

**SOUTH AUSTRALIA**

**Annual Report on the Operations**

**of the**

**Auditor-General's Department**

**for the**

**Year ended 30 June 2004**



## EMPLOYEES OF THE AUDITOR-GENERAL'S DEPARTMENT 2004

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Government  
of South Australia



**Auditor-General's  
Department**

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30 September 2004

The Hon M D Rann, MP  
Premier  
15th Floor State Administration Centre  
200 Victoria Square  
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Dear Premier

I am pleased to provide you with the Department's Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2004.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K I MacPherson'.

K I MacPherson  
AUDITOR-GENERAL



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# Foreword

The Annual Report on the Operations of the Department for 2003-04 reflects our achievements for the year and the initiatives implemented to meet these challenges.

Ongoing reforms and changes to the public sector in infrastructure and methods of service delivery to the public by agencies of government continue to place pressure on this department in discharging our mandate.

During 2003-04, a new Corporate Plan for the period 2003-04 to 2005-06 was launched. This Plan is directed to ensuring that we continue to pursue the highest quality standards of audit and investigatory service and to continue to build on a corporate culture which values the professional input of our people.

Two of the initiatives from the Corporate Plan which were given emphasis during the year were consolidating our organisational structure and implementing our Strategic Management Framework.

The implementation of these and other initiatives has enabled the department to meet all its statutory responsibilities and continue to contribute to the accountability of the Executive Government and public sector agencies to Parliament.

In concluding, I would again extend my thanks to all members of staff of the Auditor-General's Department for their support and commitment during the past year. Their professionalism, skills and importantly their preparedness to take on challenges has provided the foundation upon which our success have been achieved.



**SA AUDITOR-GENERAL**  
Ken MacPherson

# Three Year Summary

## KEY FINANCIAL INDICATORS

	2003-04	2002-03	2001-02
	\$'000	\$'000	\$'000
Total Audit Fees Raised	7 765	7 554	7 700
Total Expenses			
• Prescribed Audits	9 687	9 493	8 941
• Special Investigations	77	179	219
Total Assets	2 301	2 042	1 545
Total Liabilities	2 335	2 213	2 061

## KEY OPERATING RESULTS

	2003-04	2002-03	2001-02
Audit Clients	178	168	176
Independent Audit Reports Issued	182	176	178
Qualified Audit Opinions Issued	23	10	15
Staff Establishment (FTE)	110	109	109
Average FTE for year	109	111	*104

\* Excludes graduates employed as part of the South Australian Government University Graduate Youth Recruitment Initiative Equal Employment Opportunity Program. That program ceased from 1 July 2002.

## LIST OF REPORTS PRESENTED SINCE 1 JULY 2002

Date Presented	Report Title
16 February 2004	Supplementary Report: Department of Human Services: Some Matters of Importance to the Government and the Parliament
04 December 2003	Supplementary Report: Information and Communications Technology - Future Directions: Management and Control
25 November 2003	Supplementary Report: Agency Audit Reports
14 October 2003	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2003
13 October 2003	Report of the Auditor-General for the year ended 30 June 2003 - Part A Audit Overview and Part B Report on Individual Agencies
15 July 2003	Supplementary Report: Report on the Process of Procurement of Magnetic Resonance Imaging Equipment by the North Western Adelaide Health Service
12 May 2003	Supplementary Report: Agency Audit Report : XTAB Pty Ltd
27 November 2002	Supplementary Report: Agency Audit Reports
30 September 2002	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2002
30 September 2002	Report of the Auditor-General for the year ended 30 June 2002 - Part A Audit Overview and Part B Report on Individual Agencies
28 August 2002	Auditor-General's Final Report on the Port Adelaide Waterfront Redevelopment Project: Misdirection of Bid Documents
19 July 2002	Interim Report of the Auditor-General on the Port Adelaide Waterfront Redevelopment Project: Misdirection of Bid Documents

# Corporate Overview

## THE AUDITOR-GENERAL

The Auditor-General, who is appointed by Parliament under the *Public Finance and Audit Act 1987*, leads the Auditor-General's Department and has specific statutory responsibilities for the audit of the Public Accounts, the accounts of public authorities and for the review of the efficiency and economy of public sector operations.

## PURPOSE OF THE DEPARTMENT

As part of the public sector accountability process, the function of the Auditor-General's Department is to assist the Auditor-General to carry out the duties prescribed in the *Public Finance and Audit Act 1987*. The Auditor-General is currently the prescribed auditor of 178 public sector entities. (Refer to Appendix E for a list of agencies and statutory funds audited by the Department).

The Department provides the Parliament (and consequently the people of South Australia) and public sector entities with independent professional audit opinions on matters related to financial management, compliance with legislative requirements and, where appropriate, comments on the efficiency and economy with which public sector resources are used.

## AUDIT LEGISLATION

*The Public Finance and Audit Act 1987* (the Act) provides a vital link in the chain of accountability of the Executive Government to the Parliament and to the taxpayers of this State who are the ultimate providers of funds for the operations of Government.

The Act prescribes the financial reporting obligations of the Treasurer and of public sector agencies. The provision of an independent professional attestation to those financial reports by the Auditor-General, in accordance with the provisions of the Act, together with the associated

statutory reporting responsibilities of the Auditor-General, ensures that Parliament is provided with a high level of assurance that monies that have been raised and collected have been expended properly and in accordance with the law.

There are a wide range of statutory provisions that have a direct influence on the operations of the Auditor-General's Department. These include statutes that appoint the Auditor-General as the auditor of public sector agencies, other legislation which embodies special Commonwealth and State financial arrangements, the financial law of this State (eg Supply Acts, Appropriation Acts), the Corporations Act and the Whistleblowers Protection Act.

## ORGANISATIONAL STRUCTURE

### *Organisation*

Five Field Operations directorates and a Corporate Support directorate assist the Auditor-General in carrying out the audit responsibilities under the *Public Finance and Audit Act 1987*.

A complete organisational chart is shown in Appendix A.

There are two fundamental activities that underpin the operations of the Department, ie Financial and Operational Audit activities and Corporate Support activities.

### *Financial and Operational Audit Activities*

Within the five Field Operations' directorates the Department currently operates fourteen Field Audit sections, an Information Technology Audit section and a Public Interest Review section. Each Field Audit section is responsible for a portfolio of audits which is led by a Principal Audit Manager or an Audit Manager, who is supported by a team of up to seven audit professionals.

### ***Corporate Support Activities***

The Corporate Support directorate's function is to support audit staff in the discharge of their financial and operational audit responsibilities and to assist the Auditor-General in discharging his responsibilities as Chief Executive of the Department. The directorate comprises five sections that report to the Director of Audits (Policy, Planning and Research). The sections are:

- Corporate Strategy and Support;
- Finance;
- Human Resources;
- Information Technology Support;
- Research and Quality Assurance.

### ***Departmental Executive***

The Executive of the Department consists of the Auditor-General, Deputy Auditor-

General and the five Directors of Audits. It meets on a regular basis (usually weekly) and discharges its responsibilities through two principal mechanisms.

Firstly, the Executive, in consultation with staff of the Department; sets corporate policies, strategies and annual work programs to meet statutory audit responsibilities to the Parliament and public sector agencies; ensures the good administration of the Department; and oversees the development of all staff.

Secondly, the Executive works with senior corporate and audit managers in coordinating and overseeing policy implementation; executes the strategies and work programs; and ensures the achievement of associated targeted outcomes.



#### **DEPARTMENT EXECUTIVE**

(Left to right) Salv Bianco, John Tate, Ken MacPherson, Simon Marsh, Ian McGlen, Simon O'Neill, Andrew Richardson

## RELATIONSHIP WITH PARLIAMENT

*The Public Finance and Audit Act 1987* (the Act) establishes the independence of the Auditor-General from the Executive Government and provides that the primary accountability of the Auditor-General is to the Parliament.

Provisions contained in the Act relating to the appointment and removal of the Auditor-General and funding for his salary emphasise that independence. Explicit reinforcement of the Auditor-General's independence is provided by subsection 24(6) of the Act which states that the Auditor-General is not subject to the direction of any person as to the manner in which he carries out the functions or exercises powers under the Act or to the priority that he gives any matter.

The *Public Finance and Audit Act 1987* also provides for a high level of accountability to be exercised, mainly through the submission to Parliament of the Annual Report of the Auditor-General. This Annual Report which provides the major means of communication between the Auditor-General and the Parliament, consists of:

- Part A The Audit Overview has as its main focus specific commentary on the public finances of the State. This commentary includes observations on past year's budgeted and actual results, forecasts, debt and cash management and other salient matters. This part may also include summarised commentary on other financial management, accounting and control matters within the public sector.
- Part B Contains comments on the operations of individual public authorities, the financial statements of those public authorities and the Treasurer's Statements. Comments on public authorities focus on matters of administrative, financial management and control significance.

In addition the Auditor-General meets the Committees of the Parliament on an 'as needs' basis.

## RELATIONSHIP WITH THE PORTFOLIO OF PREMIER AND CABINET

The Auditor-General is accountable for the outcomes of this Department to the Parliament. The *Public Finance and Audit Act 1987* requires and provides for the Auditor-General to be independent of the Executive Government.

Accordingly, while the Department is considered part of the Portfolio of the Premier and Cabinet, in the discharge of its audit responsibilities, it is independent of Executive Government. Further, the Department reports directly to the Parliament. The Department relates with the Department of the Premier and Cabinet only on matters concerning administrative arrangements and with the Department of Treasury and Finance on budget and finance related matters.

## RELATIONSHIPS WITH AUDITEE AGENCIES

One of the dominant themes of recent times in public sector management is the demand which is being placed upon Chief Executives and managers for the implementation and maintenance of sound financial systems and control processes within their agencies.

As part of the audit process, the Department contributes to the quality of public sector management by:

- Providing independent information and advice on the operations of agencies.
- Encouraging the development and maintenance of effective financial and management processes.
- Supporting improvements in the form and quality of internal and external financial reporting by agencies.

## RELATIONSHIPS WITH AUDIT COMMITTEES

The Department recognises the benefits of creating and maintaining a climate of professional respect between itself and its auditee agencies. One method for building such an environment is the contribution made by the employees of this Department through their attendance at audit committee meetings for various auditee agencies.

## RELATIONSHIP WITH INTERSTATE AND OVERSEAS AUDIT OFFICES

### *Australasian Council of Auditors-General*

The Australasian Council of Auditors-General (ACAG) was established following the 19th Bicentennial Conference of Auditors-General in Perth in 1993. It provides consultative arrangements for the structured sharing of pertinent information and intelligence between Auditors-General in a time of increasing complexity and rapid change.

Membership of ACAG is open to the Auditor-General of all audit jurisdictions within Australia, Fiji, New Zealand, and Papua New Guinea.

The role and function of ACAG is to:

- Provide a communication/coordination channel between audit offices to facilitate information and expertise exchange.
- Provide a 'public voice' aimed at developing a collective image by articulating collective views on matters of audit interest.
- Research and prepare papers on newly emerging or topical issues of interest to Auditors-General.
- Coordinate the development of a collective opinion of Auditors-General on accounting and auditing standards and other relevant issues.
- Coordinate efforts to improve the efficiency and effectiveness of public sector audit.

During 2003-04, the Auditor-General participated as a member of the Executive Committee of ACAG. In addition, the Department participated in a number of benchmarking exercises and projects involving the exchange of information and expertise.

### *Senior Audit Executive Conference*

In November 2003 the Queensland Audit Office hosted a two day conference for senior audit executives from the Commonwealth, all Australian States and Fiji. The Department was represented by a Director of Audits

The theme of the conference was 'Contemporary Strategic Issues' which included discussion on a range of strategic issues facing audit offices.

## Corporate

# Plan: 2003-04 to 2005-06

The Corporate Plan is one of the most important documents we produce. It sets out the intended direction of the Department over the planning period 2003-04 to 2005-06, the issues and challenges we face, and our planned responses.

The Corporate Plan draws on the collaborative efforts of all staff, reflecting a corporate culture which values the professional input of our people. It reflects a balance of continuity and change. As we continue to pursue the highest standards of audit and investigatory service, there will be new initiatives to meet the challenges of our external environment, and the consolidation of the new organisational structure we put in place this year to better support the implementation of our corporate objectives.

This Corporate Plan is the foundation of our strategic management as we carefully and transparently monitor the goals we have set ourselves.

The vision for the future, mission, values and corporate objectives as detailed in the Corporate Plan are described below.

## VISION

We are committed to the continuous improvement of the quality of the services provided to the Parliament and people of South Australia and to the ongoing development of the capabilities of our people.

## MISSION

To contribute to the accountability of the Executive Government and public sector agencies to Parliament by the provision of independent reports on matters concerning finance, use of public resources and the probity and lawfulness of matters associated with public administration.

## VALUES

The shared ethical values we hold are the foundation of our actions, words and decisions. We strive to uphold them in everything we do, and in a collective manner the Department will perform in a most professional manner its review and reporting responsibilities to public sector agencies and the Parliament.

### *Integrity*

We will display integrity through honest, ethical and professional behaviour.

### *Independence*

In the conduct of our work and in forming our opinions we will exhibit independence, impartiality and fairness.

### *Innovation*

We will strive for continuous improvement through acceptance and promotion of innovative ideas and the sharing of knowledge.

### *Respect*

We will value the diversity and the contribution of individuals. We will foster a collaborative/team environment that encourages open communication, trust and empowerment, and respects the needs and preferences of our staff. We will foster effective working relationships which acknowledge and value the role and responsibilities of key stakeholders.

### *Quality*

We will ensure our work is of high quality reflecting relevance, sound methodology, good judgement and thoroughness.

### *Accountability*

We will be accountable for our decisions and actions and be transparent in the way we conduct our business.



# Provision of Auditing Services

## LEGISLATIVE MANDATE

The *Public Finance and Audit Act 1987* provides the statutory mandate for the Auditor-General to conduct the audits of public sector agencies.

The major principles embodied in that Act provide for the Auditor-General to:

- be appointed;
- be independent of the Executive Government;
- audit the accounts of the Treasurer, government departments, statutory authorities and other public sector agencies;
- examine the efficiency and economy with which government departments, statutory authorities and other public sector agencies use their resources;
- report audit findings and other stipulated matters to both Houses of Parliament;
- review summaries of confidential government contracts and report on the adequacy of the document as a summary of the contents of the contract when requested to do so by a Minister;
- have full and free access to all accounts, records, documents and information required for the discharge of the audit function;
- charge fees for conducting audits with the approval of the Treasurer.

The Act imposes a statutory obligation on the Auditor-General to conduct the audits of 178 public sector agencies and statutory funds.

