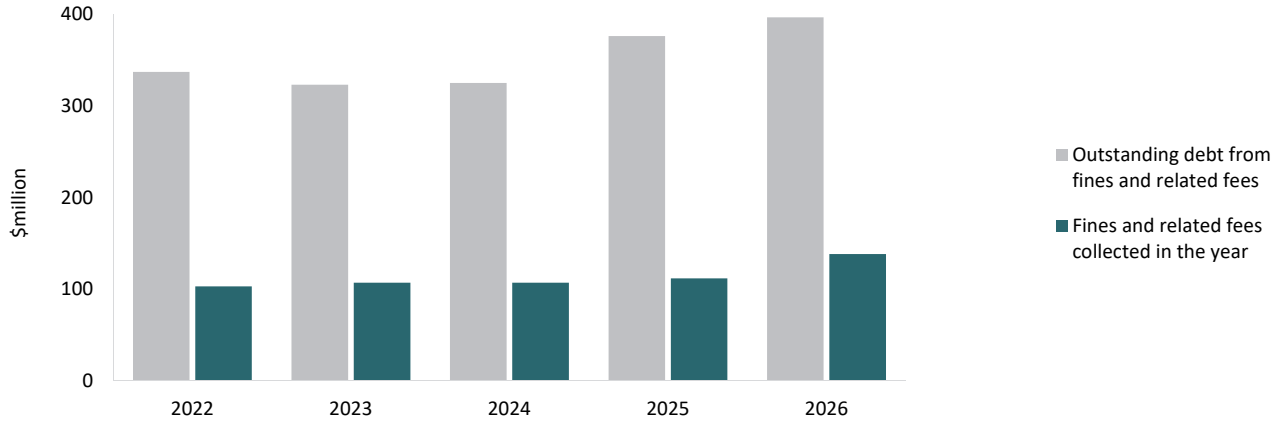
The FERU collects outstanding fines and related payments (suitor amounts and fees and charges related to overdue amounts). It performs this function for court fines, expiation fees (including overdue local government amounts referred) and other outstanding amounts, such as Victims of Crime levies and third-party suitors.

The balance of debt managed by the FERU was $550.1 million ($511.2 million) at 30 June 2026, which includes $54.4 million ($53.8 million) that is not yet due. This comprises:

- fines – $292.6 million ($278 million) – includes expiations of $220.2 million ($208.3 million) and pecuniary sums of $72.4 million ($69.8 million)
- Victims of Crime levies – $153.6 million ($135.1 million)
- FERU fees – $103.9 million ($98.1 million).

$164.9 million ($149 million) of the debt relates to court penalties, while $385.2 million ($362.2 million) relates to expiation notices.

The following chart shows the outstanding debt from fines and related fees (excluding Victims of Crime levies) and total collections over the last five years.



Outstanding amounts are not recorded in DTF's Statement of Administered Financial Position as there is significant uncertainty about the amount that will be collected. Instead, revenue is recorded in the Statement of Administered Comprehensive Income when money is received.

Fines lodged with the FERU totalled $275.1 million ($261.1 million) in 2025-26. Collections totalled $150.3 million ($123.2 million), including Victims of Crime amounts. This included $138.4 million ($111.7 million) collected on behalf of the SA Government and $10.9 million ($10.7 million) collected on behalf of non-government entities, including local government councils.

The FERU advised us that most of the $38.9 million increase in debt being managed in 2025-26 relates to increased mobile phone detection camera fines.

Of the balance of debt managed by the FERU, $392.7 million ($323.3 million) is under active management, with $229.8 million ($212.5 million) subject to payment arrangements, $54.4 million ($53.8 million) subject to arrangements prior to fines being overdue and $54.7 million ($51.8 million) not owed to the State. The FERU referred fines totalling $129 million to debt collection agencies in 2025-26.

In addition to the amounts outlined above, from May 2019 the FERU started recovering State debt on behalf of other government agencies. Amounts for other government agencies are normal debtors and are in addition to the FERU-managed amounts provided above because they continue to be recorded on the other government agencies' balance sheets. The FERU was managing the recovery of debts for 29 (28) government agencies at 30 June 2026. Debt totalling $76 million ($13.8 million) was referred to the FERU in 2025-26 and $7 million ($5.3 million) of it was collected. $16.6 million ($11.2 million) is subject to payment arrangements and $4.3 million ($800,000) was paid back directly to government agencies.

The increase in other government agency debts referred in 2025-26 was mainly due to the referral of around 38,000 SA Ambulance Service debts during the year. This followed an extended period where the SA Ambulance Service had ceased transferring outstanding debts to the FERU.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- taxation revenue
- payroll
- expenditure
- procurement
- general ledger maintenance and reconciliation
- receipting and banking
- transition to Oracle financial management system
- support for the Whyalla steel industry and Port Pirie smelter
- Finance Reform Program, including project governance, project management and system implementation partner contract management.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- Commonwealth Government revenue
- taxation revenue – payroll tax
- taxation revenue – stamp duty – conveyances on sale of property
- Treasurer's guarantees and indemnities
- unfunded superannuation liability
- SSSA – accounts payable and payroll functions
- Treasurer's statements A, F, G and I
- a sample of whole-of-government contracts.

