

SOUTH AUSTRALIA

Annual Report on the Operations

of the

Auditor-General's Department

for the

Year ended 30 June 2005



EMPLOYEES OF THE AUDITOR-GENERAL'S DEPARTMENT 2005

ADDRESS: Auditor-General's Department
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

TELEPHONE: (08) 8226 9640
FACSIMILE: (08) 8226 9688
INTERNET: <http://www.audit.sa.gov.au>
EMAIL: admin@audit.sa.gov.au



**Auditor-General's
Department**

9th Floor State Administration Centre
200 Victoria Square
Adelaide
South Australia 5000

Telephone +61 +8 8226 9640
Facsimile +61 +8 8226 9688
DX 56208 Victoria Square

E-mail: admin@audit.sa.gov.au
Web: <http://www.audit.sa.gov.au>

ABN: 53 327 061 410

30 September 2005

The Hon M D Rann, MP
Premier
15th Floor State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

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 2005.

Yours sincerely

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

K I MacPherson
AUDITOR-GENERAL

TABLE OF CONTENTS

	Page No
FOREWORD	1
THREE YEAR SUMMARY	2
CORPORATE OVERVIEW	3
THE AUDITOR-GENERAL.....	3
PURPOSE OF THE DEPARTMENT.....	3
AUDIT LEGISLATION	3
ORGANISATIONAL STRUCTURE	3
RELATIONSHIP WITH PARLIAMENT	5
RELATIONSHIP WITH THE PORTFOLIO OF THE PREMIER AND CABINET	5
RELATIONSHIPS WITH AUDITEE AGENCIES	5
RELATIONSHIPS WITH AUDIT COMMITTEES	6
RELATIONSHIP WITH INTERSTATE AND OVERSEAS AUDIT OFFICES	6
CORPORATE PLAN: 2003-04 TO 2005-06	7
VISION	7
MISSION	7
VALUES	7
CORPORATE OBJECTIVES	8
STRATEGIC MANAGEMENT FRAMEWORK.....	8
PROVISION OF AUDITING SERVICES	9
LEGISLATIVE MANDATE	9
TYPES OF AUDITS AND REVIEWS CONDUCTED.....	9
WHISTLEBLOWER LEGISLATION	13
SPECIAL ISSUES OF FOCUS BY THE AUDITOR-GENERAL'S DEPARTMENT DURING 2004-05	14
SPECIAL INVESTIGATIONS	14
SPECIFIC EXAMINATIONS PURSUANT TO THE <i>PASSENGER TRANSPORT ACT 1994</i>	14
PUBLIC SECTOR REFORM AND RISK MANAGEMENT	14
INDICATORS OF WORKLOAD AND PERFORMANCE.....	15
CORPORATE SUPPORT SERVICES	17
CORPORATE STRATEGY AND SUPPORT	17
FINANCE.....	19
HUMAN RESOURCES	21
INFORMATION TECHNOLOGY SUPPORT	21
RESEARCH AND QUALITY ASSURANCE	23

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT	26
LEADERSHIP	26
CAPABILITY	27
CAPACITY TO DELIVER	30
IMPACT - OUTCOMES	35
RELATIONSHIPS FOCUS.....	36
OCCUPATIONAL HEALTH, SAFETY AND WELFARE.....	36
SOCIAL CLUB	39
COMMENTARY ON FINANCIAL RESULTS	40
FUNDING OF THE DEPARTMENT	40
BUDGET PROGRAM DESCRIPTIONS.....	40
FINANCIAL PERFORMANCE	40
CONTRACTED AUDITS	40
CONSULTANTS.....	41
FINANCIAL STATEMENTS	42
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005	42
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005	43
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005	44
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	44
STATEMENT OF ADMINISTERED EXPENSES AND REVENUES FOR THE YEAR END 30 JUNE 2005.....	50
STATEMENT OF ADMINISTERED ASSETS AND LIABILITIES AS AT 30 JUNE 2005	50
STATEMENT OF ADMINISTERED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005	51
NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS	51
CERTIFICATION OF THE FINANCIAL REPORT	52
INDEPENDENT AUDIT REPORT.....	53
APPENDICES	54
APPENDIX A - DEPARTMENT ORGANISATION CHART	54
APPENDIX B - PROFESSIONAL DEVELOPMENT COURSES ATTENDED 2004-05	56
APPENDIX C - EXTERNAL TRAINING COURSES ATTENDED 2004-05.....	57
APPENDIX D - STAFF LIST AS AT 30 JUNE 2005	58
APPENDIX E - AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT (AS AT 30 JUNE 2005)	61
GENERAL INDEX	66

Foreword

At the outset, I extend my thanks to all members of staff of the Auditor-General's Department for their continued commitment and quality work ethic to achieving audit and departmental related responsibilities in 2004-05.

Through the conduct of audit and investigatory work and reporting on those outcomes to the Parliament and public sector agencies, staff have again worked diligently in their contribution to the accountability of the Executive Government and the public service to the Parliament.

The Department's strategic management framework ensures that we are responsive to changing circumstances with an awareness of emerging issues and provides a systematic and disciplined approach to selecting, implementing and managing the activities that will benefit the Department's long and short term performance.

During 2004-05, the Department continued to pursue the highest quality standards of audit and investigatory services and to build on a corporate culture which values the professional input of our people.

Ongoing reforms and changes to the public sector's infrastructure and methods of service delivery to the public by agencies of government will continue to place pressure on this Department in discharging our mandate. I am confident that with the professionalism and skills of our staff, the Department will continue to meet these challenges and contribute to improvements in performance and accountability in the public sector.



SA AUDITOR-GENERAL
Ken MacPherson

Three Year Summary

KEY FINANCIAL INDICATORS

	2004-05	2003-04	2002-03
	\$'000	\$'000	\$'000
Total Audit Fees Raised	8 029	7 765	7 554
Total Expenses			
• Prescribed Audits	10 209	9 687	9 493
• Special Investigations	190	77	179
Total Assets	2 639	2 301	2 042
Total Liabilities	2 746	2 335	2 213

KEY OPERATING RESULTS

	2004-05	2003-04	2002-03
Audit Clients	178	178	168
Qualified Audit Opinions Issued	24	23	10
Staff Establishment (FTE)	110	110	109
Average FTE for year	107	109	111

LIST OF REPORTS PRESENTED SINCE 1 JULY 2002

Date Presented	Report Title
16 February 2005	Report Pursuant to Sections 32 and 36 of the <i>Public Finance and Audit Act 1987</i> : Matters Associated with the 2001-02 Proposal Concerning the Establishment of an Ambulance Station at McLaren Vale
3 December 2004	Supplementary Report: Agency Audit Reports
24 November 2004	Report of the Auditor-General on the Basketball Association of South Australia Incorporated
30 September 2004	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2004
30 September 2004	Report of the Auditor-General for the year ended 30 June 2004 - Part A Audit Overview and Part B Report on Individual Agencies
12 February 2004	Supplementary Report: Department of Human Services: Some Matters of Importance to the Government and the Parliament
3 December 2003	Supplementary Report: Information and Communication Technology - Future Directions: Management and Control
24 November 2003	Supplementary Report: Agency Audit Reports
30 September 2003	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2003
30 September 2003	Report of the Auditor-General for the year ended 30 June 2003 - Part A Audit Overview and Part B Report on Individual Agencies
14 July 2003	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 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

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 Audit 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 organisation chart is shown in Appendix A.