## TYPES OF AUDITS AND REVIEWS CONDUCTED

The Act provides a mandate for the Auditor-General to conduct five different types of audits and reviews. These are:

- Financial and compliance audit - subsection 31(1).
- Efficiency and economy audit - subsection 31(2).

- Review of the adequacy of controls exercised by auditee agencies - subsection 36(1)(a)(iii).

- Examination of the accounts of a publicly funded body - section 32.

- Review of a summary of a confidential government contract - section 41A.

### *Financial and Compliance Audit*

Subsection 31(1) of the Act prescribes that the Auditor-General is to audit the accounts of the Treasurer and also each public authority (as defined in the Act).

Such audits are known as financial and compliance audits. As that term indicates, the main thrust of these audits is directed towards the matter of accountability for the funds and resources made available to, and administered by, agencies. The audit also provides a high level of assurance that all legal obligations and requirements have been met.

The Act does not prescribe the methods to be used in conducting a financial and compliance audit. The methods and practices adopted are continually reviewed and assessed by the Department to ensure that the efficiency and effectiveness of the Department's audit processes are maintained.

The audit methodology used by the Department follows that stipulated in the Auditing and Assurance Standards and Auditing Guidance Statements issued by the Australian Accounting Research Foundation on behalf of the two major accounting bodies in Australia.

The particular methodology adopted by this Department is known as 'Risk Based Auditing' and is based on an audit software package on licence from an international firm of chartered accountants. This methodology places considerable emphasis on the planning of audits.



Principal Audit Manager, Phillip Rossi (centre) with his team members.

The first stage of audit planning requires that all business activities of the auditee agency be identified. The audit risk associated with each of those business activities is then identified and documented by the auditor.

Factors taken into account in determining the audit risk include the risk inherent in the activities being undertaken by the auditee agency, the adequacy of the internal control structure established by the auditee agency, and the risk that the procedures employed by the auditor may not detect material misstatements in the financial statements.

The second stage requires that sufficient audit coverage and testing is planned in order to ensure that the audit risk identified in the first stage is reduced to an acceptable level. All audit plans are reviewed and approved by a Director of Audits.

Transactions and records required for audit testing are generally selected using statistical sampling methods and many are extracted from auditee agency files using special audit software routines.

Similarly, many of the audit tests to which those transactions and records are subjected are applied by using specialised audit software which operates on the notebook computers issued to each staff member.

Findings resulting from the audit are discussed with appropriate auditee agency

staff and subsequently forwarded in writing by means of a management letter to the appropriate level of auditee agency management. A response in writing to the issues raised by Audit is sought from auditee agency management. The time period for a response is usually four weeks.

At the conclusion of each audit, a series of quality control reviews are undertaken by senior audit officers to ensure that:

- The work performed was of an acceptable professional standard including adequate explanation and understanding of the impact of material events occurring in the auditee agency.
- Sufficient work was performed in order to form an opinion on the auditee agency's financial statements.
- The work performed was in accordance with that planned or good reasons exist (and are documented) for any material deviations.
- The results have been conveyed accurately and in a timely manner to auditee agency management.
- A written response has been received.
- The opinion expressed on the financial statements is reflected by the results of the audit.
- The opinion expressed on the controls exercised by the auditee agency is reflected by the results of the audit.

In accordance with professional standards, the Auditor-General issues an opinion on the financial statements of each auditee agency through a document known as an 'Independent Audit Report'.

The Independent Audit Report in most cases is not qualified. However, where the results of an audit are not satisfactory or where the accounting treatment for certain transactions does not comply with applicable professional accounting

standards, the Independent Audit Report may be qualified, or in extreme cases, no opinion may be expressed. The inability to express an opinion signals the fact that there were issues associated with the audit of an auditee agency that warranted the attention of the Government and the Parliament. In accordance with professional requirements, full reasons are provided in those cases where the Independent Audit Report is qualified or where no opinion is given.



Audit Manager, Amy Grace (front left) with her team members.

### ***Efficiency and Economy Audit***

Subsection 31(2) of the Act authorises the Auditor-General to examine the efficiency and economy in which a public authority (as defined in the Act) uses its resources.

Such audits are also known as 'value for money (or performance) audits'. This type of audit can be diverse in respect of the types of issues reviewed. It may be large and complex, it may encompass more than one organisation, or alternatively, it could be relatively small and cover only one section or part of an organisation.

The methodology and approach adopted will, of course, vary from one subject matter

to another. The overall methodology to be followed however, will encompass the following stages:

- planning;
- identifying the measurement model;
- fact gathering;
- assessment of facts against the measurement model;
- forming provisional conclusions;
- natural justice/procedural fairness processes;
- quality control;
- reporting.

The Act provides the Auditor-General with flexibility regarding reporting the results of efficiency and economy audits to Parliament. They may be included in the Auditor-General's Annual Report produced in accordance with the requirements of section 36 or they may be the subject of a separate report produced in accordance with section 37 of the Act.

### **Review of the Adequacy of Controls Exercised by Auditee Agencies**

The responsibility to prepare financial statements and to present them for audit rests with the senior management of each auditee agency. That level of management also has a responsibility to maintain accounting systems which provide a high level of assurance over the accuracy of financial records and which safeguard the assets of the auditee agency. An essential part of achieving this high level of assurance is the implementation and maintenance of a sound system of internal control.

Within the South Australian public sector, this responsibility for internal control systems is mandated in the Treasurer's Instructions, issued pursuant to the Act. Specifically Treasurer's Instruction 2 'Financial Management Policies' requires the Chief Executive of a public authority to ensure that the authority develops, implements and documents policies, procedures and systems which will assist the Chief Executive and the responsible Minister to discharge accountability in relation to the authority's:

- reporting of financial information to users of financial reports;
- application of accounting policies;
- financial management;
- internal control systems;
- business policies and practices;
- compliance with applicable laws and regulations;
- monitoring and controlling risk.

The requirement for the Auditor-General to assess the adequacy of the management approach is prescribed in section 36 of the Act. That section requires the Auditor-General to form and express an opinion as to whether:

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

To satisfy this legislative requirement, the Auditor-General expresses a separate control opinion for the Treasurer and for individual public authorities that is published in the Auditor-General's Annual Report to Parliament.

Accordingly, the audits of public sector agencies conducted by the Auditor-General must place particular emphasis on the identification, evaluation and testing of each auditee agency's system of internal control.

The Department has developed a separate Controls Opinion Methodology, which formalises the processes involved in planning for, conducting, and reaching conclusions with respect to the opinion on internal controls.

At this stage, no external auditor in the private sector formally expresses an opinion on the effectiveness of an auditee's structure of internal control. Indeed the legislative requirement for the Auditor-General to express such an opinion illustrates one of the more significant differences between auditing in the public sector and auditing in the private sector.

The Department's formal methodology has embraced many of the principles identified and reported on by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The COSO report sets out to establish a common, modern definition of internal control and to provide a standard against which all entities can assess and improve their internal control systems. Importantly, COSO emphasises that internal control is not limited to expectations with respect to financial controls but it also encompasses the operational and regulatory environments, a fact which aligns the COSO principles with the Auditor-General's statutory mandate.

In accordance with Government objectives to improve performance and to allocate resources more efficiently through improved financial management practices, the Department of Treasury and Finance introduced a Financial Management Framework (FMF). The FMF places an emphasis on agency financial controls, introduces best practice techniques in financial management, and describes the key attributes of financial accounting.

The underlying principles of the FMF are consistent with the concepts identified and reported on by the COSO. The significant aspects of the FMF have been incorporated in the Controls Opinion Methodology utilised by the Department.

### ***Examination of the Accounts of a Publicly Funded Body***

When requested to do so by the Treasurer, the Auditor-General is also, empowered to examine the accounts of any publicly funded body. These examinations are conducted, funded and reported as 'special investigations'.

A publicly funded body is defined in the Act as either an entity constituted under the *Local Government Act 1934* or any body or person carrying out functions of public benefit that has received money from the State by way of grant or loan.

Subsection 32(3) of the Act requires that any report resulting from such an examination be tabled in both Houses of Parliament.

During 2003-04, work continued on two examinations requested by the Treasurer, pursuant to Subsection 32 of the *Public Finance and Audit Act 1987*. The two examinations involve a proposal to build an ambulance station at McLaren Vale and the provision of financial assistance to the Basketball Association of South Australia.

Further information regarding these investigations is provided under the heading 'Special Investigations' on page 14 of this Report.

### ***Review of a Summary of a Confidential Government Contract***

Section 41A of the Act requires the Auditor-General, at the request of a Minister, to examine and report on summaries of confidential government contracts. These examinations are conducted, funded and reported as 'special investigations'.

The Report of the Auditor-General, expressing an opinion on the adequacy of the summary, is to be presented to the requesting Minister and is to be presented to both Houses of Parliament.

During 2003-04 there were no such summaries forwarded to the Auditor-General for examination and report.

## **WHISTLEBLOWER LEGISLATION**

In accordance with guidelines issued by the Commissioner for Public Employment, this Department has identified six senior officers to be 'responsible officers' to receive and action disclosures under the *Whistleblowers Protection Act 1993*.

Where complaints pursuant to the *Whistleblowers Protection Act 1993* are received by the Department, they are investigated.

# Issues Faced by the Auditor-General's Department During 2003-04

## PUBLIC INTEREST REVIEWS AND SPECIAL INVESTIGATIONS

### Public Interest Reviews

Proposed amendments to the *Public Finance and Audit Act 1987* that have the potential to significantly change the scope of operations of the Department, particularly in the area of public interest reviews, are being considered by the Parliament.

Notwithstanding the outcome of this process, consistent with an ongoing focus on accountability in government, the Department has planned since 2002-03 to give a stronger focus in future years to the timely identification and reporting of matters of public interest, including any matters referred to the Auditor-General for examination pursuant to the Act. Supplementary reports tabled in Parliament in 2003-04 were:

- Report on the Process of Procurement of Magnetic Resonance Imaging Equipment by the North Western Adelaide Health Service (15 July 2003)
- Information and Communications Technology - Future Directions: Management and Control (04 December 2003)
- Department of Human Services: Some Matters of Importance to the Government and the Parliament (16 February 2004)

### Special Investigations

During 2002-03, the Auditor-General received formal requests from the Treasurer of South Australia pursuant to section 32 of the *Public Finance and Audit Act 1987* to examine and report on:

- The administration of the Emergency Services Budget over the four years to July 2002 with particular emphasis on the management of the Country Fire Services Budget and the funding of the McLaren Vale Ambulance Station.
- Matters relating to the provision of financial assistance to the Basketball Association of South Australia Inc (BASA) and BASA's operations. In particular whether due regard has been given by BASA to the economy and efficiency of

operations including whether undertakings provided by BASA to identify further efficiencies have in fact been achieved.

Work on these examinations to date has involved:

- Relating in a formal manner with persons and organisations within Government and external to Government to obtain access to accounts, records and documents relating to the terms of reference of the examinations.
- Reviewing, cataloguing, analysing and evaluating the contents of all information obtained relative to the terms of reference of the examinations.

Reports on the outcomes of the examinations are to be tabled in Parliament during 2004-05.

As a result of preliminary work on the emergency services investigation, the Auditor-General requested the terms of reference of that investigation be amended.

In May 2004 the Treasurer agreed to the request and changed the terms of reference to examining the accounts of the South Australian Ambulance Service and the efficiency and economy of its activities with respect to the proposal to establish an ambulance station at McLaren Vale.

## PUBLIC SECTOR REFORM AND RISK MANAGEMENT

Ongoing reform and changes to the public sector continue to occur in infrastructure and methods of service delivery to the public by agencies of government. These changes include restructuring of government agencies and business relationships with the private sector through existing, renewed or new models of participation. In addition, agencies are required to deliver government priorities more rapidly, to a higher standard, within tight budgetary constraints, and within a risk management culture. Ongoing budget pressure on agencies continues to drive efficiency and the streamlining of agency's activities.

The focus on governance arrangements in both the private and public sectors by taxpayers, shareholders and the media, is consistent with the ongoing changes in the activities of agencies and their operating environments. In 2003-04 focused reviews of governance practices were commenced in a number of major agencies to gain an understanding of the degree of development and application of generally accepted governance practices in the public sector. Findings from the completed reviews are included in agency reports in the 2003-04 Auditor-General's Report.

Information technology remains prominent in agency service delivery and business processes. In 2003-04 the Department continued to develop a strategic approach to information technology audit and the production of timely and relevant reports on current issues in this area of government operations.

The potential complexities associated with the reforms and changes to the public sector and resultant risk management issues create a heightened level of audit risk. Auditors are expected to meet such risk in a timely and professional manner. This affects the annual planning cycle for audits and also the strategic planning process so that the Department is positioned to respond to this environment over the longer term.

There are also short term implications that arise in these circumstances. The 2003-04 Auditor-General's Report to Parliament highlights some significant lapses in internal controls in agencies identified during the 2003-04 audits that have confirmed the audit assessment of heightened audit risk. Review of significant control failure results in additional audit effort to establish the specific details of matters, identify control weaknesses in need of resolution, report on the matters and to undertake additional audit testing that is necessitated by the inability to rely on agency controls. These are costs that limit audit attention to discretionary areas and place more pressure on the completion of other statutory responsibilities.

## INDICATORS OF WORKLOAD AND PERFORMANCE

The Auditor-General is appointed as the auditor of public sector agencies by statute. The amount of work required on an audit, to enable an audit opinion to be expressed is determined by professional standards.

The quality of the work carried out by this Department and the value and quality of the output produced in the form of reports cannot be assessed by statistical means alone.

That quality requires assessment by:

- Subjecting the work undertaken to an independent professional review.
- Obtaining feedback from the users of the reports produced.

Nevertheless statistics can be, and are used to assess the workload and the performance of this Department.

The main measure of performance used is that which relates to the time expended on segments of audits (and on whole audits) compared with that budgeted. During the year the Department replaced its Practice Management Information System (PMIS). PMIS has operated for the past ten years, providing time recording, audit budgeting, billing and reporting functionality. Its replacement was identified as a corporate imperative for 2003-04 when it became clear that ongoing technical support and assistance for PMIS would no longer be available.

The replacement system AccPac Project and Job Costing is internally referred to as the Strategic Management System (SMS), acknowledging the Department's new Strategic Management Framework and its reliance on information from the system for planning and monitoring purposes.

The table on the next page provides a summary of some indicators of the Department's workload and of its performance for the past two years.

In interpreting those statistics relating to time expended on audits, it should be noted that the financial year for most auditees ends on 30 June and the figures shown relate to the audit year for those audits which usually runs from October until the following September.

It is important to note that the Department, as part of its corporate planning process, is committed to the development of additional performance indicators and systems to report those indicators.