University of Adelaide (Uni Adelaide)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	No audit findings.

Key statistics (consolidated)

$702,000
Total income

$2.25 billion
Total expenditure

The financial information and commentary focus only on the activities of Uni Adelaide for the period 1 January to 31 March 2026. This was the final reporting year that it operated as an Australian public university provider under the *Higher Education Support Act 2003* (Cth). This will be the final time we report on this entity.

Significant events and transactions	Uni Adelaide was disestablished on 31 March 2026. All Uni Adelaide assets and liabilities were transferred to Adelaide University on 1 January 2026 for $0, leading to Uni Adelaide incurring a consolidated loss of $2.25 billion.

Financial information

Highlights of the financial report – consolidated

	01/01/2026 to 31/03/2026 $million	2025 $million
Total revenue	1	1,302
Total expenses	2,249	1,466
Operating result	(2,248)	(164)
Other comprehensive income	-	190
Total comprehensive income	-	26
Total assets	-	2,876
Total liabilities	-	628
Net assets	-	2,248

Further commentary on operations

Final transfer impact on Uni Adelaide

On 1 January 2026, the assets, liabilities, contracts and students of Uni Adelaide were transferred to Adelaide University for $0 at their 31 December 2025 fair values, with no change to the valuation basis applied on transfer.

Scope of the audit

The audit program covered a review of Uni Adelaide's financial operations for the period 1 January 2026 to 31 March 2026 including:

- grant revenue
- salaries and related expenses
- other expenditure.

Particular attention was given to Uni Adelaide's disestablishment activities, including the loss on net asset transfer to Adelaide University and relevant disclosures in the financial statements.

University of South Australia (UniSA)

Financial report opinion	**Unmodified** The financial statements are materially correct and can be relied on.
Audit findings	No audit findings.

Key statistics (consolidated)

$3 million
Total income

$1.44 billion
Total expenditure

The financial information and commentary focus only on the activities of UniSA for the period 1 January to 31 March 2026. This was the final reporting year that it operated as an Australian public university provider under the *Higher Education Support Act 2003* (Cth). This will be the final time we report on this entity.

Significant events and transactions	UniSA was disestablished on 31 March 2026. All UniSA assets and liabilities were transferred to Adelaide University on 1 January 2026 for $0, leading to UniSA incurring a consolidated loss of $1.44 billion.

Financial information

Highlights of the financial report – consolidated

	01/01/2026 to 31/03/2026 $million	2025 $million
Total income	3	823
Total expenses	1,442	970
Operating result before income tax	(1,439)	(147)
Total assets	0	2,015
Total liabilities	0	576
Net assets	0	1,439

Further commentary on operations

Final transfer impact on UniSA

On 1 January 2026, the assets, liabilities, contracts and students of UniSA were transferred to Adelaide University at their 31 December 2025 fair values, with no change to the valuation bases applied on transfer. No cost was paid by Adelaide University for these transfers.

Scope of the audit

The audit program covered a review of UniSA's financial operations for the period 1 January 2026 to 31 March 2026 including:

- grant income
- salaries and related expenses
- other expenditure.

Particular attention was given to UniSA's disestablishment activities, including the loss on net asset transfer to Adelaide University and relevant disclosures in the financial statements.

Urban Renewal Authority (URA)

Financial report opinion

Unmodified

The financial statements are materially correct and can be relied on.

Audit findings

Procurement and contract management controls need to improve.

Key statistics

$208 million
Total income

$153 million
Total expenditure

$55 million
Profit before income tax equivalent

197
FTEs

$8 million
SA Government equity contributions

$62 million
Dividends paid back to SA Government

Significant events and transactions

- The URA sold land at Onkaparinga Heights to a private developer who will develop it over 10 years. Discounting the future payments to their present value resulted in the URA recognising sales revenue of $62 million and a corresponding receivable. The difference between this amount and the sale price will be treated as a financing arrangement and recognised periodically as interest revenue over 10 years.
- Development costs totalled $232 million, including $71 million to construct the Deep Maintenance and Modification Facility at Edinburgh Parks.
- South Australian Government Financing Authority borrowings increased to $935 million to fund property purchases and future development activity.
- The URA paid $62 million in dividends to the SA Government.

Key findings

Procurement and contract management

Procurement and contract management controls need to improve

The URA's contracted internal auditor reviewed the URA's procurement and contract management function in 2025-26 to assess the effectiveness of its governance, systems and controls. We relied on this work rather than performing our own work in this area.

The internal audit of procurement activities concluded that the URA had an adequate (partially effective) procurement control environment. The audit identified non-compliance with the URA's procurement policy and framework for three procurements as a key area for improvement.

This primarily related to planning, risk assessment, market approach, governance, conflict-of-interest management and record keeping. The issues were largely attributed to the decentralised procurement delivery model, where accountability for procurement activities is distributed across the organisation. This increases the risk of inconsistent control application.

The internal audit of contract management concluded that the URA had an established contract management policy and framework that provides an appropriate baseline for governance and compliance. Despite this, the audit identified:

- incomplete contract complexity assessments
- incomplete or inaccessible contract management lifecycle documentation.