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

Field Audit Activities

Within the five Field Audit directorates the Department currently operates fifteen 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 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) John Tate, Simon Marsh, Ken MacPherson, Ian McGlen, Simon O'Neill, Salv Bianco, 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. The Auditor-General attended a number of meetings of Parliamentary Committees during the year.

RELATIONSHIP WITH THE PORTFOLIO OF THE 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.

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 2004-05, the Department participated in a number of benchmarking exercises and projects involving the exchange of information and expertise.

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.

CORPORATE OBJECTIVES

To deliver our core services to the highest level, and in response to the challenges we see ahead, the Department will pursue four objectives over the planning period:

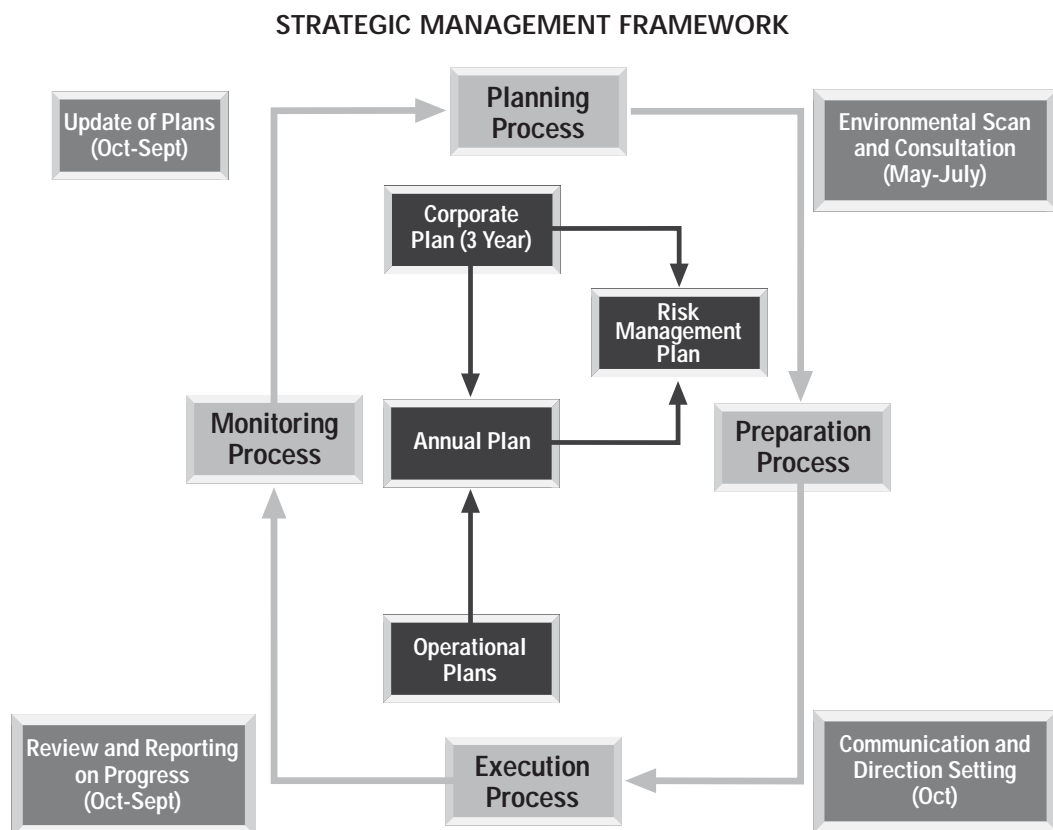
- To perform audits of the accounts and controls of public sector agencies, and to produce timely and relevant reports on the outcomes.
- To produce timely and relevant reports to Parliament on public sector interest issues.
- To enhance the Department's ability to attract, maintain and retain highly skilled and committed professional people.
- To enhance the efficient and effective operation of the Department.

The Corporate Plan also sets out the detailed strategies and associated measures of achievement we will use to meet each of our objectives, and to evaluate the success of our actions.

STRATEGIC MANAGEMENT FRAMEWORK

To meet the challenges we face in the future, and to ensure we effectively manage all of our responsibilities, the Department has a strategic management framework. This framework provides a systematic and disciplined approach to selecting, implementing and managing the activities that will benefit the Department's long and short term performance. It is based around the principles of informed decision making, responsive planning and monitoring to ensure planned initiatives are effectively implemented.

The framework as depicted below illustrates that the process of strategic management is ongoing, and is characterised by the coordination of organisational efforts towards achieving agreed outcomes.



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 Auditing and Assurance Standards Board.

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, Tanya Sexton (left) with her 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.

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, Robert Gallomarino (right) with his 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 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 are 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.

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.

In 2004-05, two examinations requested by the Treasurer, pursuant to Subsection 32 of the *Public Finance and Audit Act 1987* were completed and reports tabled in Parliament. The two examinations involved a proposal to build an ambulance station at McLaren Vale and the provision of financial assistance to the Basketball Association of South Australia.

During the year, the Treasurer also requested an examination into the acquisition of an Esaote Artoscan Medical Imager located at the Queen Elizabeth Hospital campus of the Central Northern Adelaide Health Service Incorporated. This examination is nearing completion and it is anticipated that a report will be tabled in Parliament during 2005-06.

Further information regarding these investigations is provided under the heading 'Special Investigations' later in 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 2004-05 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.

Special Issues of Focus by the Auditor-General's Department During 2004-05

SPECIAL INVESTIGATIONS

The Auditor-General finalised examinations with respect to two specific formal requests that had been received prior to 2004-05 from the Treasurer of South Australia pursuant to section 32 of the *Public Finance and Audit Act 1987*.

The specific requests regarding the two examinations were:

- Provision of financial assistance to the Basketball Association of South Australia Incorporated (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 by BASA to identify further efficiencies have in fact been achieved.
- Examination of 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.

The examinations were completed and reports tabled in Parliament in November 2004 and in February 2005 respectively.

In addition, in early 2004-05, a further request pursuant to section 32 of the *Public Finance and Audit Act 1987* was received from the Treasurer, to undertake an examination into the acquisition of an Esaote Artoscan Medical Imager located at the Queen Elizabeth Hospital campus of the Central Northern Adelaide Health Service Incorporated. This examination is nearing completion and it is anticipated that a report will be tabled in Parliament in 2005-06.

SPECIFIC EXAMINATION PURSUANT TO THE *PASSENGER TRANSPORT ACT 1994*

Passenger transport services in Metropolitan Adelaide are provided by contracted operators who have been engaged by the Minister for Transport to operate bus, train and tram services on the Minister's behalf.

The *Passenger Transport Act 1994* requires the Minister, upon concluding new contracts for the operation of passenger transport services entered into as a result of a tender process, to provide the Auditor-General with a report on the contracts and tender processes. In the latter part of 2004-05, as required by section 39(3)(f) of the *Passenger Transport Act 1994*, a specific examination was undertaken of the contracts executed by the Minister on 17 February 2005 and the probity of the processes leading up to the awarding of the contracts.

A report on the outcomes of the examination was tabled in Parliament in September 2005. The contracts, which are the subject of this Report, are for the operation of bus services on behalf of the Minister for Transport in three of seven bus contract areas within Metropolitan Adelaide.