**STATISTICS RELATING TO AUDITS AND AUDIT TIMES**

<b>Workload</b>	<b>2003-04</b>	<b>2002-03</b>
Audits undertaken as at 30 June	178	168
Average working days between auditee's end of financial year and issuing of an Independent Audit Report	91	79
Hours expended on staff preparing, presenting and attending professional development courses	7 347	7 944
Hours recorded as leave taken during the financial year	29 737	30 775

<b>Hours expended on Audits</b>	<b>2002 - 03 Audits</b>	<b>2001 - 02 Audits</b>
Conduct of Audits	91 893	94 421
Management of audits	13 369	12 201
<b>TOTAL</b>	<b>105 262</b>	<b>106 622</b>

**Benchmarking**

The Department participates in benchmarking exercises with other audit offices as part of its involvement with the Australasian Council of Auditors-General (ACAG). During the year the Department participated in benchmarking our audit cost and inputs to other audit offices.

The performance indicators used in these exercises need to be used with some caution due to the following factors:

- Differences in geographical size and associated travel costs in some jurisdictions.

- Differences in audit mandates, ie audit offices are required to express opinions of various matters viz:

- performance indicators;
- controls exercised by auditees.

- Differences in administrative procedures, ie some offices make extensive use of contractors.

- Differences in the way auditees operate, including their organisational structure and the financial systems utilised.

# Corporate Support Services

The Corporate Support Services directorate supports the field audit staff in the discharge of their financial and operational audit responsibilities and assists the Auditor-General in discharging his responsibilities as the Chief Executive Officer of the Auditor-General's Department.

The directorate comprises the following sections:

- Corporate Strategy and Support
- Finance
- Human Resources
- Information Technology Support
- Research and Quality Assurance

## CORPORATE STRATEGY AND SUPPORT

During the year the reporting relationship of the Corporate Support team changed, with the team now reporting to the Manager Corporate Strategy. The new Corporate Strategy and Support section comprises:

### Corporate Strategy

#### *Role and Function*

The Manager Corporate Strategy supports Executive strategic management by:

- Coordinating the development of the Department's Corporate Plan, and the establishment of operational goals and activities through the Annual Plan.
- Designing systems and processes for monitoring and reporting on the achievement of corporate outcomes to the Executive.
- Contributing to Executive decision making in relation to corporate initiatives, and implementing identified initiatives.

### *Achievements*

This year saw significant advancements made in the area of strategic management. The Department launched its Annual Plan, detailing the activities to be undertaken this year to accomplish the goals and objectives laid out in the Corporate Plan. The Annual Plan is a core element of the Department's strategic management framework. It ensures that everyone in the organisation knows what needs to be done, and that organisational effort is directed towards achieving planned outcomes.

To drive the implementation of the Annual Plan, the Department has established an Executive monitoring and reporting process. Directors of Audits meet monthly to review the progress of corporate and audit strategies against the Plan, and to review the Department's strategic direction at regular intervals. Minutes from these meetings and status reports detailing progress towards the achievement of Annual Plan strategies keep all staff up to date with the implementation of the Plan.

Another significant achievement for the year was the successful implementation of a new management information system to support the Department's information needs under the strategic management framework. This included the introduction of a new job code structure designed to enable us to:

- Report high level information to Executive for strategic management.
- Report work performance against established measures.
- Accommodate the AGES methodology for audit management purposes.

The system - known as the Strategic Management System (SMS) - provides audit budgeting and time costing functionality. Information from the new system is used to meet Executive and management reporting needs.

Implementation of the SMS is substantively complete, although elements of timesheet processing and management reporting will continue to be developed in 2004-05.

### **Corporate Support**

#### ***Role and Function***

The role of Corporate Support is to provide a range of administrative and support services, including:

- Reception and word processing services (including the production of the Auditor-General's reports to Parliament).
- The supply and procurement of office requisites.
- Administration of the Department's corporate records management and filing system.
- Desktop publishing.

### ***Achievements***

During the year a review was undertaken to identify improvements in the format and presentation of reports to Parliament. This resulted in the development of a new style of reporting, aimed at improving the readability of these reports. All special reports will be prepared in this format in the future.

Procedures for the production of the Auditor-General's Annual Report to Parliament were also reviewed. The result is a streamlined process for controlling the flow of information between field audit and Corporate Service teams involved in producing this Report. These improvements will be applied to the production of the Report of the Auditor-General for the year ended 30 June 2004.



Manager Corporate Strategy and Support, Julie Blanche (on right) and team members.

## FINANCE

### *Role and Function*

During the year as part of an organisational restructure, the Finance section and Special Projects Section were amalgamated. The role of the Finance section is to provide a range of accounting and administrative support services to the Department including:

- Processing payroll and the maintenance of personnel classification, salary, superannuation, taxation, flexitime and other leave entitlement records.
- Processes the general ledger, accounts payable, accounts receivable and asset register accounting functions.
- Operating the Strategic Management System (embracing labour time costing and billing processes).
- Process occupational health and safety and workers compensation claims.
- Produces internal and external budgetary, statistical and financial monitoring reports including the Department's annual financial statements, periodic Department of Treasury and Finance reports and taxation returns.
- Facilitates and monitors services relating to office accommodation.
- Presents information, instruction and training related to appropriate OHS&W aspects.
- Provides a range of corporate services within the Department.



Manager Finance, Trevor Knight (4th from left) and team members.

During the year the Finance Section met all internal and external reporting requirements and maintained an effective internal control system. In particular the section contributed to the Department's achievement of its budgeted financial performance. In addition the section implemented a number of changes to core accounting systems and work practices to automate and improve the operations of the section.

**Payment of Accounts**

The following table provides an analysis of the timing of payments to creditors during 2003-04.

Particulars	Accounts Paid		Accounts Paid	
	Number	Percentage	Value (\$'000s)	Percentage
Paid by the due date	983	89	2 658	90
Paid late less than 30 days after due date	107	10	185	6
Paid late more than 30 days after due date	19	1	120	4
<b>Total</b>	<b>1 109</b>	<b>100</b>	<b>2 963</b>	<b>100</b>

**Fraud Control Policy**

Management have adequate systems in place that will prevent or detect the occurrence of any fraudulent practices. No cases of fraud were detected within the Department during 2003-04.

**HUMAN RESOURCES**

**Role and Function**

The Human Resource section's role is to facilitate and coordinate the development and implementation of human resource strategies in partnership with the Executive and Managers of the Department.

**Achievements**

The achievements of the section and the Department are outlined in the section 'Human Resource Management and Development'.



Manager, Human Resources, Silvana Gentilcore (on the right) and team member.

## INFORMATION TECHNOLOGY SUPPORT

### *Role and Function*

The Information Technology Support section's role is to provide a support/service function relating to all information technology aspects of the Department's operations including:

- Ensuring the continued availability of suitable hardware and software, through a designated maintenance, upgrade or replacement program.
- Ensuring adequate hardware, software and networking facilities are available to meet the anticipated user and processing demands.
- Evaluating new and upgraded software products and audit applications.
- Providing and supporting the communications, networking and internet requirements of the Department and individual staff.
- Ensuring the continuity, integrity and security of the Department's facilities, infrastructure, network and data.
- Providing ad hoc support, assistance or advice on a day-to-day basis, to all staff to maximize operational efficiency including:
  - on demand assistance with hardware or software faults;
  - general assistance/instruction for staff in the use of the software and functions available.
- Providing ad hoc support, assistance or advice on a day-to-day basis in the production of reports to Parliament.



Manager, Information Technology Support, Graham Pascoe (centre) and team members.

## **Achievements**

### ***Hardware Upgrades***

During the year the Information Technology Support Section undertook the replacement of 45 (50%) laptop computers.

Major software and networking upgrades were undertaken simultaneously with the hardware upgrades.

### ***Intranet***

The Departmental Intranet was identified as a critical tool for the dissemination and sharing of data and knowledge.

During the year the IT Section commenced a major project to re-vamp this facility by providing tools to enable the responsible staff to undertake required updates, and enable easier access by field audit staff.

The initial phase of this project is expected to be completed in conjunction with the laptop upgrade in November 2004.

### ***Policy Development***

The Department is highly reliant on data and information that is captured, stored, processed and delivered by computers and their associated communications facilities. Such data and information play a vital role in supporting business processes and customer services in contributing to operational and strategic business decisions and in conforming to legal, statutory and professional requirements.

Accordingly the data and information and the enabling technology are important assets that must be protected to a level commensurate with their value to the Department. Recognising this, the Information Technology section has issued minor addendums to the Department's Information Technology Policy to all staff. A full review and revision of the IT Policy, Procedures and Guidelines is planned for 2004-05.

In addition, the Information Technology Support Section has commenced a major project to establish a Microsoft Exchange Server on a Microsoft Enterprise Server to enable improved management of Emails and centralised coordination of the Calendar and common Contacts databases. These facilities will also provide advanced features and options that may be utilised in later phases of this project. In the initial stages of this project the Information Technology Support Section, in consultation with other Departmental staff, identified a critical need to enhance the communication to/from staff, and in particular, the need to provide staff with suitable facilities and software tools to enable a greater self control by staff, thus reducing the reliance on the Information Support Section. These findings acted as a catalyst to initiate a review of the current Intranet facilities.

## RESEARCH AND QUALITY ASSURANCE

### *Role and Function*

The Research and Quality Assurance (RQA) team's charter is to provide a professional research and advisory service to the Executive and staff and to contribute to the continuous improvement of the Department's auditing processes.

The team's specific objectives are to:

- Identify areas for improvement in the efficiency and effectiveness of auditing operations and methodologies.
- Ensure that effective quality control policies and procedures are in operation.
- Provide professional advice on emerging technical issues and respond to technical discussion papers issued by professional accounting and auditing bodies.
- Provide training to staff on audit methodology and associated audit tools.
- Provide a 'hot-line' service to support the users of the specialised audit software.

### *Achievements*

The major achievements over the past year include:

- Progressing the development of a robust quality assurance process.
- Conducting a series of reviews of selected audit files with the principal purpose of assessing the application of the audit methodology to assess compliance with the requirements of the Australian Auditing and Assurance Standards and Departmental policies.
- Restructuring the RQA Intranet Site containing pertinent information for audit field staff use, making it more 'user friendly' and accessible to staff.
- Performing a post-implementation review of changes made in the previous year to improve the overall quality and usefulness of information reported in the Auditor-General's Annual Report.

- Conducting research on the developments with respect to the international harmonisation of accounting standards, the possible implication of the proposed changes within the public sector and keeping departmental staff abreast of any matters of interest.

### *Quality Assurance Framework*

To achieve our corporate objective of performing professional independent audits of the accounts of the Treasurer and the accounts and operations of public sector agencies, the Department, in its Corporate Plan, is committed to ensuring that quality control is exercised over all phases of the audit process.

As the current audit methodology namely AGES, (an acronym for Audit Guidance and Evaluation System) has been operational in the department in recent years, one of the principal tasks now assigned to the RQA Team is the development and implementation of a new integrated and robust quality assurance framework covering audit work associated with both the financial attest and control opinion audits.

Significant progress has been made in developing a revised framework including defining the roles of senior management and the RQA team, and with emphasis on embedded quality processes supplemented by post audit review procedures. Work in this area continues and it is envisaged that the framework will be finalised and operational by 2005.

One of the strategies forming part of this framework is the establishment of a program of independent quality assurance reviews of agency audits. This year a number of audit files were subject to review. The reviews focused on reconsidering the audit strategy applied in undertaking the audit, including the assessment of whether the planned strategy adequately catered for audit risk, was executed as planned and whether an appropriate audit opinion had been expressed for both the financial attest and controls opinion audits. Consideration was given to the requirements of the professional auditing standards and Departmental policies.

This type of review is quite distinct from those performed in previous years where the principal purpose was to assess the progress made in implementing the methodology and to assist with any implementation issues.

The reviews found that audit files reviewed this year were completed in accordance with the requirements of the Australian Auditing and Assurance Standards and Departmental policies. Notwithstanding this overall conclusion, areas of improvement were noted. All findings were discussed with the audit team concerned, as part of the natural justice process, prior to being conveyed to Executive. Findings from all reviews were then summarised and communicated to all staff.

Review teams comprised of departmental staff and a consultant from Deloitte Touche Tohmatsu. There was a clear benefit in using departmental staff on the review as it allowed a more detailed review to be undertaken, contributed to the development of our own staff members and gave a sense of ownership of the process to the staff themselves. The expertise and contribution of the external consultant was valuable in undertaking the review.

Further reviews will be undertaken next year.

### ***Auditor-General's Annual Report***

In the previous year, an external consultant in conjunction with the RQA team, was engaged to review agency reporting within the Auditor-General's Annual Report with a view to improving the overall quality and usefulness of information reported.

The consultant recommended a number of important changes to our reporting structure and these were incorporated in last year's Annual Report.

A post-implementation review was undertaken to assess the degree of improvements to the reporting structure. This included issuing a questionnaire to all staff, asking them to consider each of the changes made to the reporting structure of agencies in the Audit Report, and to indicate whether or not they felt the changes had improved the overall quality of reporting.

Overall it was felt that the changes implemented last year resulted in a significant improvement in the quality of information reported.

### ***Staff Development***

The Department places a high priority on ensuring that all employees are properly trained and kept informed of major developments in the accounting and auditing profession so that each person is able to operate at a high level of proficiency.

The training and development of staff within the Department has been critical in developing the intellectual capital of the organisation. The continued maintenance and upgrading of knowledge and skills has contributed to a highly competent, professional and committed workforce.

To ensure success, it is imperative that a professional training and development program commence from the time a graduate first enters the Department and continues through to all levels up to and including senior management. As part of the graduate induction course, the RQA team is responsible for training all graduates in the audit methodology and audit tools used by the Department.

Over recent years there has been a movement for the harmonisation of the world's accounting standards. The first time adoption of the new and revised standards (the Australian International Financial Reporting Standards) applies to annual reporting periods beginning on or after 1 January 2005. As a result of this major event, the Department again this year engaged an external contractor to conduct a series of accounting seminars designed to upskill and update staff on selected accounting principles and developments associated with this issue within a public sector context. These seminars received positive feedback and proved to be successful.

As part of the Department's staff development program, the RQA team also regularly provides all employees information

affecting their work. This information has included details of:

- the operation of the AGES methodology within the Department;
- new and revised accounting and auditing standards;
- significant developments within the public sector that may have audit implications;
- progress made with respect to projects undertaken by the Team.

This information is available on line through a centralised network system. A project to restructure the RQA Intranet Site proved most valuable as it is now easier for staff to access the information in a more user friendly and convenient manner.