The URA accepted these findings and agreed to address them by December 2026.

Financial information

Highlights of the financial report*

	2026 $million	2025 $million
Income		
Sales	273	148
Cost of sales	(150)	(102)
Revenues from SA Government	11	16
Property income	43	42
Interest revenues	18	17
Gain from changes in the value of non-current assets	12	33
Other revenue	1	1
Total income	208	154
Expenses		
Employee benefits expenses	25	24
Operating expenditure, depreciation and amortisation, and other expenses	87	76
Borrowing costs	41	34
Total expenses	153	134

	2026 $million	2025 $million
Profit before income tax equivalent	55	20
Income tax equivalent	(16)	(6)
Total comprehensive result	38	14
Assets		
Current assets	328	230
Non-current assets	1,036	1,011
Total assets	1,364	1,241
Liabilities		
Current liabilities	480	270
Non-current liabilities	604	676
Total liabilities	1,084	946
Total equity	279	295

* Table may not add due to rounding.

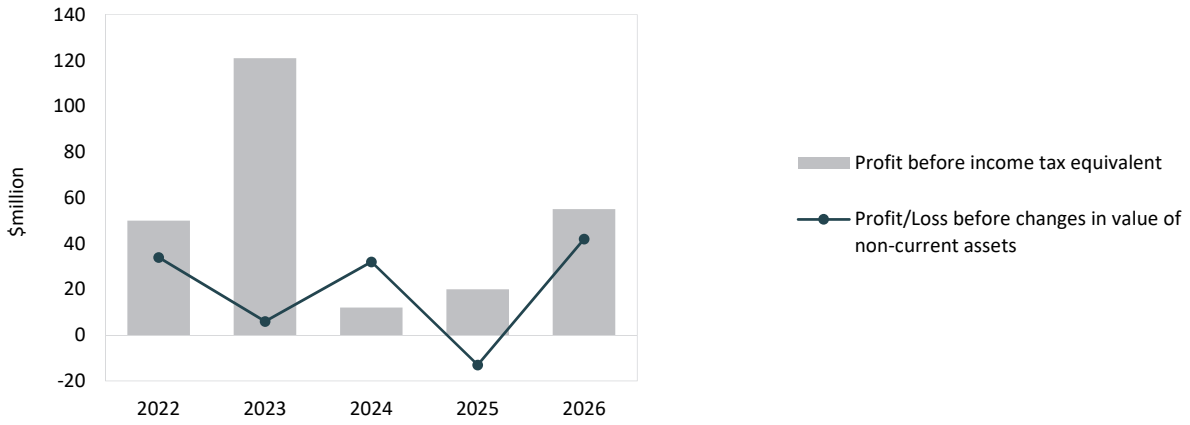
Statement of Comprehensive Income

The Treasurer has classified the URA as a for-profit entity. The URA's capacity to generate profits is significantly influenced by a range of matters, some of which are discussed below, including government policy.

Profit (Loss) before income tax equivalent

The URA's profit before income tax equivalent increased by $35 million to $55 million in 2025-26. The nature of the URA's business means that its profit (loss) before income tax equivalent is influenced by movements in the value of its inventory and investment property.

The following chart shows the URA's profit before income tax equivalent against the impact that gains or losses on changes in the value of non-current assets has on profit for the last five years. The chart highlights that movements in the value of non-current assets have been a significant driver of the URA's reported profit over the past five years, contributing to volatility in financial results.



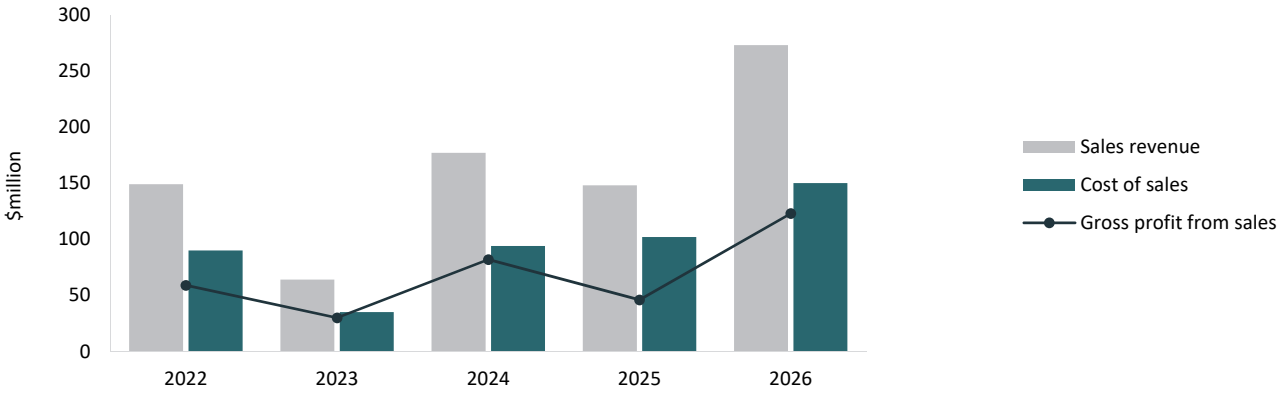
Income

Total income increased by $54 million to $208 million in 2025-26, mainly due to:

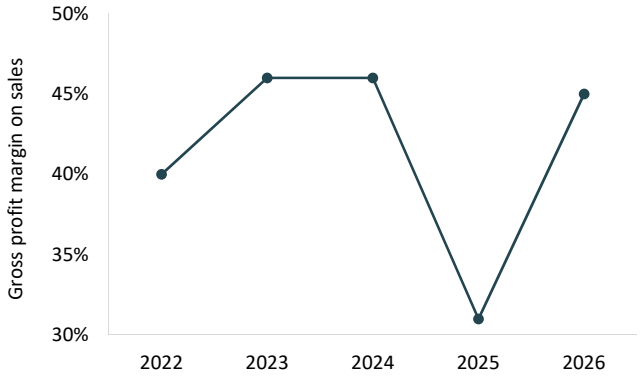
- gross profits from sales increasing by $77 million to $123 million, largely due to the upfront revenue recognition associated with Onkaparinga Heights ($63 million) and Festival Plaza Tower 2 ($19 million)
- a net gain of $12 million from the remeasurement of non-current assets. This amount reverses previous inventory write-downs. There was a net gain of $33 million from remeasurement in 2024-25.

See 'Assets' for more information on the changes in the value of inventories and investment properties.

The following chart shows the URA's total land sales and cost of sales for the last five years.



The gross profit margin on sales is an important driver of the URA's profitability and is influenced by market prices for land, the costs of acquisition and the model of development used. Gross profit margins on sales increased to 45% in 2025-26. This largely reflects the $77 million gross profit from sales at Onkaparinga Heights and Festival Plaza Tower 2. The following chart shows the gross profit margin on sales for the last five years. There were no significant sales with deferred payment arrangements in 2024-25.



Gross profit margins vary depending on the carrying value of properties sold. Properties written down to net realisable value usually generate lower margins on sale, reflecting the URA's role in delivering some projects that are not purely commercial in nature. Conversely, properties held in the land bank for a significant period with a low historical acquisition cost can generate significant margins when sold.

Deferred payment arrangements

Receivables include $194 million of receivables for deferred payment arrangements arising from the upfront recognition of sales at Oakden, Aldinga, Onkaparinga, Tonsley, Bowden and Woodville St Clair.

Deferred payment arrangements are receivables from developers who have been provided deferred payment terms for significant land sales. While control of the land has passed to the developer for the purpose of revenue recognition, the full transaction price is received over the term of the development arrangement.

Because the full sale price is received over a period of years, the future payments are discounted to their present value, with this amount recognised as sales revenue and a deferred payment receivable in the year the sale occurs. The difference in the sale price and present value of future payments is treated as a financing arrangement and recognised periodically as interest revenue over the development agreement payment terms.

The URA recognises the development agreement as a sale as required by AASB 15 *Revenue from Contracts with Customers*.

Expenses

Expenses increased by $19 million to $153 million in 2025-26, reflecting:

- borrowing costs increasing by $7 million to $42 million, due to the growth in borrowings and higher weighted average interest rates across the debt portfolio
- operating expenses, excluding depreciation and amortisation, increasing by $13 million to $80 million, mainly due to increases in:
  - land tax payments of $3 million following increases in land values
  - donated assets of $4 million following the transfer of an asset at Womma Road to the Department for Infrastructure and Transport
  - property expenditure of $2 million for higher costs in marketing and commissions
  - contractors and consultants of $2 million for a new financial accounting system upgrade.

Dividend

Under the *Urban Renewal Authority Act 1995*, the URA is required to recommend to the Minister whether it will pay a dividend each financial year based on its accounting profit. It must also declare a dividend of 100% of the after-tax profit relating to the Adelaide Station and Environs Redevelopment site in line with its financial ownership framework, which was approved by the Minister and Treasurer.

The URA paid $62 million ($6 million) in dividends to the SA Government in 2025-26.

Statement of Financial Position

The URA's total assets of $1.4 billion, mainly comprising investment properties and inventories worth $1 billion, exceeded its total liabilities of $1.1 billion. Its total liabilities mainly comprise South Australian Government Financing Authority (SAFA) borrowings of $935 million.

Current liabilities exceeded current assets by $153 million and included $368 million in borrowings from the SA Government, which can be refinanced as required.

Assets

Total assets increased by $123 million to $1.4 billion, mainly due to increases in inventories of $79 million and receivables of $58 million.

Receivables

Receivables increased by $58 million to $231 million. They include $194 million of deferred payment arrangements from the upfront recognition of sales mainly at Oakden, Aldinga and Onkaparinga Heights.

Inventories

The URA's primary activities involve holding and developing land inventory for sale. The value of its inventory increased by $79 million to $886 million at 30 June 2026. The increase mainly comprised additions of:

- $232 million in capitalised development costs, including direct materials and salaries where they are directly attributable to land currently under development. These costs are then expensed as part of cost of sales when inventories are sold
- $16 million in gains recognised in 2025-26 from the reversal of previous inventory write-downs
- offset by inventory reductions of $150 million for inventory sold and included in cost of sales.