PUBLIC SECTOR REFORM AND RISK MANAGEMENT

Ongoing reform and changes to the public sector continue to occur in 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 2004-05, the most significant of these was the implementation of regionalisation in the health services sector and the first full year of operations of the Department of Health and the Department for Families and Communities created from the former Department of Human Services. New work was also introduced with the commencement of provisions of the *Natural Resources Management Act 2004* and the creation of eight regional Natural Resources Management Boards in 2004-05. 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. Following from work performed in 2003-04, focused reviews of governance practices were completed in 2004-05 for two major agencies to further 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 2004-05 Auditor General's Report.

Information technology remains prominent in agency service delivery and business processes. In 2004-05 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 2004-05 Auditor-General's Report to Parliament highlights lapses in internal controls in agencies identified during the 2004-05 audits. 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 2003-04 the Department replaced its Practice Management Information System (PMIS). PMIS operated for the past ten years, providing time recording, audit budgeting, billing and reporting functionality. 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.

During the year the Department developed the reporting capability of that system to provide the Executive with management information to assist in the management of the Department's operations.

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

Workload	2004-05	2003-04
Audits undertaken as at 30 June	178	178
Average working days between auditee's end of financial year and issuing of an Independent Audit Report	66	91
Hours expended on staff preparing, presenting and attending professional development courses	8 107	7 347
Hours recorded as leave taken during the financial year	29 760	29 737

Chargeable Hours Spent on Financial Compliance Audits	2003-04 Audits	2002 - 03 Audits
Conduct of Audits	77 944	72 442
Management of Audits	10 087	11 474
TOTAL	88 031	83 916

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

CORPORATE STRATEGY AND SUPPORT

The Corporate Strategy and Support section provides services to the Department in two key areas:

- Corporate Strategy – strategic and operational planning and monitoring
- Corporate Support – administrative support services.

Corporate Strategy

Role and Function

The Corporate Strategy team 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.

The Department's current Corporate Plan covers the planning period 2003-04 to 2005-06. It sets out our corporate objectives and the direction of the Department over this period, the issues and challenges we face, and our planned responses.

Each year we produce an Annual Plan, which details the specific activities to be undertaken during the year to accomplish the goals and objectives laid out in the Corporate Plan. It also details our audit portfolio responsibilities and budgets. The Annual Plan is a core element of the Department's strategic management framework, and a key accountability document for corporate governance. It ensures that everyone in the Department knows what needs to be done, and that departmental effort is directed towards achieving planned outcomes.

The Directors of Audits meet monthly to monitor the Department's performance

against the Annual Plan, and to assess strategies and risks. 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.

Supporting the Department's information needs under the strategic management framework is the Strategic Management System (SMS), a computerised database of audit and operational jobs and budgets from which we can report:

- high level information to Executive for strategic management;
- work performance against established measures;
- activity based information for audit management purposes.

Achievements

The 2004-05 Annual Plan concludes in October 2005, and we are on track to achieve most of what we planned to do this year. Significant achievements for the year are discussed under the relevant areas of this Report.

We have continued to improve monitoring of our performance against the Annual Plan through better reporting from the SMS, particularly in relation to the billing cycle. Improvements have been made to the audit fee approval and invoicing process, and new reports produced to monitor the progress of billing. This has brought about a significant improvement in the time it takes to raise an audit fee following the completion of an audit. Improved Executive reporting was achieved through the development of summarised reporting of statistical financial audit performance measures.

We have also improved our strategic audit planning processes by streamlining the method of collecting key data for forward planning of audits, and expanding the information gathered through this process. This additional information will be used to better inform the process of allocating audit budgets and resources.

Implementation of the SMS was completed during the year with the establishment of fully automated timesheet processing.

Outlook

New Corporate Plan

In 2005-06 we will develop the Corporate Plan for the period 2006-07 to 2008-09, a process that will involve input from all staff. Emphasis will be placed on developing key performance measures that can be used to effectively monitor the achievement of our plans.

Risk Management

The Executive views risk management as an integral part of effective corporate governance. Risk management is the culture, processes and structures that help us to realise potential opportunities whilst managing the things that threaten our objectives. Our corporate and annual planning and monitoring processes are geared towards identifying, assessing and responding to our strategic, audit and operational risks.

Next year we plan to review our risk management policy and framework, something we had planned to do in 2004-05. Our aim is to better integrate risk management into departmental practices and procedures by adopting a common approach to analysing, reporting and managing risk. We want our people to have an informed understanding of risk management, to know their responsibilities and to take an active interest in it.

Corporate Support

Role and Function

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

- production of the Auditor-General's reports to Parliament;
- reception and word processing services;
- administration of the Department's corporate records management system;
- the management of general office supplies;
- provision of administrative support to other areas of the Department.



Manager, Corporate Strategy, Julie Blanche (front right) and team members

Achievements

Production of Reports

Last year we reported the development of a streamlined process for controlling the flow of information between field audit and Corporate Service teams involved in producing the Report of the Auditor-General for the year ended 30 June 2004. The application of these processes resulted in a significantly improved production process this year.

We also reported on improvements made to the format and presentation of reports to Parliament aimed at improving the readability of these reports. Staff have now received training in desktop publishing techniques and we will be working towards in-house production of parliamentary reports in 2005-06.

Records Management

Records that are created or received by the Department in the conduct of its business are a valuable knowledge management resource and an important business asset. They document our transactions and activities, and evidence the decisions and actions we take.

This year we released new policies to govern the way we create, capture, maintain and retain official departmental records. The new policies clearly describe the responsibilities of all staff in relation to records management, and ensure that the Department meets legislative and industry requirements.

Outlook

Records Management

In 2005-06 we will continue to educate our staff about their records management responsibilities, and further integrate the records management function into other corporate processes.

We also plan to upgrade our current computerised records management system to improve the sharing and reporting of information captured by the system.

FINANCE

Role and Function

The Finance section's role is to provide the following functions:

- Payroll, including position classification, salary, superannuation, taxation, flexitime and leave records.
- Accounting general ledger, accounts payable, accounts receivable and asset register functions.
- Budgetary, statistical and financial monitoring reports including the Department's annual financial statements, Department of Treasury and Finance reports and taxation returns.
- Services relating to office accommodation.
- Coordination of occupational health, safety and welfare activities.



Manager Finance, Trevor Knight (back right) and team members

During the year the Finance section met all reporting requirements, maintained an effective internal control system, and contributed to the achievement of the budgeted financial performance for the Department. A number of changes were implemented to the accounting and human resource information systems, and associated work practices, to improve the operational efficiency of the section.

Payment of Accounts

The following table presents statistics of the timing of payments to creditors during 2004-05. 94 percent of the number of accounts were paid by the due date.

Timing of Payments	Number	Percentage	Value \$'000	Percentage
Paid by the due date	1081	94	2 889	88
Paid late less than 30 days after due date	48	4	286	9
Paid more than 30 days after due date	18	2	107	3
Total	1 147	100	3 282	100

Fraud Control Policy

Systems are in place to prevent or detect the occurrence of any fraudulent practices. During 2004-05 the Department was the subject of an attempted fraud by an unknown external party. The attempted electronic funds transfer fraud was detected and immediately reported to both the Police Department and the Department of Treasury and Finance.

Energy Efficiency

The Department leases its accommodation in the State Administration Centre (1.5 floors) and in conjunction with the building manager, manages the way in which it uses light and power.