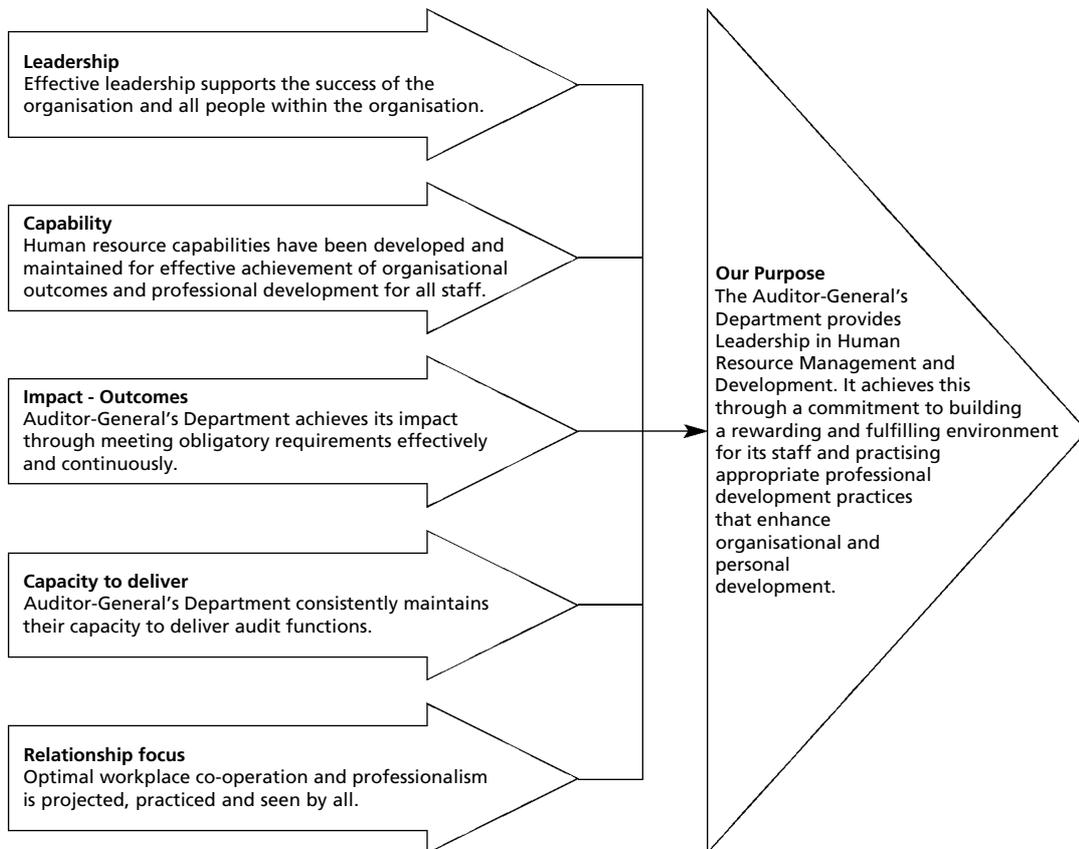
Principal Audit Manager, Research and Quality Assurance, Rodi Bergamaschi (on the right) and team members.

## Human Resource

# Management and Development

The Department has continued its commitment to investing in its employees and key strategic human resource initiatives. This includes the ability to attract, maintain and retain highly skilled and professional people and the commitment to building a rewarding and fulfilling work environment for staff. The Department has continued to develop and implement professional development practices that enhance organisational and personal development.

The commentary below highlights the goals, achievements and future strategies that have been identified as part of the Human Resource Management Strategic Plan for 2003-04, within five strategic result areas.



### LEADERSHIP

#### Communication Process

##### Outcome

Management team demonstrates leadership to support achievement of organisation through agreed communication process.

##### Achievements

A Communication Workgroup was established to review communication and consultation mechanisms in three key areas:

- Effectiveness of the Department's Senior Management Group and Ideas Forums.

- Communication regarding staff and audit allocations.
- The Staff Needs Survey.

The Communication Workgroup produced a report which identified a number of recommendations arising from the Review. The Department's Executive endorsed the review recommendations for implementation.

##### Outlook

To implement the agreed communication and consultation mechanisms arising from the Communication Workgroup report.

**CAPABILITY**

**Competency Development**

**Outcome**

Corporate competencies for employees are defined and established based on research.

**Achievements**

The Department has continued to work towards developing and integrating competency profiles for all Field Audit and Corporate Support positions. A working party has been established to further integrate the competencies into the Department's human resource processes.

The integration of these competency profiles into key human resource processes and practices has included:

- The implementation of a revised reclassification process for Audit Analyst (ASO2) to Auditor Grade I (ASO 3).
- The development of competency based job and person specifications for Executive positions and the majority of Audit and Corporate Support positions.
- The implementation of competency profiles in the graduate probationary process.
- The implementation of selected competency based recruitment and selection processes.

**Outlook**

The competency profiles will be further integrated into human resource processes and practices over the coming year.

**Performance Management**

**Outcome**

Personal performance management systems and processes have been established to enhance staff development.

**Achievements**

The Performance Review and Development (PRD) system has been in place for two years. The basis of the Performance Review and Development (PRD) system is employees and managers working together to identify objectives and development opportunities, then creating plans to achieve these. This process also assesses the employee's competency against core competencies and their performance of their key responsibilities or key outcomes from their job description.

As part of this process all employees had individual development plans by the end of 2003-04. The table below provides a breakdown of documented individual performance development plans over the past two years.

Reference to individual development plans is encouraged, especially throughout involvement in training and development activities, to ensure that they are useful and personally relevant documents.

**DOCUMENTED INDIVIDUAL PERFORMANCE DEVELOPMENT PLAN**

Salary Bracket	% with a plan negotiated within the last 12 months	% with a plan older than 12 months	% with no plan
\$0 - \$38000	100	-	-
\$38001 - \$49000	100	-	-
\$49001 - \$64000	86	14	-
\$64001 - \$83000	76	24	-
\$83001 +	100	-	-
<b>TOTAL</b>	<b>92</b>	<b>8</b>	<b>-</b>

## **Outlook**

Several components of the Performance Review and Development system will be reviewed within the next year. The performance management process will continue to be integrated into the Professional Development Program to ensure consistency in learning and development outcomes.

## **Professional Development**

### **Outcome**

Training and development processes support, measure and develop staff capabilities.

### **Achievements**

Participation rates continue to be high in training and development.

Within the strategic results area the following activities have been the focus:

#### *Professional Development Program*

Particularly high importance is attached to the development and training of employees in order to achieve corporate goals. The Department continues to strive to increase opportunities available to staff for development, while still achieving corporate goals. The 2003-04 program provided a range of training, development and learning activities for the varied and changing needs of the Department and its employees. The program provided a balance of technical, personal and management courses which were delivered in a variety of methodologies appropriate to the content. The courses included in the Professional Development Program are listed in Appendix B.

Key areas of the program were:

- training to consolidate the new performance review and development process;
- graduate training in technical and interpersonal skills; and
- leadership and management development.

The program was supplemented with employees attending external courses, conferences and seminars to assist in the fulfilment of the Department's business needs. Appendix C lists the Main External Training courses attended by employees.

#### *Leadership and Management Development*

There is commitment to the continued development of the leadership and management skills of staff. Total leadership and management development training expenditure for 2003-04 was \$123 000. This expenditure represents 2% of total employee remuneration expenditure, an increase on the 2002-03 expenditure.

The leadership and management program involves all staff in customised training developed around feedback from the performance management process and professional development courses. All training supports the key competencies framework which identifies the competencies required by staff at each level in the organisation. Training provided through the professional development program is aligned with accredited training packages.

The overall focus of the training this year was on feedback and coaching skills, appropriate to staff position, to further support the performance management process. Team development was an area also explored by all staff with emphasis ranging from developing and managing a successful team to understanding personal contributions to an effective team.

All staff at the Auditor Grade II (ASO 4) level also attended at least one of the First Line Management Forums organised through the Office for the Commissioner for Public Employment (OCPE). Employee satisfaction with the program and the opportunity to network with staff across government agencies was high.

The percentage of training expenditure relative to total employee remuneration costs in 2003-04 to 5.5 percent.

The table below reflects a high level of commitment and participation in training across the Department.

### TRAINING EXPENDITURE AS A PERCENTAGE OF TOTAL REMUNERATION EXPENDITURE BY SALARY BANDS

Salary Bracket	Target 2003-04 percent	Actual 2003-04 percent	Target 2004-05 percent
\$0 - \$38000	9	7.0	9
\$38001 - \$49000	6	7.6	6
\$49001 - \$64000	5	4.0	5
\$64001 - \$83000	4	4.9	4
\$83001 +	2	4.2	2
<b>TOTAL</b>	<b>5</b>	<b>5.5</b>	<b>5</b>

#### *Education Assistance*

Continued further career development opportunities were provided to employees through study time assistance and fee reimbursement for designated courses.

During the year the reimbursement of fees for the completion of approved studies totalled \$41 000 and study time totalling 1 426 hours was granted, both of which are considerable increases on the previous year.

#### *Employee Tertiary Qualifications*

The Auditor-General's mandate encompasses a broad range of government departments, statutory authorities, local governments and government owned companies. To effectively discharge this audit mandate, it is essential that employees possess tertiary and post-graduate qualifications.

The table below outlines the main tertiary qualifications held by audit and non-audit employees. Several employees hold two or more qualifications.

### EMPLOYEE TERTIARY QUALIFICATIONS

Qualifications	Number
Bachelor of Arts (Accountancy)	15
Bachelor of Accountancy	7
Bachelor of Economics (Accountancy)	8
Bachelor of Economics	6
Bachelor of Business (Accountancy)	3
Bachelor of Commerce	46
Other Degrees	22
Diploma in Accountancy	9
Other Diplomas	11
Certificates	18

*Professional Bodies/Institutions*

Most employees are members of professional bodies and some are members of more than one professional body.

Employees are encouraged and supported to attain professional accreditation with CPA Australia, (CPA status) and participate on special interest committees and working groups associated with the South Australian Division of CPA Australia.

Sixty four employees are members of CPA Australia. Two of these employees hold the designation of Fellow of that professional body. In addition, six employees are members of other professional bodies. The names of all employees in the Department, their tertiary qualifications and membership status are listed in Appendix D.

**Outlook**

The overall outcomes of these activities are that:

- Training and development processes support, measure, motivate and develop staff capabilities.
- A high level of employee professionalism is maintained.

The Department is continually adapting the Professional Development Program to best fit the strategic direction of the Department and the needs of employees.

**CAPACITY TO DELIVER**

**Workforce Diversity**

**Outcome**

Managing Diversity is practiced effectively throughout the organization.

**Achievements**

The Department continues to demonstrate its commitment to managing diversity through the implementation of new initiatives and the ongoing review of policies and practices.

*Age Profile Of Employees*

At 30 June 2004 the average age of the Department's employees was 33 years and 3 months compared to 33 years and 1 month as at 30 June 2003. Approximately two thirds of the staff (62 percent) are under 35 years of age as compared with the South Australian workforce statistics of 39.4 percent.

**Age Profile of Employees  
(Excluding Auditor-General)  
Number of Employees by Age Bracket**

Age Bracket	Female	Male	Total	Total Percentage	South Australian Workforce*
15-19	-	1	1	0.9	7.3
20-24	15	6	21	19.3	10.7
25-29	18	11	29	26.6	10.2
30-34	8	9	17	15.6	11.2
35-39	5	8	13	11.9	11.4
40-44	3	6	9	8.3	13.3
45-49	2	6	8	7.3	12.0
50-54	1	5	6	5.5	10.7
55-59	-	4	4	3.7	7.7
60-64	-	1	1	0.9	3.6
65+	-	-	-	-	2.0
<b>Total</b>	<b>52</b>	<b>57</b>	<b>109</b>	<b>100.0</b>	<b>100.0</b>

\* As at March 2004 from ABS Supertable LM8

*Flexible Working Arrangements*

The Department continues to review the availability of other types of flexible working arrangements. Since the implementation of the Part Time Policy there has been an increased level of employee participation.

**Voluntary Flexible Working Arrangements**

<b>Number of Employees using Voluntary Flexible Working Arrangements by Gender</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
<b>Purchased leave</b>	-	-	-
<b>Flexitime</b>	51	52	103
<b>Compressed Weeks</b>	-	-	-
<b>Part-time Job Share</b>	-	6	6
<b>Working from Home</b>	-	-	-

*Indigenous Employees*

The Department is committed to implementing strategies which promote equal opportunity and have used the resources of the Aboriginal Recruitment and Development Strategy through a number of recruitment and selection processes.

**Indigenous Employees**

<b>Number of Aboriginal and/or Torres Strait Islander Employees</b>					
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Percentage of Agency</b>	<b>Strategic Benchmark*</b>
<b>Aboriginal/Torres Strait Islander</b>	1	-	-	0.9	2.0%

\* Benchmark from State Strategic Plan

*Cultural and Linguistic Diversity*

As depicted in the table below the Department has a significant number of employees relative to its size who speak languages other than English at home.

**Cultural and Linguistic Diversity**

	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Percentage of Agency</b>	<b>Percentage of SA Community</b>
<b>Number of employees born overseas</b>	6	7	13	11.9	20.3
<b>Number of employees who speak language(s) other than English at home</b>	4	5	9	8.3	15.5
<b>Total</b>	10	12	22	20.2	35.8

\* ABS Publication Basis Community Profile (SA) Cat No. 2001.0

**Disability Action Plans**

The Department is committed to implementing strategies which promote equal opportunity for people with disabilities. Where possible the Department has actively participated in programs such as the Disability Employment strategy and focuses on providing a supportive work environment that is free from discrimination.

**Disability**

	Male	Female	Total	Percentage of Agency
<b>Number of Employees with Ongoing Disabilities requiring Workplace Adaptation</b>	1	-	1	0.9

**Outlook**

The Department will continue to review and integrate policies and procedures to ensure that it complies with legislative requirements.

**Recruitment, Selection and Placement**

**Outcome**

Recruitment, selection and placement processes are reviewed and updated.

**Achievements**

A major component of the Department's recruitment and workforce planning strategy is the Graduate Recruitment Program which represents a valuable source of new employees for the Department. The ability to attract appropriately qualified high calibre graduates is dependent upon its capacity to compete with private sector organisations in a highly competitive marketplace.

The Department has continued to improve its graduate recruitment strategy by gathering feedback from graduates every year and refining the recruitment process. We continue to actively compete for graduates by attending the University Careers Fairs and providing prizes for academic achievement at each of the universities.

During 2003-04 ten graduates were appointed.

**Graduate Recruitment and Placement**

	2004 - 05 Intake	2003-04 Intake	2002-03 Intake
Applications received	117	130	150
Applicants selected for interviews	21	19	41
Graduates appointed up to 30 June *	10	5	11

\* Graduates commence duty in January following the appointment.

Graduates are appointed under the *Public Sector Management Act 1995* and are initially employed on a twelve month probationary period. During this period, the graduate's manager completes four structured performance assessments to evaluate the graduate's work performance. New staff are supported by a Graduate Performance Review process which involves a series of assessments every three months. This process provides the flexibility for a graduate to complete their probation at the end of nine months rather than twelve months.