Inventory valuations and write-downs

In line with AASB 102 *Inventories*, the URA recognises inventory at the lower of its cost and net realisable value. The measurement of the net realisable value of inventories depends on their intended use. The URA has grouped its inventories into two classes:

- land held for sale requiring low capital investment. The carrying amount of land in this class was $136 million ($143 million) at 30 June 2026
- development projects requiring significant capital investment over extended periods before the land can be sold. These projects may be initiated by the SA Government, which provides community service obligation funds to partly support the costs of these projects. Development projects were valued at $750 million ($664 million) at 30 June 2026.

The following table shows the inventory write-downs and write-ups (reversals) and the investment property fair value gains and losses over the last five years.

Inventory	Write-ups (Write-downs) 2022 $million	2023 $million	2024 $million	2025 $million	2026 $million	Carrying amount 30/06/26 $million	Land area 30/06/25 Hectares	30/06/26 Hectares
Development projects:								
Tonsley	-	16	-	-	-	30	16	14
Playford Alive	-	-	-	26	14	36	87	70
Bowden	-	22	-	-	-	5	1	7
Lot Fourteen	-	-	(17)	-	-	120	6	6
Prospect	-	-	-	-	-	2	1	-
Forestville	-	-	-	-	-	15	4	2
Other land held for development	-	-	(17)	11	2	542	169	1,101
Land held for sale	-	64	-	-	-	136	2,839	1,831
Total inventory	-	102	(34)	37	16	886	3,122	3,031
Investment property	16	13	15	3	(1)	118	105	109
Total inventory and investment property	16	115	(19)	40	15	1,004	3,226	3,140

Note: Table may not add due to rounding.

The values in the table are influenced by the impact of the URA's capitalisation policy and sales forecasts on the carrying amount of long-term development projects and their net realisable values.

Sales forecasting

Development project write-downs and reversals relate mainly to changes in the cash flow models that the URA uses to determine the net realisable value of its development projects. Importantly, these changes include revised revenue forecasts that occur when the URA reassesses the likely outcomes of its business strategies for these projects. The revised revenue forecasts take into account the prevailing market conditions and the extent to which the conditions are expected to continue into the future. Where market conditions are challenging for a development project, the URA sometimes modifies its business strategy to increase future sales proceeds or lower future costs. However, if it considers that its revised strategy will be insufficient to fully recover the past costs of a project, it will write it down. If there is clear evidence that market conditions have improved or the circumstances that caused the previous write-downs no longer exist, it reverses the write-downs.

Inventory is valued at the lower of cost and net realisable value

AASB 102 requires the value of inventory to be measured at the lower of cost and net realisable value. Cost represents the actual cost of acquiring or constructing inventories, while net realisable value represents the estimated proceeds that will be received from the sale of the inventories less any selling costs and remaining estimated construction costs.

The URA initially measures the carrying value of its inventories at their actual cost. At the end of each financial year, it estimates the net realisable value of the inventories for comparison to their carrying values. Inventory carrying values are written down when they exceed their net realisable values.

If these assets were not classified as inventory, they would need to be recognised at their fair value, which the URA estimates to be $1.7 billion. This estimate uses a variety of valuation sources over the last three years, reducing its reliability.

Measuring net realisable value involves estimating

The net realisable value of inventory may not equal its fair value if the entity does not intend to sell the inventory in its current condition in the most advantageous market at measurement date. Net realisable value is determined using the estimated sale proceeds less costs incurred in producing, marketing and selling to customers. Net realisable value for land held for sale is determined for each asset using either external valuation advice or management assessment.

Measuring the net realisable value of large development projects is more complex. The URA determines their net realisable values by estimating the future net cash flows of the projects (before interest) and discounting them back to present values. Inventory valuations can therefore change from year to year because of changes that influence these estimates.

The estimated cash flows are based on the amount and timing of sales and development costs, which for some projects extend many years into the future. The URA estimates when the development of each land parcel under its current strategies will be completed and its market price once developed, and also estimates the development costs, taking into account inflation. Changes to market conditions, policies or project strategies can also change the net realisable value of projects.

Liabilities

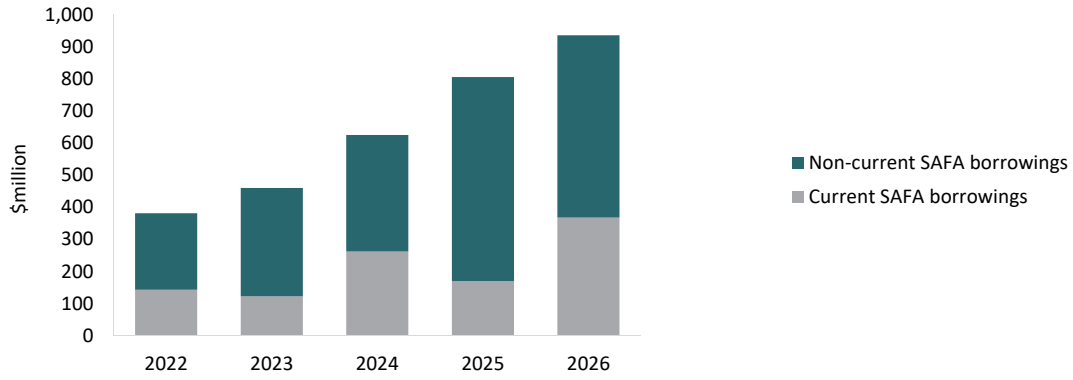
Total liabilities increased by $139 million to $1.1 billion, largely reflecting:

- SAFA borrowings increasing by $130 million to $935 million. These borrowings make up 86% of total liabilities. They are required to fund property purchases, capital development costs for inventories and operating expenses. See ‘Borrowings, equity contributions and gearing’ for further commentary on debt management
- provisions increasing by $9 million to $17 million, reflecting increases in the income tax equivalent due at 30 June 2026.