ANNUAL ENERGY USE

	Energy Use (GJ)	Expenditure \$'000 (Net of GST)	GHG Emissions Tonnes
Base year 2000-01	450	17	148
Year being reported	462	21	152

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 (left)
and Senior Human Resource Consultant, Ann Gardiner

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 maximise 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, Graham Pascoe (right) and team members

Achievements

Hardware Upgrades

During the year the Information Technology Support section undertook the replacement of 45 (50 percent) of laptop computers and, 16 Desktop computers (50 percent) as part of the Department's replacement program.

Major software and networking upgrades were also 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 Information Technology Support section continued a major project to re-vamp this facility by providing additional features. The upgrade provided additional tools to enable the responsible staff to undertake required updates, and enable easier access by field audit staff.

This project is now viewed as an ongoing project with the major upgrades and enhancements being scheduled for completion with the laptop upgrade in November of each year.

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 Support 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 was commenced during 2004-05, with anticipated completion by October 2005.

Email System

The Information Technology Support section finalised 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.

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 AGES Audit Methodology (an acronym for Audit Guidance and Evaluation System) to assess compliance with the requirements of the Auditing and Assurance Standards and Departmental policies.
- Engaging an external consultant to perform a detailed review of selected agency financial statements to determine

the possible financial reporting implications on those statements as a result of the introduction of the Australian International Financial Reporting Standards (AIFRS).

- Conducting research on a number of developments within the auditing profession, including actual and proposed changes to professional pronouncements. This resulted in the preparation of additional templates to be included in the AGES Methodology designed to address the new requirements.
- The performance of a number of research projects, resulting in improvements in the manner in which audit findings are assessed and documented as part of the Department's Controls Opinion Methodology.
- Contributing to the preparation of a number of departmental responses to requests from the Department of Treasury and Finance concerning proposed public sector financial reporting requirements.
- The conduct of the training programs as planned per the Department's Professional Development Program.

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 has been operational in the department for a number of years, one of the principal tasks assigned to the RQA team is the development and implementation of an integrated and robust quality assurance framework covering audit work associated with both the financial attest and control opinion audits.

The development of this framework is seen as a significant task and substantial progress has been made over the past years 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 fully operational by 2006.

One of the strategies forming part of this framework is the establishment of a program of independent quality assurance reviews of agency audits. The review program was expanded from the previous year to include an audit file from each field audit section.

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 Auditing and Assurance Standards and Departmental policies.

It was concluded that the audit files reviewed this year were completed in accordance with the requirements of professional auditing 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 consultants 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 consultants was valuable in undertaking the reviews.

Further reviews will be undertaken next year.

Financial Reporting Implications - AIFRS

A detailed review of selected agency financial statements to determine the possible financial reporting implications on those statements as a result of the introduction of the AIFRS was undertaken. This review performed by an external consultant, assisted in keeping departmental staff abreast of any matters of interest in this area.

Review findings were discussed with senior management responsible for the agency audit prior to the preparation of a summary report which was later presented to the Department's Executive.

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 Department. 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 commences 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.

With the introduction of the AIFRS, applying to annual reporting periods beginning on or after 1 January 2005, 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. The seminars were specifically tailored to consider changes in the context of the public sector environment. 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;
- developments in accounting and auditing standards;
- significant developments within the public sector that may have audit implications;
- progress made with respect to projects undertaken by the RQA team.

This information is available on line through the Department's intranet.



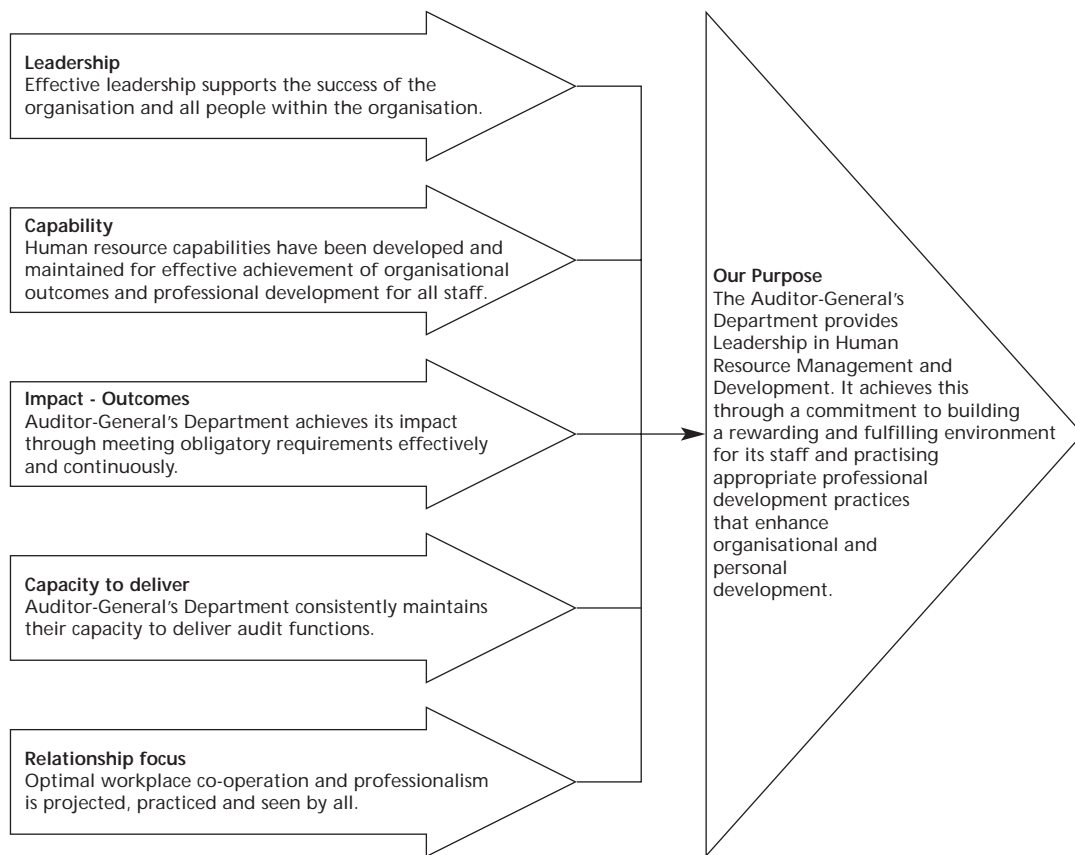
Principal Audit Manager (Research and Quality Assurance), Rodi Bergamaschi (left) and team members

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 departmental 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 2004-05, within five strategic result areas.

The diagram below outlines the purpose and principles underpinning HR operations, which align with the Corporate Plan, and our attention to continuous improvement.



LEADERSHIP

Communication Process

Outcome

Management team demonstrates leadership to support achievement of Departmental objectives 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;
- staff needs survey.

Recommendations from the Review have been implemented and include the:

- establishment of terms of reference for the Senior Management Group Meetings;
- development of Staff and Audit Allocations principles;
- establishment of Peer Group meetings.

An external consultant was engaged to conduct a second Staff Needs Survey for the Department. The consultation process involved several parts which included:

- one-on-one interviews with a sample of staff to present a comprehensive picture of what is important to staff and the current level of satisfaction;
- completion of a questionnaire by all staff;
- production of a report of the survey results.

The aim of this survey is to further understand the organisational climate and to check whether our strategies have had the desired impact. The results of the survey will provide the opportunity to develop further strategies to feed into the Department's Corporate Planning process.