The Department continues to be recognised for its comprehensive Graduate Training program. The program comprises a range of modules which address areas of accounting and financial system operations and controls, auditing practice and methods and the development of personal skills and capabilities. Feedback from graduates indicates that the training program forms a valuable part of their graduate year.

**Outlook**

The Department will continue to implement practices to enhance the graduate recruitment cycle.



Graduates from the year 2003-04 intake.

### **Induction**

#### ***Outcome***

Induction processes are reviewed and updated.

#### ***Achievements***

All new employees participate in an induction program and receive an induction package which supports the information delivered during the program.

A series of checklists which are completed jointly by the graduate and their manager provide a consistent and thorough introduction for graduates during the first month in the field and have been very positively received by graduates and managers.

The structure of the induction programs is based on the number of graduates employed, the amount of time required for methodology training, and the section or area of the Department they will be joining.

Graduates' learning will be enhanced through on-the-job training and practical experience.

#### ***Outlook***

The Department will continue to conduct its comprehensive induction program and twelve month training program. The format and structure of these programs will continue to be evaluated and reviewed on an annual basis.

#### ***Workforce Profile***

#### ***Outcome***

Current and future needs are assessed to determine future resource requirements.

#### ***Achievements***

The Department collects a range of workforce statistics. These statistics provide the means of profiling our current workforce and comparing this with previous years statistics.

*Employee Classifications and Numbers*

The Department has an approved staffing establishment of 110 full time equivalents (FTE), including the Auditor-General's position.

As at the last pay day in June 2004, the Department employed 109 employees representing 107 FTE.

*Executive Employment, Staff Employment and Other Human Resources Matters*

**Staffing of the Department by Salary Bracket**

Salary Bracket	Male	Female	Total
\$0 - \$38 000	8	10	18
\$38 001 - \$49 000	18	23	41
\$49 001 - \$64 000	11	12	23
\$64 001 - \$83 000	14	7	21
\$83 001+	6	-	6
<b>Total</b>	<b>57</b>	<b>52</b>	<b>109</b>

**Status of Employees in Current Position**

	FTE's				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Casual	
Female	42.1	8.0	-	-	50.1
Male	47.0	4.0	6.0	-	57.0
<b>Total</b>	<b>89.1</b>	<b>12.0</b>	<b>6.0</b>	<b>-</b>	<b>107.1</b>

	Persons				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Casual	
Female	44	8	-	-	52
Male	47	4	6	-	57
<b>Total</b>	<b>91</b>	<b>12</b>	<b>6</b>	<b>-</b>	<b>109</b>

**Number of Executives by Status in Current Position, Gender and Classification**

Classification	Ongoing		Contract Tenured		Contract Untenured		Total		
	Male	Female	Male	Female	Male	Female	Male	Female	Total
Level B	-	-	6	-	-	-	6	-	6
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>

There has been no change in the employment of Executives.

*Work Experience Profile*

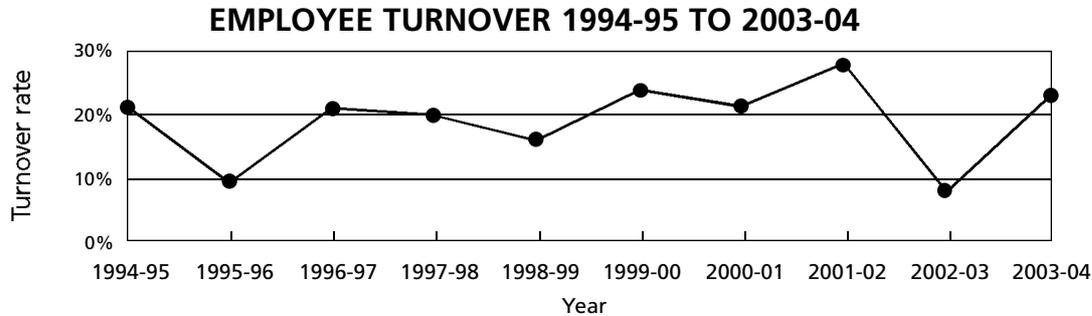
At 30 June 2004 the average work experience of employees in the Department was eight years and ten months compared to eight years and three months at 30 June 2003.

**WORK EXPERIENCE PROFILE**

Years of Service	0 <3	3 <6	6 <11	11 <16	16 <21	21+	Total
Employees with Work Experience in:							
• Auditor-General's Department	35	29	15	6	10	14	109
• Public Sector	32	25	16	7	11	18	109

### Employee Turnover and Movements

The average employee FTE for 2003-04 was 109 (111 for 2002-03) and the rate of employee turnover for the financial year was 23 per cent (8 percent for 2002-03) The turnover rate has included both corporate and audit employees.



The Department has a policy which encourages all employees leaving the organisation, on either a temporary or permanent basis, to participate in an exit interview process. This provides management with one mechanism for monitoring organisational and staff needs and in identifying the main reasons for employee turnover.

During 2003-04 the major reasons employees gave for ceasing employment within the Department were:

- career and personal development;
- job challenge;
- improved promotion opportunities;
- career change.

#### Outlook

The Department will continue to look at strategies to manage turnover.

### IMPACT - OUTCOMES

#### Benchmarking

##### Outcome

Human resource management practices are benchmarked where relevant against other like organisations nationally and internationally.

##### Achievements

Some informal benchmarking of key human resource strategies against other organisations has been undertaken through networking with other audit offices and South Australian Government agencies.

#### Outlook

The Department actively participates in benchmarking human resource management practices in public and commercial sectors.

### RELATIONSHIPS FOCUS

#### Ongoing Improvement in Service Delivery

##### Outcome

Internal and external feedback is captured and used as the basis for improving workplace relationships and professionalism.

##### Achievements

Since the last whole of Department survey in 2002 a range of improvements have been implemented.

The Department continues to seek employee feedback through various methods as part of continuous improvement process across human resource practices.

##### Outlook

The Department continues to document and implement changes in consultation with staff. A commitment has been made to conduct a staff satisfaction survey for the 2004-05 year.

**OCCUPATIONAL HEALTH, SAFETY AND WELFARE**

**Outcome**

An occupational safe, healthy workplace for employees.

**Achievements**

**Employee Health and Wellbeing**

Health and wellbeing seminars and exercise programs are held for the benefit of all staff. The seminars focus on personal health management strategies to assist staff in coping with the demands of intensive work periods.

As part of its pro-active program to promote a healthier work environment for employees, a Flu Vaccination Program was arranged. Thirty five percent of staff took

the opportunity to receive a cost free vaccination. Further, during the year the Department ran a number of physical exercise programs for staff.

**Employee Assistance Program**

This program provides staff and management with a proactive support mechanism for meeting personal needs and work performance objectives. There has been an increase in the use of this service in the last 12 months.

It is further planned that a Senior First Aid Certificate Course will be held in the first half of the next financial year. As tenants of the State Administration Centre training of emergency control officers and all staff is currently planned in respect of the newly promulgated Emergency Response Plan.

**SICK LEAVE AND FAMILY CARERS LEAVE**

	2003-4	2002-03	2001-02	2000-01
Average FTE sick leave days per employee	6.6	5.7	5.1	5.6
Average FTE family care leave days per employee	0.17	0.26	0.21	0.19
Average FTE special leave with pay per employee	0.73	0.64	0.53	n/a

**Energy Efficiency**

The Department leases its accommodation in the State Administration Centre (1.5 floors) and partly manages the way in which it uses light and power.

**ANNUAL ENERGY USE**

	Energy Use (GJ)	Expenditure \$'000	GHG Emissions Tonnes
Base year 2000-01	450	17	148
Year being reported	444	19	146

### **Occupational Health, Safety and Welfare Committee**

The Occupational Health, Safety and Welfare Committee currently consists of twelve members with two management, nine employee representatives and an OHS&W Coordinator.

The functions of the Committee are to:

- Facilitate cooperation between Managers/Supervisors and employees in initiating, developing, carrying out and monitoring measures designed to ensure the OHS&W of the employees.
- Assist in the formulation, review and dissemination to employees of the OHS&W practices, procedures or policies that are to be followed at any relevant work place.
- Consult with Managers/Supervisors and employees on any proposed changes to OHS&W practices, procedures or policies.
- Keep under review and make recommendations associated with:
  - accident statistics;
  - developments in the field of rehabilitation of employees who suffer work related injuries; and
  - the employment of employees who suffer from any form of disability.
- Assist in the:
  - return to work of employees who suffer work related injuries; and
  - employment of employees who suffer from any form of disability.
- Monitor processes and make recommendations that may improve the claims management process.
- Assist in the resolution of issues relating to OHS&W of employees at any relevant workplace.

- Undertake such other functions as are directed or agreed upon by management and the OHS&W Committee.

The OHS&W Policies and Procedures can be accessed on the Department intranet by all employees located within the central office or at remote work sites. All policies and procedures are reviewed and updated on a progressive basis during the year.

### **Worksite Inspection**

Inspection reporting for temporary and permanent worksites is integrated within the audit process. computer workstation checklists, relating to ergonomic, environmental and facilities assessments are completed annually.

Where matters are identified in computer workstation checklists, these are addressed internally or for more complex issues the assistance of an ergonomist is utilised.

### **Performance Review**

External consultants were engaged to supply:

- An independent OHS&W legislative compliance and OHS&W management systems audit.
- Specified OHS&W training sessions.
- Advice and recommendations relating to the annual review and update of the OHS&W Action Plan.

There were no significant matters reported within the OHS&W legislative compliance audit, or the OHS&W management systems audit. The consultant provided an excellent overall rating.

### **Workers Rehabilitation and Compensation**

The premium paid for workers compensation insurance for 2003-04 was \$4 900 (\$1 500).

## OCCUPATIONAL HEALTH, SAFETY AND WELFARE STATISTICS

	2003-04	2002-03	2001-02
<b>OHS&amp;W Legislative Requirements:</b>			
Notifiable occurrences pursuant to OHS&W Regs. Div 6.6	Nil	Nil	Nil
Notifiable injuries pursuant to OHS&W Regs, Div 6.6	Nil	Nil	Nil
Notices served pursuant to OHS&W Act s35, s39, and s40	Nil	Nil	Nil
<b>Injury Management Legislative Requirements:</b>			
Compliance with Schedule 4, Claims & Registration for Exempt Employer Regulations of the WRC Act	Yes	Yes	Yes
Employees who participated in a rehabilitation program	Nil	Nil	1
Employees rehabilitated and reassigned to alternative duties	Nil	Nil	Nil
Employees rehabilitated back to original work	Nil	Nil	1
<b>WorkCover Action Limits:</b>			
Open claims	1	Nil	Nil
% workers compensation expense of gross annual remuneration	0.002	0.0007	0.01
<b>Number of Injuries</b>			
New workers compensation claims for the reporting period	2	1	1
Fatalities, lost time injuries, medical treatment only	Nil	Nil	Nil
Whole working days lost	Nil	Nil	8
<b>Cost of Workers Compensation:</b>			
Cost of new claims for financial year	\$130	\$52	\$296
Cost of all claims excluding lump sum payments	\$130	\$52	\$296
s42, s43, s44 lump sum payments (Paid by the Department)	Nil	Nil	Nil
Total amount recovered from external sources (s54)	Nil	Nil	Nil
Budget for workers compensation (Insurance Premium)	\$3 000	\$2 000	\$2 500
<b>Trends</b>			
Lost time injury frequency per million hours worked	Negligible	Nil	Negligible
Most frequent cause of injury	Tripping	None	Back injury
Most expensive cause of Injury	Tripping	None	Back injury
<b>Meeting OHS&amp;W Strategic Targets</b>			
Achievement of OHS&W action plan (Independent Audit Assessment)	Excellent	Excellent	Excellent

### **Outlook**

Occupational Health, Safety and Welfare culture and systems will continue to be integrated into the work environment. This includes taking proactive and preventative actions such as the conduct of regular health and wellbeing and other educational or training seminars.



Members of the Audit Office Social Club.

## **SOCIAL CLUB**

The Social Club Committee manages activities and functions for its members, including an annual dinner, Christmas picnic, Christmas lunch, cricket match, quiz night, bowling night, movie night and regular happy hours.

These activities are funded by staff member subscriptions and provide an opportunity for greater staff interaction than exists during the course of daily operations.

# Commentary on Financial Results

## FUNDING OF DEPARTMENT

The Department operates on funds appropriated by Parliament from the Consolidated Account.

Estimates of annual accrual expense and any capital requirements of the Department are submitted through the Department of Treasury and Finance to Parliament.

Audit fees received from public sector agencies are accounted for as an administered item and are paid into the Consolidated Account.

## PROGRAM

The sole program is the provision of auditing services covering all of the audit responsibilities prescribed under the *Public Finance and Audit Act 1987*.

This program is segmented into two sub-programs as follows:

### *Prescribed Audits*

This program relates to the annual discharge of all the audit responsibilities prescribed under the *Public Finance and Audit Act 1987* where the Auditor-General is the prescribed auditor.

### *Special Investigations*

This program relates to the conduct of work that is specifically requested by either the Parliament, Treasurer or Minister pursuant to the *Public Finance and Audit Act 1987* and includes:

- Special investigations when requested by the Parliament or Treasurer.
- Reviews of summaries of confidential government contracts when requested to do so by a Minister.

Consistent with the legislative requirement of audit independence, the reports are presented directly to the Parliament.

## FINANCIAL PERFORMANCE - ACTUAL vs BUDGET

The following table discloses the financial performance of the Department on an accrual basis exclusive of goods and service tax.

Item	2003-04 Budget \$'000	2003-04 Actual \$'000	2003-04 Variance \$'000
Auditing Services Net Cost of Services	9 602	9 660	58
Administered Revenue - Audit Fees	7 757	7 765	8

## CONTRACTED AUDITS

A number of audits are contracted out to the private sector where specialist audit skills are not available within the Department. The key criteria is to provide a professional audit in the most efficient and cost effective manner. During 2003-04, payments totalling \$740 000 (\$665 000) were made for contracted audits.

The Auditor-General is responsible for the contracted audits and senior audit staff review the plans prepared by the contracted auditor and exercise quality control over the work performed. The Auditor-General issues the independent audit report on the financial statements.

## CONSULTANTS

External consultants are engaged to assist in the fulfilment of the Auditor-General's statutory audit mandate and to use skills that are not available within the Department.

During 2003-04, Consultancies amounted to \$151 000 inclusive of \$72 000 relating to consultants engaged in the conduct of Special Investigations.

The following table provides details of the consultancies utilised in 2003-04.