Further commentary on operations

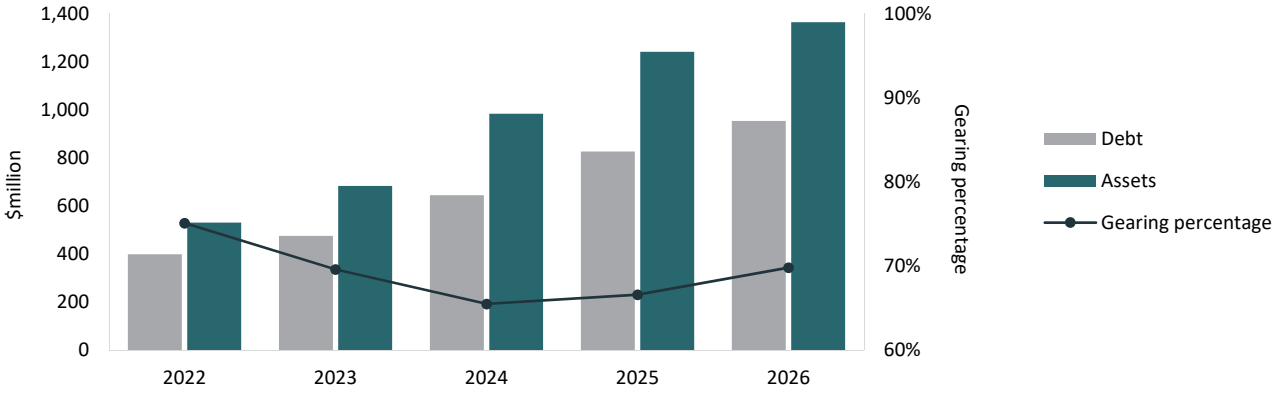
Borrowings, equity contributions and gearing

The URA borrows from SAFA to fund land developments and operating expenses. Land development requires a level of up-front investment in projects that result in an accumulation of borrowings, until such time as sufficient revenues are realised from sales to progressively retire the loan. The following chart shows the value of the URA’s SAFA borrowings for the last five years.



SAFA borrowings of $368 million will mature in 2026-27.

The following chart shows the trend in the URA's gearing ratio, measured as total debt (loans and lease liabilities) divided by total assets.



A higher gearing ratio in the private sector normally indicates a higher financial risk for lenders and investors, whereas for the URA its entire debt is guaranteed by the SA Government. Gearing was 70% (66%) at 30 June 2026. Under the financial ownership framework, the Treasurer and the Minister approved that gearing for the URA be under 90% and that, if exceeded, gearing be returned to below 90% within a reasonable period. The Treasurer also approved a performance statement for the URA that sets the gearing target at 73.3% for 2025-26.

Debt management and financial sustainability

The URA adopts a core debt management facility approach, consistent with other public non-financial corporations. This requires an annual debt ceiling to be approved by the Minister and Treasurer.

In August 2023 the Treasurer approved an increase in the URA's debt ceiling from $510 million to $990 million until 30 June 2026, which includes a core debt facility of $940 million and an overdraft facility of $50 million. The debt ceiling was increased to accommodate future funding requirements and reflect the nature and uncertain timing of a number of the URA's proposed projects. The URA's borrowings from SAFA were $935 million at 30 June 2026. On 23 June 2026, the Treasurer approved a core debt facility of $1 billion and an overdraft facility of $50 million until 30 June 2028.

Current major projects

The URA is managing a significant portfolio of housing, urban renewal and strategic infrastructure projects that support South Australia's housing supply, economic development and defence objectives. Its current program is largely focused on large-scale residential development and urban regeneration initiatives, alongside several major commercial and government-supported developments. Key projects include:

- Deeper Maintenance and Modification Facility project – the URA oversaw the delivery of a major aircraft maintenance facility for the Royal Australian Air Force on land next to its base at Edinburgh, with land acquisition and construction costs exceeding $200 million.