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 Service positions. A working party has been established to further integrate the competencies into the Department's human resource processes.

The working party continues to meet to review and streamline the competencies.

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 system continues to be an integral part of developing staff capability. The Performance Review and Development system is focused on employees and managers working together to identify objectives and development opportunities and then developing plans to achieve these. This process assesses the employee's competency against core competencies and their performance of key responsibilities or key outcomes from their job description.

As part of this process, a high percentage of employees had individual development plans by the end of 2004-05. The table below provides a breakdown of documented individual performance development plans.

Regular reference to personal development action plans is encouraged, especially in conjunction with training and development activities, to ensure that they are relevant documents.

DOCUMENTED INDIVIDUAL PERFORMANCE DEVELOPMENT PLAN

Salary Bracket	%with a plan negotiated 2004-05	% with a plan older than 12 months	% with no plan
\$0 - \$38 599	100	-	-
\$38 600 - \$49 999	97	3	-
\$50 000 - \$65 999	100	-	-
\$66 000 - \$85 999	100	-	-
\$86 000 +	100	-	-
TOTAL	99	1	-

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 2004-05 program provided a range of training, development and learning activities for the varied and changing needs of the Department and its employees with a focus on department wide training in Ethics and Public Sector Responsibilities.

The program provided a balance of technical, personal and management development courses. The courses included in the Professional Development Program are listed in Appendix B.

Key areas of the program were:

- training to consolidate the performance review and development process;
- graduate training in technical and interpersonal skills;
- ethics and public sector responsibilities;
- behavioural interviewing techniques for selection panels;
- leadership and management development.

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

Staff are also supported to attend external courses, conferences and seminars to assist in the achievement of the Department's business needs. Appendix C lists the Main External Training courses attended by employees.

Leadership and Management Development

There is ongoing commitment to the continued development of the leadership and management skills of staff. Total leadership and management development training costs for 2004-05 was consistent with 2003-04 expenditure of 5.3 percent of total employee remuneration costs.

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

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

TRAINING COSTS AS A PERCENTAGE OF TOTAL REMUNERATION COSTS BY SALARY BANDS

Salary Bracket	Target 2004-05 percent	Actual 2004-05 percent	Target 2005-06 percent
\$0 - \$38 599	9	10.8	9
\$38 600 - \$49 999	6	4.5	6
\$50 000 - \$65 999	5	5.6	5
\$66 000 - \$85 999	4	3.3	4
\$86 000 +	2	2.3	2
TOTAL	5	5.3	5

Education Assistance

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

The reimbursement of fees during the year for the completion of approved studies totalled \$30 000 and study time totalling 1052 hours was granted, reflecting ongoing support to staff to pursue current studies.

Employee Tertiary Qualifications

The Auditor-General's Audit mandate encompasses a broad range of public sector agencies. 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)	16
Bachelor of Accountancy	6
Bachelor of Economics (Accountancy)	7
Bachelor of Economics	4
Bachelor of Business (Accountancy)	5
Bachelor of Commerce	46
Other Degrees	29
Diploma in Accountancy	10
Other Diplomas	10
Certificates	23

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 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.

CAPACITY TO DELIVER

Workforce Diversity

Outcome

Managing Diversity is practiced effectively throughout the Department.

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 2005 the average age of the Department's employees was 34 years and 3 months compared to 33 years and 3 months as at 30 June 2004. More than half of the staff (57 percent) are under 35 years of age as compared with the South Australian workforce statistics of 39.4 percent.

**Age and Gender Profile of Employees
(Excluding Auditor-General)**

Age Bracket	Male	Female	Total	Total Percentage	South Australian Workforce Benchmark*
15-19	-	-	-	-	7.4
20-24	8	16	24	21.62	11.3
25-29	11	15	26	23.42	10.0
30-34	6	7	13	11.71	10.7
35-39	10	7	17	15.32	11.1
40-44	6	5	11	9.91	12.2
45-49	3	3	6	5.41	12.3
50-54	8	1	9	8.11	11.3
55-59	2	-	2	1.8	8.1
60-64	3	-	3	2.7	4.0
65+	-	-	-	-	1.6
Total	57	54	111	100.0	100.0

* Benchmark as at February 2005 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.

Number of Employees using Voluntary Flexible Working Arrangements			
	Male	Female	Total
Purchased leave	2	1	3
Flexitime	51	54	104
Part-time/Job Share	-	11	11

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.

Number of Aboriginal and/or Torres Strait Islander Employees					
	Male	Female	Total	Percentage of Agency	Strategic Benchmark*
Aboriginal/Torres Strait Islander	1	1	2	1.8	2.0%

* Benchmark from State Strategic Plan

Cultural and Linguistic Diversity

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

Cultural and Linguistic Diversity					
	Male	Female	Total	Percentage of Agency	Percentage of SA Community*
Number of employees born overseas	7	7	14	12.6	20.3
Number of employees who speak language(s) other than English at home	5	6	11	9.9	15.5

* 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.

Number of Employees with Ongoing Disabilities requiring Workplace Adaptation				Percentage of Agency
	Male	Female	Total	
Total	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 Department's 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 2004-05 14 graduates were appointed.

Graduate Recruitment and Placement

	2005 - 06 Intake	2004-05 Intake	2003-04 Intake
Applications received	90	243	209
Applicants selected for interviews	25	44	35
Graduates appointed up to 30 June *	10	14 ¹	10 ¹

* Graduates generally commence duty in January following the appointment.

1. More than one advertisement was placed for this intake.

Graduates are appointed under the *Public Sector Management Act 1995* and are initially employed on a 12 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 3 months. This process provides the flexibility for a graduate to complete their probation at the end of 9 months rather than 12 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 2004-05 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 program 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. Graduate's learning will be enhanced through on-the-job training and practical experience.

Outlook

The Department will continue to conduct its comprehensive induction program and 12 month training program. The format and structure of these programs will continue to be evaluated and reviewed on an annual basis.

Workforce Profile

Employee Classifications and Numbers

Outcome

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

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

Achievements

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

As at the last pay day in June 2005, the Department employed 111 employees representing 107.6 FTE (excluding the Auditor-General). The tables on pages 34 and 35 exclude the Auditor-General.

Staffing of the Department by Salary Bracket

Salary Bracket	Male	Female	Total
\$0 - \$38 599	10	13	23
\$38 600 - \$49 999	15	23	38
\$50 000 - \$65 999	12	10	22
\$66 000 - \$85 999	14	8	22
\$86 000+	6	0	6
Total	57	54	111

Status of Employees in Current Position

	FTE's				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Casual	
Female	41.76	8.80	-	-	50.56
Male	43.00	8.00	6.00	-	57.00
Total	84.76	16.80	6.00	-	107.56

	Persons				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Casual	
Female	45	9	-	-	54
Male	43	8	6	-	57
Total	88	17	6	-	111

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
Total	-	-	6	-	-	-	6	-	6

There has been no change in the employment of Executives.

Work Experience Profile

At 30 June 2005 the average work experience of employees in the Department was nine years and three months compared to eight years and ten months at 30 June 2004.