Item	Details	\$'000
<b>Consultancies less than \$10 000</b>	14 Consultancies	63
<b>Consultancies \$10 000 - \$50 000:</b>	2 Consultancies	34
K J Bockmann Consulting	Professional services associated with the production of the Auditor-General's 2002-03 Annual Report to Parliament.	
Deloitte Touche Tohmatsu	Provision of assistance with the conduct of four peer reviews of audit work in the period March 2004 to May 2004	
<b>Consultancies above \$50 000</b>	1 Consultancy	
Piper Alderman	Work associated with the conduct of the review of the State Emergency Services: McLaren Vale Ambulance Station	54
<b>Total Consultancies</b>	17 Consultancies	151

# Financial Statements

## Statement of Financial Performance for the year ended 30 June 2004

		2004	2003
		\$'000	\$'000
<b>EXPENSES FROM ORDINARY ACTIVITIES:</b>	Note		
Employee expenses	3	7 297	7 103
Contract audit fees		740	665
Accommodation and service costs		525	487
Other expenses		377	440
Depreciation	1.4, 6.2	251	269
Staff development and training		167	185
Consultancies		151	339
Software maintenance		116	89
Motor vehicle hire		114	97
Loss on disposal of assets	5	26	3
<b>Total Expenses from Ordinary Activities</b>		<b>9 764</b>	<b>9 677</b>
<b>REVENUES FROM ORDINARY ACTIVITIES:</b>			
Interest		101	73
Other income		3	11
<b>Total Revenues from Ordinary Activities</b>		<b>104</b>	<b>84</b>
<b>NET COST OF SERVICES FROM ORDINARY ACTIVITIES</b>		<b>9 660</b>	<b>9 593</b>
<b>REVENUES FROM GOVERNMENT:</b>			
Appropriations and contingency provision grant	4	9 797	9 938
<b>NET SURPLUS</b>		<b>137</b>	<b>345</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		<b>137</b>	<b>345</b>

### Statement of Financial Position as at 30 June 2004

		2004	2003
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash	9.1, 13	1 842	1 471
Receivables	13	101	92
<b>Total Current Assets</b>		<b>1 943</b>	<b>1 563</b>
<b>NON-CURRENT ASSETS:</b>			
Computer and office facilities	1.4, 6	1 437	1 512
Accumulated depreciation	1.4, 6	(1 079)	(1 033)
<b>Total Non-Current Assets</b>	6	<b>358</b>	<b>479</b>
<b>Total Assets</b>		<b>2 301</b>	<b>2 042</b>
<b>CURRENT LIABILITIES:</b>			
Payables	13	47	47
Cash advance - Imprest accounts	13	3	3
Employee benefits and related on-costs	1.3, 7	723	707
<b>Total Current Liabilities</b>		<b>773</b>	<b>757</b>
<b>NON-CURRENT LIABILITIES:</b>			
Employee benefits and related on-costs	1.3, 7	1 562	1 456
<b>Total Non-Current Liabilities</b>		<b>1 562</b>	<b>1 456</b>
<b>Total Liabilities</b>		<b>2 335</b>	<b>2 213</b>
<b>NET ASSETS</b>	8	<b>(34)</b>	<b>(171)</b>
<b>EQUITY:</b>			
Opening balance - Deficit		(171)	(516)
Increase in net assets		137	345
<b>TOTAL EQUITY</b>	8	<b>(34)</b>	<b>(171)</b>
Commitments	11		

### Statement of Cash Flows for the year ended 30 June 2004

		2004	2003
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note		
<b>CASH OUTFLOWS:</b>			
Employee expenses		(7 172)	(6 950)
Goods and services		(2 408)	(2 536)
<b>CASH INFLOWS:</b>			
Interest		101	73
Other income		3	11
Goods and services tax refunds		206	257
<b>CASH FLOWS FROM GOVERNMENT:</b>			
Appropriations and contingency provision grant	4	9 797	9 938
<b>Net Cash Inflows from Operating Activities</b>	9.2	<b>527</b>	<b>793</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of computer and office facilities		(192)	(314)
Disposal of computer and office facilities		36	52
<b>Net Cash Outflows from Investing Activities</b>		<b>(156)</b>	<b>(262)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>371</b>	<b>531</b>
<b>CASH AT 1 JULY</b>		<b>1 471</b>	<b>940</b>
<b>CASH AT 30 JUNE</b>	9.1	<b>1 842</b>	<b>1 471</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Statement of Significant Accounting Policies

#### 1.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the Public Finance and Audit Act 1987 (the Act). The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values. Unless otherwise stated, the accounting policies adopted are the same as those in the previous year.

#### 1.2 Appropriations

The Department is funded by Parliamentary appropriations for the full accrual cost of its services. The appropriation is paid into Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriation for accrued expense at year end has in previous years been deposited in a special deposit account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to Treasurer's Instruction 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Administered items are funded by Parliamentary appropriations on a cash basis.

### 1.3 *Employee Benefits*

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. Employee entitlements comprise benefits to salaries, annual leave, long service leave and workers compensation.

#### *Salaries*

Liabilities for salaries are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.

#### *Annual Leave*

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date.

#### *Sick Leave*

No liability is recognised, as sick leave taken by employees is considered to be taken from the current year's accrual.

#### *Long Service Leave*

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of seven years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 1028. This advice has been adopted and the long service leave liability as at 30 June 2004 has been calculated at nominal amounts based on current salary and wage rates for employees with seven or more years service.

The long service leave to be taken in the 12 months to 30 June 2005 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

#### *Workers Compensation*

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2004 provided by a consulting actuary engaged through the Office for the Commissioner for Public Employment. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of day to day workers compensation claims. Any lump sum settlements are funded from the Government Workers Compensation Fund, administered by the Department of the Premier and Cabinet.

#### *Superannuation*

The Department's liability for superannuation is to the Department of Treasury and Finance rather than the superannuation beneficiaries. The Department pays amounts to the Department of Treasury and Finance which represents the Department's share of the accruing liability to employees in relation to the Government's various superannuation schemes. The liability for superannuation is included in Employment on-costs.

### 1.4 *Computer and Office Facilities*

Computer and office facilities are recorded at historical cost less accumulated depreciation.

Non-current assets with an acquisition cost greater than \$2 000 are depreciated using the straight line method of depreciation over their useful lives, which reflects the consumption of their service potential.

All assets useful lives have been set at three years.

### 1.5 *Inventories*

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

### 1.6 *Administered Items*

The Department has two Administered Items namely:

#### *Special Acts*

As provided in subsection 24(4) of the Act, the Department receives a separate appropriation for the cash salary and allowances of the Auditor-General.

#### *Administered Revenue*

Section 39 of the Act provides for the levying of fees for audit services provided by the Department. All audit fee monies received by the Department are paid into the Consolidated Account. The Department receives a cash appropriation to fund the payment of Goods and Services Tax on audit fees to the Australian Taxation Office.

**1.7 Goods and Services Tax**

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

**1.8 Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Auditor-General's Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

*Managing the Process*

To manage the transition to the new International Financial Reporting Standards the Department is preparing a plan to manage the transition process.

*Expected differences in Accounting Policies*

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with pending AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

*Employee Benefits*

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

**2. Objectives of the Department**

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the Act.

The Department's sole program is the provision of Auditing Services covering all the audit responsibilities prescribed under the Act. Within this program class there are two subprograms:

**Prescribed Audits**

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the Act. During the year the Department spent \$9 687 000 (\$9 498 000) on this subprogram.

**Special Investigations**

Includes all work defined in the Act that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on Special Investigations when requested by the Parliament or Treasurer;
- reviewing summaries of confidential government contracts and reporting on the adequacy of the document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific Terms of Reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During the year the Department expenditure on this subprogram totalled \$77 000 (\$179 000).

<b>3. Employee Expenses</b>	<b>2004</b>	<b>2003</b>
Employee benefits:	\$'000	\$'000
Salaries	5 558	5 248
Annual leave	489	519
Long service leave	131	259
Workers compensation	3	(5)
Total employee benefits	<u>6 181</u>	<u>6 021</u>
Employee on-costs:		
Superannuation	711	690
Payroll tax	405	392
Total employee on-costs	<u>1 116</u>	<u>1 082</u>
Total Employee Expenses	<u><u>7 297</u></u>	<u><u>7 103</u></u>

**4. Funding of the Department**

Appropriations to the Department in 2003-04 amounted to \$9 782 000 (\$9 938 000) and there was a contingency provision grant of \$15 000.

Appropriations under Special Acts are reported under Administered Items.

A summary of appropriations and departmental accrual funding for the year is set out below.

Appropriations and contingency provision grant:	<b>2004</b>	<b>2003</b>
Prescribed audits	\$'000	\$'000
Special Investigations	9 797	9 458
	-	480
	<u>9 797</u>	<u>9 938</u>
Accrual Appropriation Excess Funds Account:		
Interest	20	18
Balance of funds at 1 July	387	369
Balance of funds at 30 June	<u>407</u>	<u>387</u>

**5. Loss on Disposal of Assets**

Historic cost of assets disposed	268	261
Less: Accumulated depreciation	<u>206</u>	<u>206</u>
	62	55
Proceeds on disposal	36	52
Total Loss on Disposal of Assets	<u><u>26</u></u>	<u><u>3</u></u>

**6. Computer and Office Facilities****6.1 Classes of Computer and Office Facilities**

Computing and office equipment - At cost	769	899
Accumulated depreciation	<u>(498)</u>	<u>(495)</u>
	271	404
Computer software - At cost	311	301
Accumulated depreciation	<u>(301)</u>	<u>(287)</u>
	10	14
Library - At cost	16	16
Accumulated depreciation	<u>(16)</u>	<u>(16)</u>
	-	-
Leasehold improvements - At cost	150	127
Accumulated depreciation	<u>(98)</u>	<u>76</u>
	52	51
Projects - At cost	191	169
Accumulated depreciation	<u>(166)</u>	<u>(159)</u>
	25	10
	<u><u>358</u></u>	<u><u>479</u></u>

**6.2 Reconciliation of Carrying Amount**

	Carrying Amount 1 July \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Carrying Amount 30 June \$'000
Computing and office equipment	404	137	62	208	271
Computer software	14	10	-	14	10
Library	-	-	-	-	-
Leasehold improvements	51	23	-	22	52
Projects	10	22	-	7	25
<b>Total Computer and Office Facilities</b>	<b>479</b>	<b>192</b>	<b>62</b>	<b>251</b>	<b>358</b>

	2004 \$'000	2003 \$'000
<b>7. Employee Benefits and related on-costs</b>		
<i>Employee benefits:</i>		
Current:		
Salaries	118	19
Annual leave provision	355	393
Long service leave provision	120	174
Workers compensation provision	2	3
<b>Total Current</b>	<b>595</b>	<b>589</b>
Non-Current:		
Long service leave provision	1 378	1 280
Workers compensation provision	5	7
<b>Total Non-Current</b>	<b>1 383</b>	<b>1 287</b>
<b>Total Employee Benefits</b>	<b>1 978</b>	<b>1 876</b>
Employee On-costs		
Current	128	118
Non-Current	179	169
<b>Total Employee On-costs</b>	<b>307</b>	<b>287</b>
<b>Total Employee Benefits and related on-costs</b>	<b>2 285</b>	<b>2 163</b>

**8. Total Equity**

The deficit arises as a result of the Department's previous funding arrangements. Prior to 1998-99, the Department was funded on a cash basis, which did not take account of the full accrual liabilities. The Department will continue to receive annual appropriations from the Consolidated Account to fund its operations. Without funding to meet past liabilities the Department will continue to have a deficit.

**9. Notes to the Statement of Cash Flows**

**9.1 Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2004 \$'000	2003 \$'000
Auditor-General's Department Operating Account	1 432	1 081
Accrual Appropriation Excess Funds Account	407	387
Imprest Accounts	3	3
	<b>1 842</b>	<b>1 471</b>

**9.2 Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash Inflows from Operating Activities**

Net cost of services from ordinary activities	(9 660)	(9 593)
Cash flows from government	9 797	9 938
Depreciation	251	269
(Increase) Decrease in receivables	(9)	24
Increase in employee benefits	102	151
Increase in payables	-	7
Increase (Decrease) in employee on-costs	20	(6)
Loss on disposal of assets	26	3
<b>Net Cash Inflows from Operating Activities</b>	<b>527</b>	<b>793</b>

**10. Remuneration of Employees**

The number of employees whose total remuneration is within the following bands was:

	2004 Number of Employees	2003 Number of Employees
\$130 000 - \$139 999	4	3
\$140 000 - \$149 999	1	2
\$160 000 - \$169 999	1	-
\$260 000 - \$269 999	-	1
\$270 000 - \$279 999	1	-

Total remuneration received or receivable by these employees was \$1 100 000 (\$962 000).

**11. Commitments**

The Department's operating leases are for the leasing of office accommodation and motor vehicles.

*Office Accommodation*

Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The lease expired on 30 June 2004 and the Department has exercised its right of renewal for six years from that date. The rental amount reflects that six year extension and is based on floor space, with the rental rate reviewable by Real Estate Management every two years.

*Motor Vehicles*

Motor vehicles are leased from the Fleet SA business unit of DAIS. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

For the current year the total amount of expense for minimum lease payments for operating leases was \$536 000 \$487 000).

**Operating Leases**

At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):

	2004 \$'000	2003 \$'000
Not later than one year	498	493
Later than one year and not later than five years	1 828	41
Later than five years	452	-
<b>Total Operating Lease Commitments</b>	<b>2 778</b>	<b>534</b>

**12. Remuneration of Auditor**

Remuneration for audit of financial reports  
Remuneration for other services

7	7
-	-
<b>7</b>	<b>7</b>

**13. Financial Instruments**

The following disclosures have been provided to satisfy the requirements of Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'.

**(a) Terms, Conditions and Accounting Policies**

- Cash is held in two Special Deposit Accounts as detailed in Note 1.2 and in two imprest accounts;
- Two interest free imprest accounts are advanced to the Auditor-General by the Treasurer pursuant to section 9 of the Act and are repayable on demand.
- Receivables relate to:
  - Audit Fee debtors (Note A2.1). Terms are 14 days;
  - Goods and Services Tax Receivable. Terms are 14 days of submission of quarterly Business Activity Statement.
- Payables are raised for amounts billed but unpaid and are normally settled within 30 days.