The facility was completed in March 2026 and is now leased by the Commonwealth Government under a long-term lease arrangement at commercial rates. The URA expects to sell the asset in the coming years

- Seaton, Greater Seaton and Noarlunga Renewal projects – the URA is progressing the redevelopment of land transferred from the South Australian Housing Trust, including the renewal of existing housing stock and delivery of new housing outcomes
- Bowden, Southwark, Playford Alive, Prospect projects – the URA is progressing several of its flagship urban renewal and affordable housing projects, supporting increased housing supply and mixed-use development outcomes
- Housing Roadmap projects – the URA is leading several government housing initiatives intended to deliver more than 3,000 homes across multiple developments, including the residential projects mentioned above and major land release projects, such as Onkaparinga Heights to be developed by private sector
- Lot Fourteen, Tonsley and industrial land – the URA is progressing several of its major employment and innovation precincts along with the development and sale of industrial land
- Festival Plaza/Walker Tower 2 development – the URA maintains an important role in facilitating and managing aspects of the broader Festival Plaza redevelopment. This includes matters related to the proposed Walker Tower 2 commercial office development. Further commentary on this project is included in Part A of this report.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2025-26 included:

- management of projects, procurement and contracts
- land sales
- property income
- payroll
- capital and operating expenditure
- land inventory
- general ledger.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- inventories, including land held for sale and development projects
- the Renewal SA Operating Account.

Annexure – Agency financial statements that we will publish on the Audit Office of South Australia's website

The *Public Finance and Audit Act 1987* (PFAA) requires me to publish the audited financial statements of all public authorities on a website. This is a significant accountability measure that ensures they are all 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 following agencies on the Audit Office of South Australia's website (www.audit.sa.gov.au).

A.1 Agency financial statements included in this annual report to be published after it is tabled

The following agencies are included in Part C of this report and their financial statements will be published on our website after the report is tabled.

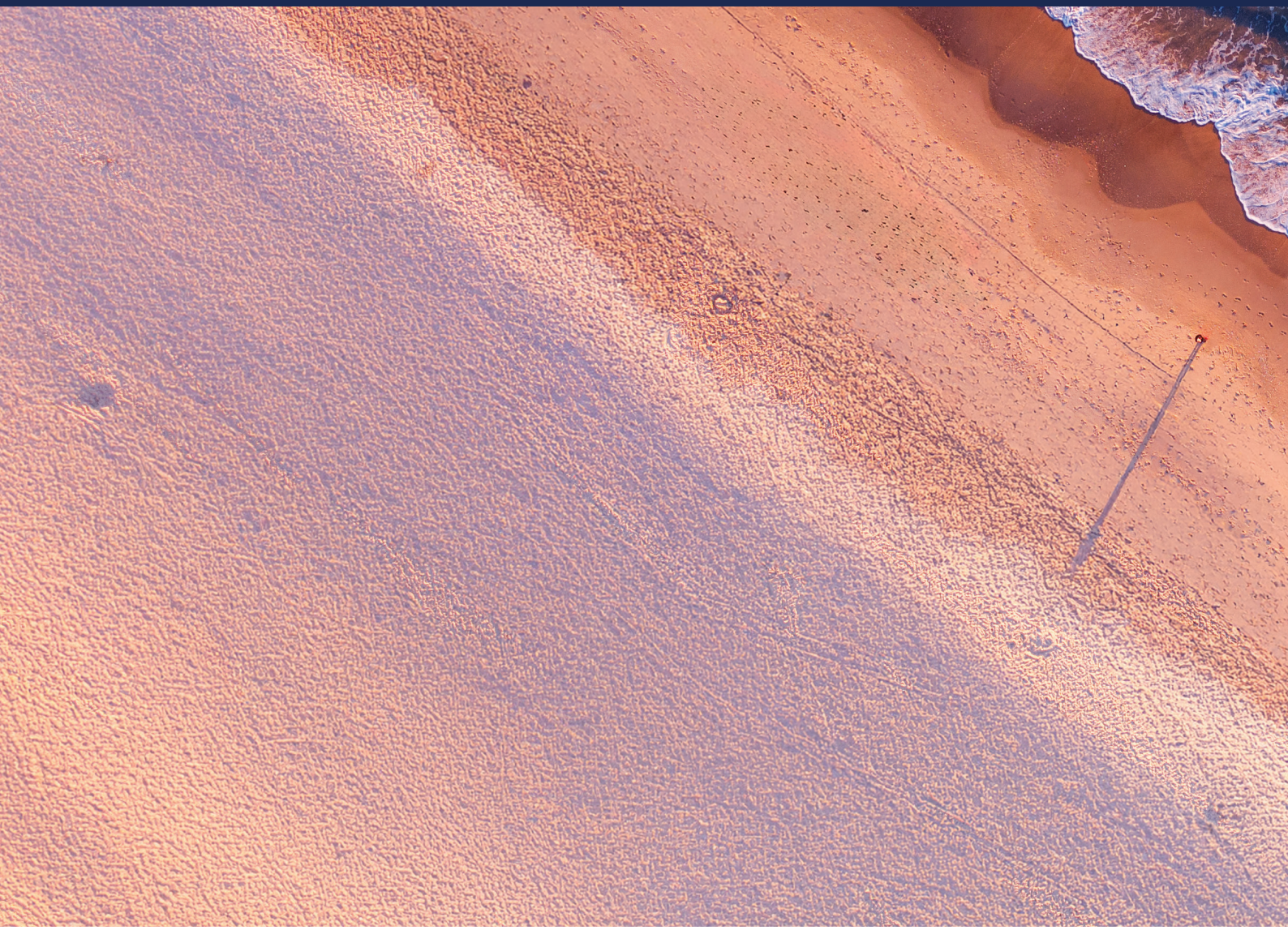
Adelaide Venue Management Corporation
Attorney-General's Department
Audit Office of South Australia
Barossa Hills Fleurieu Local Health Network Incorporated
Central Adelaide Local Health Network Incorporated
Child Protection – Department for
Correctional Services – Department for
Courts Administration Authority
Education – Department for
Energy and Mining – Department for
Environment and Water – Department for
Eyre and Far North Local Health Network Incorporated
Flinders and Upper North Local Health Network Incorporated
Health and Wellbeing – Department for
HomeStart Finance
Housing and Urban Development – Department for
Human Services – Department of
Infrastructure and Transport – Department for
Lifetime Support Authority of South Australia
Limestone Coast Local Health Network Incorporated
Northern Adelaide Local Health Network Incorporated
Premier and Cabinet – Department of the
Primary Industries and Regions – Department of
Public Trustee
Return to Work Corporation of South Australia
Riverland Mallee Coorong Local Health Network Incorporated
SA Ambulance Service Inc
South Australia Police
South Australian Fire and Emergency Services Commission
South Australian Government Financing Authority