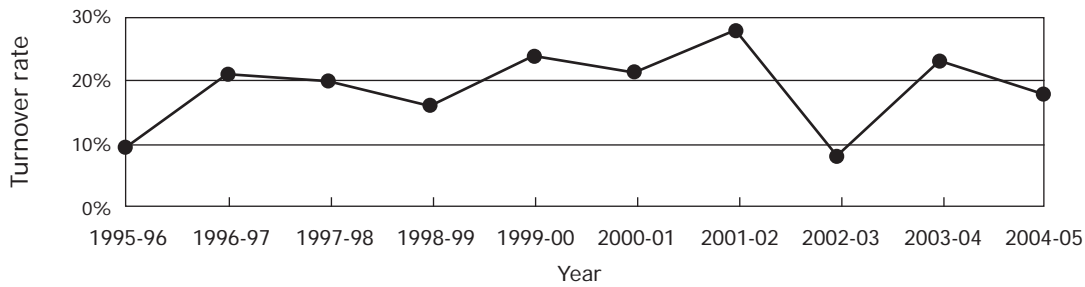
WORK EXPERIENCE PROFILE

Years of Service	0 <3	3 <6	6 <11	11<16	16<21	21+	Total
Employees with Work Experience in:							
• Auditor-General's Department	36	26	17	6	12	14	111
• Public Sector	33	24	15	7	14	18	111

Employee Turnover and Movements

The average employee FTE for 2004-05 was 108 (109 for 2003-04) and the rate of employee turnover for the financial year was 17 percent (a reduction of 6 percent from 2003-04). The turnover rate includes both corporate and audit employees.

EMPLOYEE TURNOVER 1995-96 TO 2004-05



The Department has a policy which encourages all employees leaving the Department, 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 2004-05 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

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.

OCCUPATIONAL HEALTH, SAFETY AND WELFARE

Outcome

An occupational safe, healthy workplace for all employees.

Achievements

Employee Health and Wellbeing

Health programs are periodically held for the benefit of all staff. The programs 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. 28 percent of staff took the opportunity to receive a cost free vaccination.

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 a decrease in the use of this service in the last 12 months.

Occupational Health, Safety and

Welfare Committee

The Occupational Health, Safety and Welfare Committee currently consists of eleven members with two management, eight 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;
 - the employment of employees who suffer from any form of disability.
- Assist in the:
 - return to work of employees who suffer work related injuries;
 - 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

An external consultant was engaged to conduct:

- an OHS&W Management Systems and Legislative Compliance audit;
- specified OHS&W training sessions;
- a review on the OHS&W and Injury Management Action Plan which incorporated Key Performance Indicators.

There were no significant matters reported within the OHS&W Management Systems audit, or the Legislative Compliance audit.

The consultant commended the proactive approach taken by the Department in managing OHS&W.

SICK LEAVE AND FAMILY CARERS LEAVE

	Days per Employee			
	2004-05	2003-4	2002-03	2001-02
Average FTE sick leave	7.80	6.60	5.70	5.10
Average FTE family care leave	0.26	0.17	0.26	0.21
Average FTE special leave with pay	1.08	0.73	0.64	0.53

Workers Rehabilitation and Compensation

The premium paid for workers compensation insurance for 2004-05 was \$2400 (\$4900 in 2003-04).

OCCUPATIONAL HEALTH, SAFETY AND WELFARE STATISTICS

	2004-05	2003-04	2002-03
OHS&W Legislative Requirements:			
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, s40	Nil	Nil	Nil
Injury Management Legislative Requirements:			
Employees who participated in a rehabilitation program	Nil	Nil	Nil
Employees rehabilitated and reassigned to alternative duties	Nil	Nil	Nil
Employees rehabilitated back to original work	Nil	Nil	Nil
WorkCover Action Limits:			
Open claims	Nil	1	Nil
Percentage of workers compensation expenditure over gross annual remuneration	Nil	0.002	0.0007
Number of Claims			
New workers compensation claims for the reporting period	Nil	2	1
Fatalities, lost time injuries, medical treatment only	Nil	Nil	Nil
Whole working days lost	Nil	Nil	Nil
Cost of Workers Compensation:			
Cost of new claims for financial year	Nil	\$130	\$52
Cost of all claims excluding lump sum payments	Nil	\$130	\$52
Lump sum Payments (s42, s43, s44)	Nil	Nil	Nil
Total amount recovered from external sources (s54)	Nil	Nil	Nil
Budget for workers compensation (Insurance Premium)	\$3 000	\$3 000	\$2 000
Trends			
Lost time injury frequency per million hours worked	Nil	Negligible	Nil
Most frequent cause of injury	None	Tripping	None
Most expensive cause of Injury	None	Tripping	None
Meeting Strategic Targets			
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.

SOCIAL CLUB

The Auditor-General's Department Social Club Committee organises and manages events and activities for its members. The events held in the 2004-05 financial year included: 'Touch of Hollywood' Annual dinner; Christmas lunch; Christmas picnic; Twilight lawn bowling night; Quiz night; Shrove Tuesday pancake breakfast; and regular happy hours.

The social club committee also host events to support and raise funds for various charity organisations including participating in the Cancer Foundation 'Big Morning tea'.

Furthermore the social club also supports sporting teams and sporting events of the Auditor-General's Department including the Auditor-General's Department netball team and the annual cricket day.

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



'Touch of Hollywood' Annual Dinner 2004



Annual Cricket Day 2005

Commentary on Financial Results

FUNDING OF THE DEPARTMENT

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

Parliament approves the budgeted appropriation of funds from the Consolidated Account.

Audit fee revenue is accounted for as an administered item and is paid into the Consolidated Account.

BUDGET PROGRAM DESCRIPTIONS

The sole program is the performance 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.

Prescribed Audits

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

Special Investigations

This sub-program covers the conduct of work pursuant to the *Public Finance and Audit Act 1987* that is either:

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

Consistent with the legislative requirement of audit independence, the reports arising from each sub-program are presented to the Parliament.

FINANCIAL PERFORMANCE

The following table discloses the key financial performance indicators for the 2004-05 year on an accrual basis exclusive of goods and service tax.

Item	Budget \$'000	Actual \$'000	Variance \$'000
Auditing Services Net Cost of Services	10 338	10 278	(60)
Administered Revenue - Audit Fees	7 950	8 029	79

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 2004-05, 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

Consultants are engaged to assist in the fulfilment of the Auditor-General's statutory audit mandate.

Consultancy payments during 2004-05, as itemised below, amounted to \$312 000 (\$151 000 in 2003-04).