**(b) Interest Rate Risk**

Financial Instrument	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Weighted Average Effective Interest Rate	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 Percent	2003 Percent
Financial Assets:								
Imprest accounts	-	-	3	3	3	3	-	-
Operating Account	1 432	1 081	-	-	1 432	1 081	4.87	4.60
Accrual Appropriation								
Excess Funds Account	407	387	-	-	407	387	5.39	4.87
Receivables	-	-	101	92	101	92	-	-
	<b>1 839</b>	<b>1 468</b>	<b>104</b>	<b>95</b>	<b>1 943</b>	<b>1 563</b>		
Financial Liabilities:								
Imprest accounts	-	-	3	3	3	3	-	-
Payables	-	-	47	47	47	47	-	-
	<b>-</b>	<b>-</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>		

**(c) Net Fair Values**

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

**Statement of Administered Expenses and Revenues  
for the year ended 30 June 2004**

		2004	2003
		\$'000	\$'000
<b>ADMINISTERED EXPENSES:</b>	Note		
Employee benefits	1.3	215	223
Amounts paid/payable to consolidated account		8 541	8 301
Goods and services tax paid/payable		776	755
<b>Total Administered Expenses</b>		<b>9 532</b>	<b>9 279</b>
<b>ADMINISTERED REVENUES:</b>			
Fees for audit services	A2.1	7 765	7 554
Goods and services tax received/receivable on audit fees		776	755
Appropriation - Special Acts	A2.2, A3	216	210
Appropriation - Goods and Services Tax	A3	768	774
<b>Total Administered Revenues</b>		<b>9 525</b>	<b>9 293</b>
<b>NET SURPLUS</b>	A4.2	<b>(7)</b>	<b>14</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		<b>(7)</b>	<b>14</b>

**Statement of Administered Assets and Liabilities as at 30 June 2004**

		2004	2003
		\$'000	\$'000
<b>ADMINISTERED ASSETS:</b>			
<b>CURRENT ASSETS:</b>	Note		
Receivables	13, A2.1	405	394
<b>Total Assets</b>		<b>405</b>	<b>394</b>
<b>ADMINISTERED LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Employee benefits	1.3, A1	105	87
Amounts payable to consolidated account	A2.1	405	394
Goods and services tax payable		176	168
<b>Total Current Liabilities</b>		<b>686</b>	<b>649</b>
<b>NON-CURRENT LIABILITIES:</b>			
Employee benefits	1.3, A1	166	185
<b>Total Non-Current Liabilities</b>		<b>166</b>	<b>185</b>
<b>Total Liabilities</b>		<b>852</b>	<b>834</b>
<b>NET ADMINISTERED ASSETS</b>		<b>(447)</b>	<b>(440)</b>
<b>ADMINISTERED EQUITY:</b>			
Opening balance		(440)	(454)
Increase in net assets		(7)	14
<b>TOTAL ADMINISTERED EQUITY</b>		<b>(447)</b>	<b>(440)</b>

**Statement of Administered Cash Flows  
for the year ended 30 June 2004**

	Note	2004 \$'000	2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>CASH OUTFLOWS:</b>			
Employee benefits		(216)	(210)
Amounts paid/payable to consolidated account		(8 530)	(8 480)
Goods and services tax paid/payable		(768)	(774)
<b>CASH INFLOWS:</b>			
Fees for audit services		8 530	8 480
<b>CASH FLOWS FROM GOVERNMENT:</b>			
Appropriations	A3	984	984
Net Cash Inflows from Operating Activities	A4.2	-	-
<b>NET INCREASE IN CASH HELD</b>			
CASH AT 1 JULY		-	-
CASH AT 30 JUNE	A4.1	-	-

**NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS**

<b>A1. Employee Benefits</b>	2004	2003
Current:	\$'000	\$'000
Salaries	3	1
Annual leave provision	102	86
Long service leave provision	-	-
<b>Total Current</b>	<b>105</b>	<b>87</b>
Non-Current:		
Long service leave provision	166	185
<b>Total Non-Current</b>	<b>166</b>	<b>185</b>
<b>Total Employee Benefits</b>	<b>271</b>	<b>272</b>

**A2. Administered Items**

**A2.1 Auditing Fees**

Section 39 of the Act provides for the levying of fees for audit services provided by the Department that are paid into the Consolidated Account.

Fees outstanding at 1 July	394	564
Billings (including Goods and Services Tax)	8 541	8 301
	8 935	8 865
Receipts (including Goods and Services Tax)	8 530	8 471
<b>Fees outstanding at 30 June</b>	<b>405</b>	<b>394</b>

At 30 June, the value of audit work in progress was \$3 191 000 (\$2 255 000). The Department is of the opinion that this amount is recoverable.

**A2.2 Special Acts**

Subsection 24(4) of the Act, provides that the salary and allowances of the Auditor-General will be determined by the Remuneration Tribunal and will be paid from the Consolidated Account.

**A3. Funding of the Administered Items**

A summary of administered items appropriations for the year is set out below.

Appropriations:	2004	2003
	\$'000	\$'000
Special Acts	216	210
Goods and Services Tax	768	774
	984	984

**A4. Notes to the Administered Statement of Cash Flows**

**A4.1 Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position.

**A4.2 Reconciliation of Net Surplus to Net Cash Inflows from Operating Activities**

	2004 \$'000	2003 \$'000
Net surplus	(7)	14
(Increase) Decrease in receivables	(11)	170
(Decrease) Increase in employee benefits	(1)	14
Increase (Decrease) in creditors and accruals	19	(198)
<b>Net Cash Inflows from Operating Activities</b>	<b>-</b>	<b>-</b>

**Certification of Financial Report**

To the best of our knowledge and belief internal controls over financial reporting have been effective throughout the year ended 30 June 2004 and the foregoing

- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flows;
- Notes to and forming part of the Financial Statements;
- Statement of Administered Expenses and Revenues;
- Statement of Administered Assets and Liabilities;
- Statement of Administered Cash Flows;
- Notes to and forming part of the Administered Financial Statements

presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Auditor-General's Department as at 30 June 2004, the results of its operations and its cash flows for the year ended 30 June 2004.



K I MacPherson  
AUDITOR-GENERAL



T N Knight  
MANAGER, FINANCE AND SPECIAL PROJECTS

# Independent Audit Report

Grant Thornton 

Chartered Accountants and Business Advisers

Date: 20/08/2004  
FILE: AUDIT/2004/00000000000000000000

## INDEPENDENT AUDIT REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT

### Scope and Summary of our role

#### The financial report and Auditor General's responsibility

The financial report of the Auditor-General's Department comprises the statement of financial performance, statement of cash flows, and schedule of administered expenses and revenues for the year ended 30 June 2004, the statement of financial position and the schedule of administered assets and liabilities as at 30 June 2004, and the accompanying notes to the financial statements.

The Auditor-General, and the Manager, Administration and Finance, of the Auditor General's Department is responsible for the preparation and true and fair presentation of the financial report in accordance with Section 35 of the Public Finance and Audit Act, 1987. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### The auditor's role and work

We conducted an independent audit in order to express an opinion to the Treasurer of the South Australian Government. Our audit was conducted in accordance with Australian Auditing and Assurance Standards [and International Standards on Auditing], in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Public Finance and Audit Act, 1987, Treasurer's instructions promulgated under the Act, applicable Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Auditor General's Department's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Auditor-General and the Manager.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements

#### Audit opinion

In our opinion, the financial report of the Auditor-General's Department

- presents fairly the financial position of the Auditor-General's Department at 30 June 2004, and the results of its operations and its cash flows for the year ended on that date, and
- is presented in accordance with the Public Finance and Audit Act, 1987, Treasurer's instructions under the Act, applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

**GRANT THORNTON**  
CHARTERED ACCOUNTANTS

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**S.J. GRAY**  
Partner

A South Australian Partnership  
A Member of Grant Thornton Association Inc.

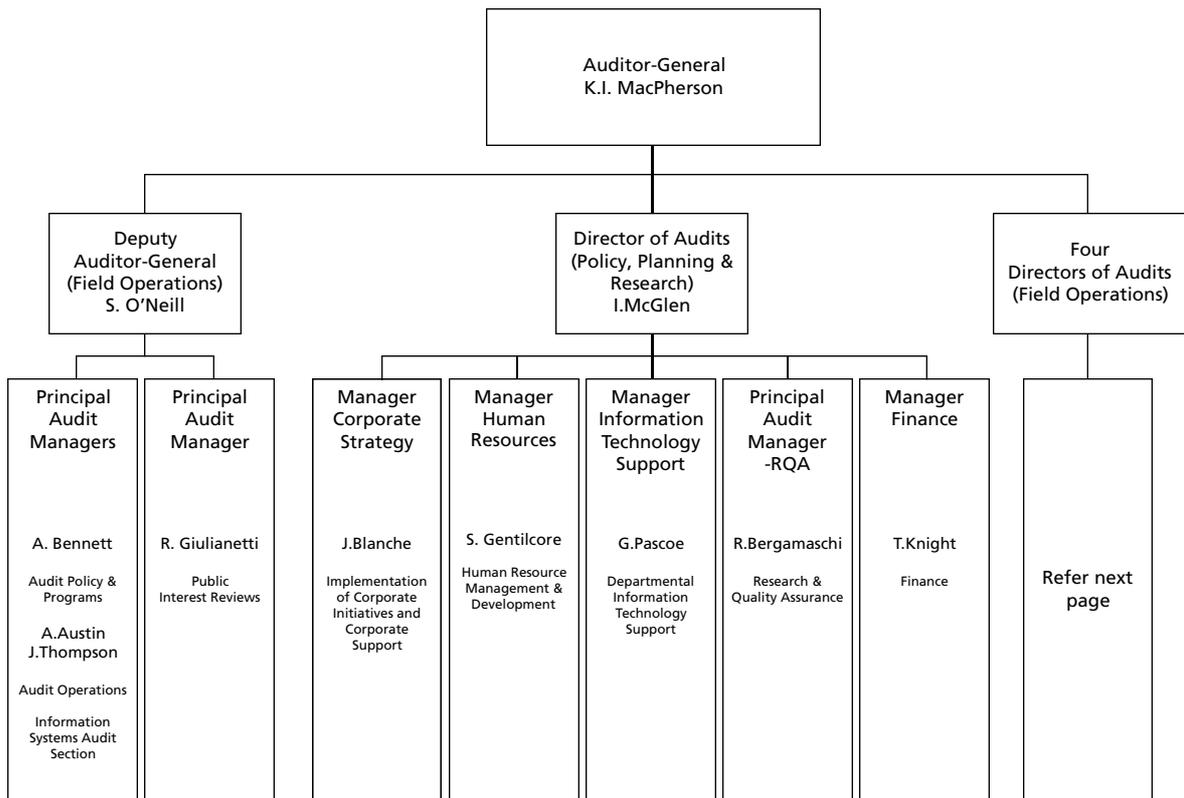
Signed at Adelaide this 20 day of August 2004

# APPENDICES

## APPENDIX A

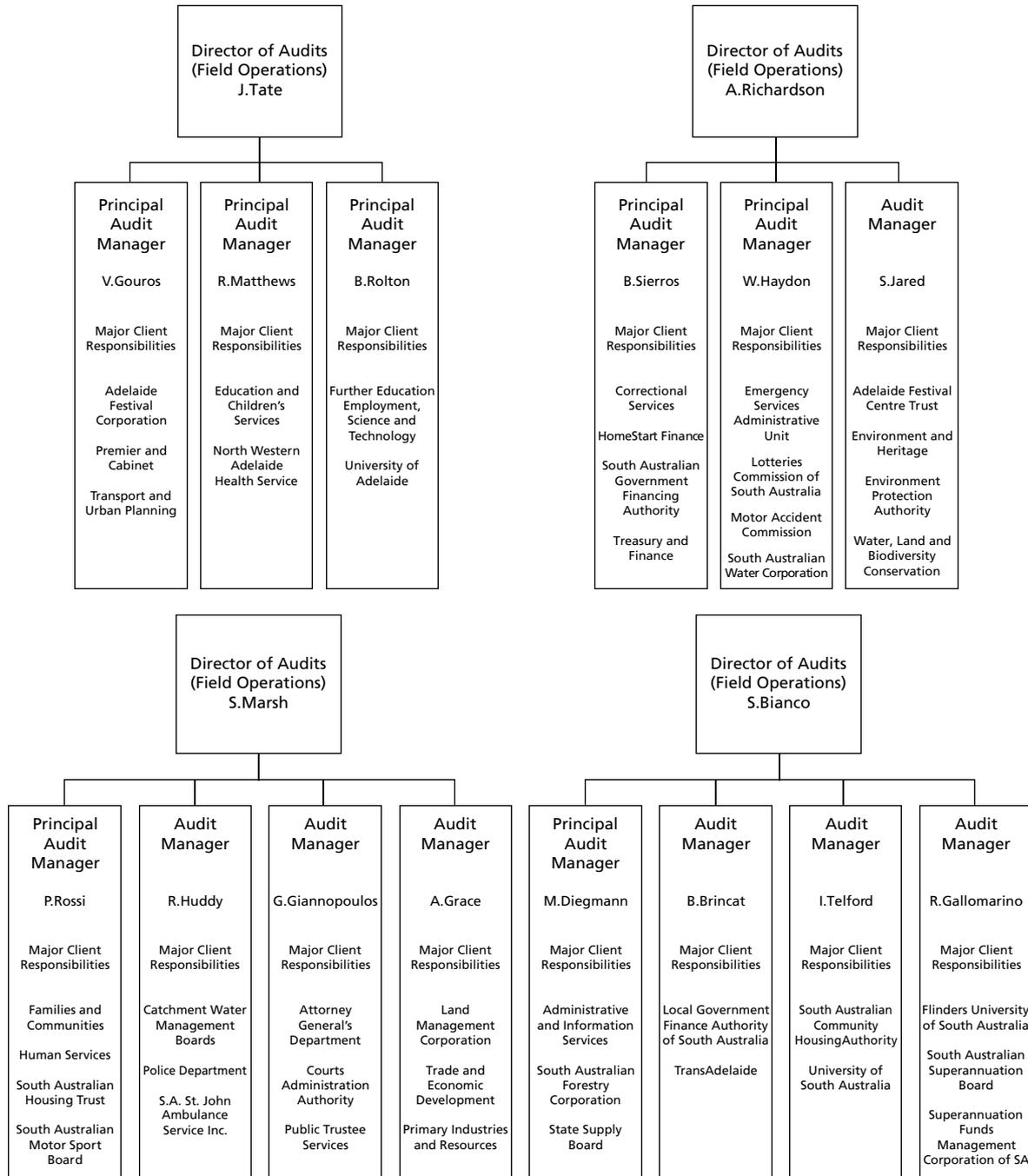
### DEPARTMENT ORGANISATION CHART

as at 30 June 2004



## DEPARTMENT ORGANISATION CHART

as at 30 June 2004



## APPENDIX B

## PROFESSIONAL DEVELOPMENT COURSES ATTENDED 2003-04

COURSE TITLE	HOURS
Advanced ACL	105
AGES Methodology	225
Career Management and Presenting Confidently	41
Corroborative Inquiry	77
Document Manager	205
Ergonomics and Manual Handling Training	180
Fixed Assets Business Cycle	38
Forms and Checklist Training (OHS&W)	16
Get That Job	98
Graduate Development Program	12
Graduate Induction	90
Graduate Induction-Departmental Overview (HR, OH&S, Payroll, IT)	96
Graduate Module - ACL Training	96
Igrafx Professional	38
Induction Follow-up	21
Introduction to Harmonisation and Other Public Sector Issues	203
Introduction to Performance Review and Development	22
Knowledge Management	198
Leadership and Management - Beyond Leading	248
Leadership and Management - Leading Others	278
Leadership and Management - Learning to Lead	225
Payroll Business Cycle	32
Presentation Skills	165
Revenue Business Cycle	45
Staff Information Session (OHS&W)	66
Team Development Day	927
Trial Balance	113
Update to Harmonisation (Part 1)	231
Update to Harmonisation (Part 2)	230
<b>Total</b>	<b>4 321</b>