South Australian Housing Trust
South Australian Superannuation Board
South Australian Superannuation Scheme
South Australian Tourism Commission
South Australian Water Corporation
Southern Adelaide Local Health Network Incorporated
Southern State Superannuation Scheme
State Development – Department of
Super SA Retirement Investment Fund
Superannuation Funds Management Corporation of South Australia
TAFE SA
Treasurer's statements
Treasury and Finance – Department of
University of Adelaide
University of South Australia
Urban Renewal Authority
Women's and Children's Health Network Incorporated
Yorke and Northern Local Health Network Incorporated

A.2 Agency financial statements not in this annual report and to be published after their audits are completed

The financial statements of the following agencies that are not included in Part C of this report will be published on our website as soon as practical after their audits are completed.

Aboriginal Lands Trust
Adelaide Cemeteries Authority
Adelaide Festival Centre Trust
Adelaide Festival Corporation
Adelaide Film Festival
Agents Indemnity Fund
Alinytjara Wilurara Landscape Board
Art Gallery Board
Australian Energy Market Commission
Board of the Botanic Gardens and State Herbarium
Carrick Hill Trust
Coast Protection Board
Commission on Excellence and Innovation in Health
Coordinator General's Office
CTP Regulator
Dairy Authority of South Australia
Defence SA
Distribution Lessor Corporation
Dog and Cat Management Board
Dog Fence Board
Electoral Commission of South Australia
Environment Protection Authority

Essential Services Commission of South Australia
Eyre Peninsula Landscape Board
Generation Lessor Corporation
Governors' Pensions Scheme
Green Adelaide Board
Health Services Charitable Gifts Board
Hills and Fleurieu Landscape Board
History Trust of South Australia
House of Assembly
Independent Commission Against Corruption
Independent Gaming Corporation Ltd
Infrastructure SA
International Koala Centre of Excellence
Joint Parliamentary Service
Judges' Pensions Scheme
Kangaroo Island Landscape Board
Kanku-Breakaways Conservation Park Co-management Board
Legal Services Commission
Legislative Council
Libraries Board of South Australia
Limestone Coast Landscape Board
Local First Nations Voice (Central)
Local First Nations Voice (Far North)
Local First Nations Voice (Flinders and Upper North)
Local First Nations Voice (Riverland and South East)
Local First Nations Voice (West and West Coast)
Local First Nations Voice (Yorke and Mid-North)
Local Government Finance Authority of South Australia
Lotteries Commission of South Australia
Mamungari Conservation Park Co-management Board
Motor Accident Commission
Murraylands and Riverland Landscape Board
Museum Board
Native Vegetation Fund
Northern and Yorke Landscape Board
Northern Parklands Trust
Office for Early Childhood Development
Office for Public Integrity
Office for Recreation, Sport and Racing
Office of Green Industries SA
Office of the Commissioner for Public Sector Employment
Office of the Industry Advocate
Office of the National Rail Safety Regulator
Office of the South Australian Productivity Commission
Outback Communities Authority
Parliamentary Superannuation Scheme
Planning and Development Fund
Police Superannuation Scheme

Premier's Delivery Unit
Preventive Health SA
Professional Standards Council
Rail Commissioner
Residential Tenancies Fund
Retail Shop Leases Fund
Rural Industry Adjustment and Development Fund
Second-hand Vehicles Compensation Fund
Small Business Commissioner
South Australian Ambulance Service Superannuation Scheme
South Australian Arid Lands Landscape Board
South Australian Country Arts Trust
South Australian Country Fire Service
South Australian Film Corporation
South Australian Forestry Corporation
South Australian Local Government Grants Commission
South Australian Metropolitan Fire Service
South Australian Motor Sport Board
South Australian Skills Commission
South Australian State Emergency Service
South Eastern Water Conservation and Drainage Board
State First Nations Voice
State Opera of South Australia
State Owned Generators Leasing Co Pty Ltd
State Planning Commission
State Theatre Company of South Australia
Stormwater Management Authority
StudyAdelaide
Super SA Select Fund
Teachers Registration Board of South Australia
Transmission Lessor Corporation
West Beach Trust