Consultancies	Details	\$'000
<i>Under \$10 000</i>	<i>9 Consultancies</i>	<i>34</i>
<i>\$10 000 - \$50 000:</i>	<i>8 Consultancies</i>	<i>133</i>
K J Bockmann Consulting	Professional services associated with the production of the Auditor-General's 2003-04 Annual Report to Parliament.	16
Henderson MS	Provision of Accounting Opinions.	13
Henderson MS	Review of International Financial Reporting Standard implications for audit clients.	12
Australian Govt Solicitor	State Emergency Services: Ambulance Station McLaren Vale.	13
Australian Govt Solicitor	Parliamentary Remuneration Amendment Bill.	14
Australian Govt Solicitor	Public Finance and Audit Act - Crown Solicitors Trust Account.	31
Trenowden & Associates	Acquisition of Mini MRI at The Queen Elizabeth Hospital.	16
KPMG Peat Marwick	Crown Solicitor's Trust Account.	18
<i>Over \$50 000</i>	<i>2 Consultancies</i>	<i>145</i>
Piper Alderman	State Emergency Services: McLaren Vale Ambulance Station	80
Australian Government Solicitor	Probity of Bus Contract Tender Processes	65
Total Consultancies	19 Consultancies	312

Financial Statements

Statement of Financial Performance for the year ended 30 June 2005

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	3	7 807	7 297
Supplies and Services:			
Contractors		760	740
Accommodation and service costs		506	525
Other expenses		335	311
Consultancies		312	151
Depreciation	1.4, 6.2	215	251
Staff development and training		164	167
Computing and network processing costs		159	182
Motor vehicle hire		128	114
Loss on disposal of assets	5	13	26
Total Expenses from Ordinary Activities		10 399	9 764
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		118	101
Other income		3	3
Total Revenues from Ordinary Activities		121	104
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		10 278	9 660
REVENUES FROM GOVERNMENT:			
Appropriations and contingency provision grant	4	10 205	9 797
NET RESULT FROM ORDINARY ACTIVITIES		(73)	137
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(73)	137

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	9.1, 13	2 157	1 842
Receivables	13	96	101
Total Current Assets		2 253	1 943
NON-CURRENT ASSETS:			
Computer and office facilities	1.4, 6	1 278	1 437
Accumulated depreciation	1.4, 6	(892)	(1 079)
Total Non-Current Assets	6	386	358
Total Assets		2 639	2 301
CURRENT LIABILITIES:			
Payables	13	32	47
Cash advance - Imprest accounts	13	3	3
Employee benefits and related on-costs	1.3, 7	874	723
Total Current Liabilities		909	773
NON-CURRENT LIABILITIES:			
Employee benefits and related on-costs	1.3, 7	1 837	1 562
Total Non-Current Liabilities		1 837	1 562
Total Liabilities		2 746	2 335
NET ASSETS	8	(107)	(34)
EQUITY:			
Opening balance - Deficit		(34)	(171)
(Decrease) Increase in net assets		(73)	137
TOTAL EQUITY	8	(107)	(34)
Commitments	11		

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
CASH OUTFLOWS:			
Employee expenses		(7 380)	(7 172)
Goods and services		(2 600)	(2 392)
Net Goods and Services Tax on investing activities		(26)	(16)
CASH INFLOWS:			
Interest		118	101
Other income		3	3
Goods and Services Tax refunds		251	206
CASH FLOWS FROM GOVERNMENT:			
Appropriations and contingency provision grant	4	10 205	9 797
Net Cash Inflows from Operating Activities	9.2	571	527
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of computer and office facilities		(298)	(192)
Disposal of computer and office facilities		42	36
Net Cash Outflows from Investing Activities		(256)	(156)
NET INCREASE IN CASH HELD		315	371
CASH AT 1 JULY		1 842	1 471
CASH AT 30 JUNE	9.1	2 157	1 842

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 a 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 2005 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 2006 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 2005 provided by a consulting actuary engaged through the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services. 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 Employee 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.

In accordance with AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' the following summarises any known or reliably estimated information about the impacts in the published financial report had it been prepared using the AIFRS.

AASB 119 'Employee Benefits' will have some impact on the financial statement in that employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts however the impact will not be significant.

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 \$10 209 000 (\$9 687 000) 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 \$190 000 (\$77 000).

3. Employee Expenses	2005	2004
	\$'000	\$'000
Employee benefits:		
Salaries	5 787	5 558
Annual leave	523	489
Long service leave	309	131
Workers compensation	2	3
Total employee benefits	6 621	6 181
Employee on-costs:		
Superannuation	768	711
Payroll tax	418	405
Total employee on-costs	1 186	1 116
Total Employee Expenses	7 807	7 297

4. Funding of the Department

Appropriations to the Department in 2004-05 amounted to \$10 112 000 (\$9 782 000) and there was a contingency provision grant of \$93 000 (\$15 000).

Appropriations under Special Acts are reported under Administered Items.

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

	2005	2004
	\$'000	\$'000
Appropriations and contingency provision grant:		
Prescribed audits	10 205	9 797
Special Investigations	-	-
	10 205	9 797

5. Loss on Disposal of Assets

Historic cost of assets disposed	458	268
Less: Accumulated depreciation	403	206
	55	62
Proceeds on disposal	42	36
Total Loss on Disposal of Assets	13	26

6. Computer and Office Facilities

6.1 Classes of Computer and Office Facilities

Equipment - At cost	764	785
Accumulated depreciation	(458)	(514)
	306	271
Computer software - At cost	364	502
Accumulated depreciation	(311)	(467)
	53	35
Leasehold improvements - At cost	150	150
Accumulated depreciation	(123)	(98)
	27	52
	386	358

6.2 Reconciliation of Carrying Amount

	Carrying Amount 1 July \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Carrying Amount 30 June \$'000
Equipment	271	249	55	159	306
Computer software	35	49	-	31	53
Leasehold improvements	52	-	-	25	27
Total Computer and Office Facilities	358	298	55	215	386

7. Employee Benefits and related on-costs	2005	2004
<i>Employee benefits:</i>	\$'000	\$'000
Current:		
Salaries	104	118
Annual leave provision	480	355
Long service leave provision	141	120
Workers compensation provision	2	2
Total Current	727	595
Non-Current:		
Long service leave provision	1 626	1 378
Workers compensation provision	6	5
Total Non-Current	1 632	1 383
Total Employee Benefits	2 359	1 978
Employee On-costs		
Current	147	128
Non-Current	205	179
Total Employee On-costs	352	307
Total Employee Benefits and related on-costs	2 711	2 285

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:

	2005	2004
	\$'000	\$'000
Auditor-General's Department Operating Account	1 477	1 432
Accrual Appropriation Excess Funds Account	677	407
Imprest Accounts	3	3
	2 157	1 842

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	(10 278)	(9 660)
Cash flows from government	10 205	9 797
Depreciation	215	251
Decrease (Increase) in receivables	5	(9)
Increase in employee benefits and related on-costs	426	122
(Decrease) in payables	(15)	-
Loss on disposal of assets	13	26
Net Cash Inflows from Operating Activities	571	527

10. Remuneration of Employees

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

	2005	2004
	Number of	Number of
	Employees	Employees
\$130 000 - \$139 999	2	5
\$140 000 - \$149 999	3	-
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	-	1

Total remuneration received or receivable by these employees was \$861 000 (\$844 000).

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.

11. Commitments (continued)

For the current year the total amount of expense for minimum lease payments for operating leases was \$528 000 (\$536 000).

<i>Operating Leases</i>	2005	2004
At the reporting date the Department had the following obligations under non- cancellable operating leases (these obligations have not been recognised as liabilities):	\$'000	\$'000
Not later than one year	515	498
Later than one year and not later than five years	1 806	1 828
Later than five years	-	452
Total Operating Lease Commitments	2 321	2 778

12. Remuneration of Auditor

Remuneration for audit of financial reports	7	7
Remuneration for other services	-	-
	7	7

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	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Percent	Percent
Financial Assets:								
Imprest accounts	-	-	3	3	3	3	-	-
Operating Account	1 477	1 432	-	-	1 477	1 432	5.16	4.87
Accrual Appropriation								
Excess Funds Account	677	407	-	-	677	407	5.58	5.39
Receivables	-	-	96	101	96	101	-	-
	2 154	1 839	99	104	2 253	1 943		
Financial Liabilities:								
Imprest accounts	-	-	3	3	3	3	-	-
Payables	-	-	32	47	32	47	-	-
	-	-	35	50	35	50		

(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.