## APPENDIX C

## EXTERNAL TRAINING COURSES ATTENDED 2003-04

COURSE TITLE	TRAINING HOURS
Analytical Thinking Skills	8
Attendance at JP Morgan's Sydney Office - 'Custody Visit'.	15
Auditing Solicitors' Trust Accounts	2
Best Practice Injury Management	3
Better Practice in Governance and Accountability	19
CHRIS Client Conference	15
CPA Congress 2003	151
Excel Training	15
First Line Management Forum	76
Formulate a Strategic Human Resource Plan	60
Government Accounting Information Forum	43
Government Accounting Information Forum (Harmonisation Sections)	8
Government Risk Management Seminar	35
Grammar Terminology	20
GST/FBT Workshop	7
IT Security in Government	15
Leading the Way to Effective Communication	4
OCPE HR Forum - Performance Management	3
Presenting and Reporting to Management	7
Professional Certificate of Management	225
Renew, Foster, Sustain: HR Building for Organisational Sustainability	8
Safe Mail Handling Procedures	2
Statement of Cash Flows: Preparation and Presentation	4
Travel Seminar	3
<b>Total</b>	<b>748</b>

## APPENDIX D

## STAFF LIST AS AT JUNE 2004

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Abbott	D M	B Sc (Maths & Comp Sc)	ASA
Adams	B J	B Com	
Alvino	S	B Com (Acc)	ASA
Anderson	K	B Com, BA	CPA
Atkins	A	B Com (Acc)	
Atterton	S	B Com (Acc)	
Austin	A	Ass Dip Comp Stud, Cert in Softw QA & Man	
Barclay	K	B Com (Acc)	
Balendra	R	B Com (Acc)	
Bennett	A F	Dip Acc	CPA, MACS
Bergamaschi	R C	B Ec, Grad Dip Acc	CPA
Bianco	S	B A (Acc)	CPA
Blanche	J	B Ec (Acc)	CPA
Borgman	B J	B Acc, B Bus (MIS)	ASA
Brent	W	Cert Off Sk, Cert Comp/Off Sk, Cert Adv Com Sk, Cert Gam Lic	
Brincat	B P	B A (Acc)	CPA
Brooks	T	B Acc	ASA
Calabrese	A	B Com	
Chan	C	B Com, B Comp Sc	CPA
Chuah	R	B Com, Grad Dip Psyc	ASA
Churches	S L	B Ec (Acc)	CPA
De Cesare	D	B Ec (Acc)	CPA
Deegan	P A		
Diegmann	M	B A (Acc)	CPA
Eustace	L C	B Com	CPA
Fitzgerald	J	B Acc	CPA
Fogal	A	B Com (Acc)	ASA
Furze	K A	Sec Dip	
Gallomarinio	R	B Ec (Acc)	CPA
Gardiner	A	B A, Dip Teach, Mast Ed (HR Studies)	AHRI
Garreffa	M	B Com, B Bus (MIS)	
Gentilcore	S	B Bus, HRD	AFAHRI
Giannopoulos	G	B A (Acc)	CPA
Giulianetti	R	B Ec (Acc)	FCPA
Gladigau	S M	B Com	
Gouros	V	B Ec, Dip Acc	CPA
Grace	A J	B Com	
Grace	A K	B Com (Acc & Fin)	
Grossi	M	B Com, B Bus(Bnk & Fin)	
Gu	S	Mast Bus (Acc), BA (Multimedia Studies)	ASA
Hatswell	C	B A (Ec), Grad Dip Acc	CPA
Haydon	W M	B Ec (Acc)	CPA
Hodgetts	C	B Com, B Fin	
Huddy	R W	B Bus Prop (Val), B Bus (Acc)	ASA

## STAFF LIST AS AT JUNE 2004

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Jared	S P	B A (Acc)	ASA
Jordan	C V	Cert First Line Mgmt, Cert Bus Proc, Dip Govt (Mgmt)	
Joyner	S	B Com (Acc & Fin)	
Kelly	C L	B A (Acc)	ASA
Kennedy	A M	B Bus (Acc)	CPA
Kiefel	D	B Com(Acc)	CPA
Knight	T N	B Com & Admin, Dip Acc, Dip Cost Acc	ACA (NZ), CMA (NZ)
Kolecki	C	Cert Off Sk, Cert Off Proc, Cert Clerical Proc (Gen Off)	
Lam	E	B Com (Acc)	
Larkin	L		
Logozzo	A	B Com (Acc), B Bus (Bank & Fin)	CPA
Loizi	S		
Loulas	H	B Com	CPA
Mack	J	B Com (Acc)	
MacLean	S	B Com (Acc), B Ec	
MacPherson	K I	LLB	F CPA
Marsh	S W	B Ec, Dip Acc	CPA
Matthews	R J	B A (Acc)	CPA
McGlen	I C	B A (Acc)	CPA
McGowan	C	B Com (Acc & Fin)	ASA
Migliore	F	B A (Acc)	CPA
Moore	M		
Morotti	I	B Acc, B Ec	
Mouton	S A	B Com	CPA
Nugent	S M	B Ec (Acc)	CPA
O'Donohue	D	B Com	ASA
O'Neill	S	B A (Acc)	CPA
Owen	M	B A (Acc)	CPA
Pascoe	G J	Bus Cert (Acc)	
Pickert	N	B Bus (Com Law)	
Pike	D	B Com (Acc)	
Pineda	J	B Chem Eng, B Acc	ASA
Pineda	L	B Com	ASA
Pirrota	I	B Com	
Poulos	G	B Bus (Acc)	
Reszitnyk	I M	B A (Acc)	CPA
Richardson	A J	B Ec (Acc)	CPA
Richardson	L C	B Com	CPA
Rolton	B W	Dip Acc	CPA
Romeo	C	B Com (Acc)	ASA
Romeo	F	B Acc	CPA

## STAFF LIST AS AT JUNE 2004

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Rossi	P A	B A (Acc)	CPA
Savage	S	B Com	ASA
Scalzi	D	Cert III Fin Serv, Cert III Bus, Cert II Govt	
Shore	R	B Com (Acc)	CPA
Sierros	B	B Ec, Dip Acc	CPA
Slaytor	K M	B A (Jur), LLB, GDLP, B Acc	CPA
Smart	D H	B Ec, B Acc, B A (Hons) (Psych)	CPA
Sorell	M	B Com (Acc)	ASA
Spurge	S	B Com (Acc & Fin)	
Srdic	S	B Com, Adv Dip in Acc	
Stephens	R		
Stockman	S	Ass Dip Bus Off Admin, EDP Secretarial	
Symons	T	B Com	
Tang	E S	B Com (Acc), B Sc (Comp Science)	ASA
Tate	W J	B A (Acc)	CPA
Tauriello	A	B Com (Acc)	CPA , IPA
Telford	I	B A (Acc)	CPA
Terrington	K	B Com	
Thompson	G P	B Com (Acc)	CPA
Thompson	J D	B A, Grad Dip Sys Anal, Mast Prof Acc	
Westlake	S	B Com	
Williams	A	B Com (Acc)	
Wilmshurst	S	Adv Dip in Acc	
Wozniak	M M	Cert Voc Edn (Inf Tech), Cert Microcomp Sup	
Yip	J	B Com, LLB, GDLP	ASA, LSSA

## APPENDIX E

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT  
(AS AT 30 JUNE 2004)**

2007 World Police and Fire Games Corporation  
 Aboriginal Lands Trust  
 Adelaide Cemeteries Authority  
 Adelaide Convention Centre Corporation  
 Adelaide Entertainments Corporation  
 Adelaide Festival Centre Trust  
 Adelaide Festival Corporation  
 Adelaide Hills Wine Industry Fund  
 Adelaide International Film Festival  
 Administrative and Information Services - Department for  
 Agents Indemnity Fund  
 Animal and Plant Control Commission  
 Apiary Industry Fund  
 Arid Areas Catchment Water Management Board  
 Art Gallery Board  
 Attorney-General's Department  
 Austraining International Pty Ltd  
 Australian Children's Performing Arts Company  
 Bio Innovation SA  
 Botanic Gardens and State Herbarium - Board of the  
 Carrick Hill Trust  
 Carwell Pty Ltd  
 Cattle Industry Fund  
 Child and Youth Health  
 Chiropractors Board of South Australia  
 Coast Protection Board  
 Commissioners of Charitable Funds  
 Construction Industry Training Board  
 Correctional Services, Department for  
 Country Fire Service Board  
 Courts Administration Authority  
 Crichbee Pty Ltd  
 Dairy Authority of South Australia  
 Deer Industry Fund  
 Distribution Lessor Corporation  
 Dog and Cat Management Board  
 Dog Fence Board  
 Drug and Alcohol Services Council

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT  
(AS AT 30 JUNE 2004)**

Education Adelaide  
Education and Children's Services - Department of  
Electricity Supply Industry Planning Council  
Emergency Services Administrative Unit  
Environment and Heritage, Department for  
Environmental Protection Authority  
Essential Services Commission  
Eyre Peninsula Catchment Water Management Board  
Families and Communities - Department for  
Farm Business Improvement Program  
Flinders Medical Centre  
Flinders University of South Australia - The  
Further Education, Employment, Science and Technology - Department of  
General Reserves Trust  
Generation Lessor Corporation  
Government Workers Rehabilitation and Compensation Fund  
Governors Pensions Schemes  
Health and Community Services Ministerial Council  
History Trust of South Australia  
HomeStart Finance  
Human Services - Department of  
Independent Gambling Authority  
Independent Gaming Corporation Ltd  
Information Industries Development Centre (Playford Centre)  
Institute of Medical and Veterinary Science  
Intellectual Disability Services Council Inc  
Judges' Pensions Scheme  
Julia Farr Services  
Justice - Department of  
Kantilla Pty Ltd  
Land Management Corporation  
Langhorne Creek Wine Industry Fund  
Legal Services Commission of South Australia  
Legislature - The  
Libraries Board of South Australia  
Local Government Finance Authority of South Australia  
Local Government Superannuation Board  
Lotteries Commission of South Australia

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT  
(AS AT 30 JUNE 2004)**

Marine Scalefish Industry Fund  
McLaren Vale Wine Industry Fund  
Medical Board of South Australia  
Medvet Science Pty Ltd  
Modbury Hospital - Board of Management  
Motor Accident Commission  
Museum Board  
Narana Pty Ltd  
National Centre for Vocational Education Research Ltd  
Native Vegetation Fund  
North Western Adelaide Health Service  
Northern Adelaide and Barossa Catchment Water Management Board  
Occupational Therapists Registration Board of South Australia  
Onkaparinga Catchment Water Management Board  
Optometrists Board of South Australia  
Outback Areas Community Development Trust  
Parliamentary Superannuation Scheme  
Patawalonga Catchment Water Management Board  
Pig Industry Fund  
Planning and Development Fund  
Playford Capital Pty Ltd  
Police Department  
Police Superannuation Scheme  
Premier and Cabinet - Department of the  
Primary Industries and Resources - Department of  
Public Trustee  
Repatriation General Hospital Incorporated  
RESI Corporation  
Residential Tenancies Fund  
Retail Shop Leases Fund  
River Murray Catchment Water Management Board  
Riverland Wine Industry Fund  
Royal Adelaide Hospital  
Rural Adjustment Scheme  
Rural Industry Adjustment and Development Fund

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT  
(AS AT 30 JUNE 2004)**

S.A. St. John Ambulance Service Incorporated  
SA Water International Pty Ltd  
SABOR Ltd  
SABT Pty Ltd  
Save the River Murray Fund  
Second Hand Vehicles Compensation Fund  
Senior Secondary Assessment Board of South Australia  
Sheep Industry Fund  
South Australian Aboriginal Housing Authority  
South Australian Asset Management Corporation  
South Australian Community Housing Authority  
South Australian Country Arts Trust  
South Australian Dental Service  
South Australian Film Corporation  
South Australian Finance Trust Limited  
South Australian Forestry Corporation  
South Australian Government Captive Insurance Corporation  
South Australian Government Financing Authority  
South Australian Government Insurance and Risk Management Fund  
South Australian Health Commission  
South Australian Housing Trust  
South Australian Infrastructure Corporation  
South Australian Local Government Grants Commission  
South Australian Metropolitan Fire Service  
South Australian Motor Sport Board  
South Australian Psychological Board  
South Australian Superannuation Scheme  
South Australian Tertiary Admissions Centre  
South Australian Tourism Commission  
South Australian Trade and Investment Corporation  
South Australian Water - Hydro Joint Venture  
South Australian Water Corporation  
South East Catchment Water Management Board  
South Eastern Water Conservation and Drainage Board  
Southern Group Insurance Corporation Ltd  
Southern State Superannuation Scheme  
State Disaster Relief Fund  
State Electoral Office  
State Governor's Establishment  
State Heritage Fund  
State Opera of South Australia - The

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT  
(AS AT 30 JUNE 2004)**

State Supply Board  
 State Theatre Company of South Australia  
 Superannuation Funds Management Corporation of South Australia  
 Supported Residential Facilities Indemnity Fund  
 Targeted Voluntary Separation Package Schemes  
 Teachers Registration Board  
 Torrens Catchment Water Management Board  
 Trade and Economic Development - Department of  
 TransAdelaide  
 Transmission Leasing Pty Ltd  
 Transmission Lessor Corporation  
 Transport and Urban Planning - Department for  
 Treasury and Finance - Department of  
 Treasury and Finance - Department of - Special Deposit Accounts  
 University of Adelaide  
 University of South Australia  
 University of South Australia Foundation Inc  
 Venture Capital Board - Office of  
 Venue Management - Office of  
 Veterinary Surgeons Board  
 Water Resources Levy Fund  
 Water, Land and Biodiversity Conservation - Department of  
 West Beach Trust  
 Wildlife Conservation Fund  
 Women's and Children's Hospital  
 Zero Waste - Office of

***Total number of audits for 2003-04***

**178**

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