14. Specific Disclosure

As required by Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' issued pursuant to the *Public Finance and Audit Act 1987* the following discloses by way of note revenues, expenses, financial assets and financial liabilities where the counter party/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. Further as required a \$100 000 threshold for the separate identification of these items has been applied and where the amounts are less than \$100 000 threshold they have been classified as non-SA Government.

	SA Government		Non-SA Government	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities *	-	-	121	104
Expenses	1 772	1 703	8 627	8 061
Financial assets	2 154	1 839	99	104
Financial liabilities	-	-	35	50

* Had the \$100 000 threshold not been applied the actual revenue from SA Government was \$118 000 (\$101 000).

**Statement of Administered Expenses and Revenues
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
ADMINISTERED EXPENSES:			
Employee expenses	1.3	268	215
Amounts paid/payable to consolidated account		8 832	8 541
Goods and services tax paid/payable		803	776
Total Administered Expenses		9 903	9 532
ADMINISTERED REVENUES:			
Fees for audit services	A2.1	8 029	7 765
Goods and services tax received/receivable on audit fees	A2.1	803	776
Appropriation - Special Acts	A2.2, A3	224	216
Appropriation - Goods and Services Tax	A3	896	768
Total Administered Revenues		9 952	9 525
NET SURPLUS	A4.2	49	(7)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		49	(7)

Statement of Administered Assets and Liabilities as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
ADMINISTERED ASSETS:			
CURRENT ASSETS:			
Receivables	13, A2.1	476	405
Total Assets		476	405
ADMINISTERED LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	1.3, A1	118	105
Amounts payable to consolidated account	A2.1	476	405
Goods and Services Tax payable		83	176
Total Current Liabilities		677	686
NON-CURRENT LIABILITIES:			
Employee benefits	1.3, A1	197	166
Total Non-Current Liabilities		197	166
Total Liabilities		874	852
NET ADMINISTERED ASSETS		(398)	(447)
ADMINISTERED EQUITY:			
Opening balance		(447)	(440)
Increase (Decrease) in net assets		49	(7)
TOTAL ADMINISTERED EQUITY		(398)	(447)

**Statement of Administered Cash Flows
for the year ended 30 June 2005**

		2005 Inflows (Outflows) \$'000	2004 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefits		(224)	(216)
Amounts paid/payable to consolidated account		(8 761)	(8 530)
Goods and services tax paid/payable		(896)	(768)
CASH INFLOWS:			
Fees for audit services		8 761	8 530
CASH FLOWS FROM GOVERNMENT:			
Appropriations	A3	1 120	984
Net Cash Inflows from Operating Activities	A4.2	<u>-</u>	<u>-</u>
NET INCREASE IN CASH HELD		<u>-</u>	<u>-</u>
CASH AT 1 JULY		<u>-</u>	<u>-</u>
CASH AT 30 JUNE	A4.1	<u><u>-</u></u>	<u><u>-</u></u>

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

	2005 \$'000	2004 \$'000
A1. Employee Benefits		
Current:		
Salaries	4	3
Annual leave provision	114	102
Total Current	<u>118</u>	<u>105</u>
Non-Current:		
Long service leave provision	197	166
Total Non-Current	<u>197</u>	<u>166</u>
Total Employee Benefits	<u><u>315</u></u>	<u><u>271</u></u>
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	405	394
Billings (including Goods and Services Tax)	8 832	8 541
	<u>9 237</u>	<u>8 935</u>
Receipts (including Goods and Services Tax)	8 761	8 530
Fees outstanding at 30 June	<u><u>476</u></u>	<u><u>405</u></u>
At 30 June, the value of audit work in progress was \$5 128 000 (\$3 191 000). 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:		
Special Acts	224	216
Goods and Services Tax	896	768
	<u>1 120</u>	<u>984</u>

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

	2005 \$'000	2004 \$'000
Net surplus	49	(7)
(Increase) in receivables	(71)	(11)
Increase (Decrease) in employee benefits	44	(1)
(Decrease) Increase in creditors and accruals	(22)	19
Net Cash Inflows from Operating Activities	-	-

A5. Remuneration of Employees

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

	2005 Number of Employees	2004 Number of Employees
\$270 000 - \$279 999	-	1
\$290 000 - \$299 999	1	-

Total remuneration received or receivable by this employee was \$293 000 (\$277 000).

A6. Specific Disclosure

As required by Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' issued pursuant to the *Public Finance and Audit Act 1987* the following discloses by way of note revenues, expenses, financial assets and financial liabilities where the counter party/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. Further as required a \$100 000 threshold for the separate identification of these items has been applied and where the amounts are less than \$100 000 threshold they have been classified as non-SA Government.

	SA Government		Non-SA Government	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues excluding appropriations*	5 587	5 297	3 245	3 244
Expenses	8 832	8 541	1 071	991
Financial assets	-	-	476	405
Financial liabilities	476	405	83	176

* Had the \$100 000 threshold not been applied the actual revenue excluding appropriations from SA Government was \$7 791 000 (\$7 483 000).

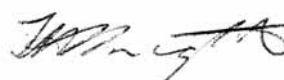
Certification of the Financial Report

We certify that with respect to the Auditor-General's general purpose financial report:

- that the financial statements are in accordance with the accounts and records of the Department and give an accurate indication of the financial transactions of the Department for the year then ended;
- as presenting 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 2005, the results of its operations and its cash flows for the year ended 30 June 2005; and
- that internal controls over financial reporting have been effective throughout the reporting period.



K I MacPherson
AUDITOR-GENERAL



T N Knight
MANAGER, FINANCE

Independent Audit Report



Edwards Marshall

INDEPENDENT AUDIT REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT

SCOPE

The financial report and Auditor General's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, statement of administered expenses and revenues, statement of administered assets and liabilities, statement of administered cash flows, accompanying notes to the financial statements, and the certification of financial report of the Auditor-General's Department ("the Department"), for the year ended 30 June 2005.

The Auditor-General and the Manager, Finance of the Department are responsible for the preparation 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.

Audit approach

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 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 judgement, 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, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Department's financial position, and of its performance as represented by the results of its operations and its 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, Finance.

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 presents fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements in Australia, the Public Finance and Audit Act, 1987 and the Treasurer's Instructions promulgated under the Act, the financial position of the Auditor-General's Department as at 30 June 2005, and its financial performance and its cash flows for the year then ended.

Edwards Marshall
Edwards Marshall
Chartered Accountants

Jamie Dreckow
(Partner) *Jamie Dreckow*

Adelaide
South Australia

Dated 19th August 2005

Angas House, 4 - 8 Angas Street
Kent Town, South Australia 5067
GPO Box 2163 Adelaide SA 5001
DX 240 Adelaide
Telephone 08 8139 1111
Facsimile 08 8139 1100
info@edwardsmarshall.com.au
edwardsmarshall.com.au

Partners

Brenton W Ellery FCA
Brian T Morris FCA
Hugh L McPharlin FCA
Jonathon W Sando FCA
Trevor J Spratt FCA
Steven M Wild FCA
Noel W Clifford FCA
Jamie T Dreckow CA
Geoffrey R Kay CA
Benjamin L T Miels CA
Angelo R Piantadosi FCA
Grantley W Stevens CA

Senior Employees

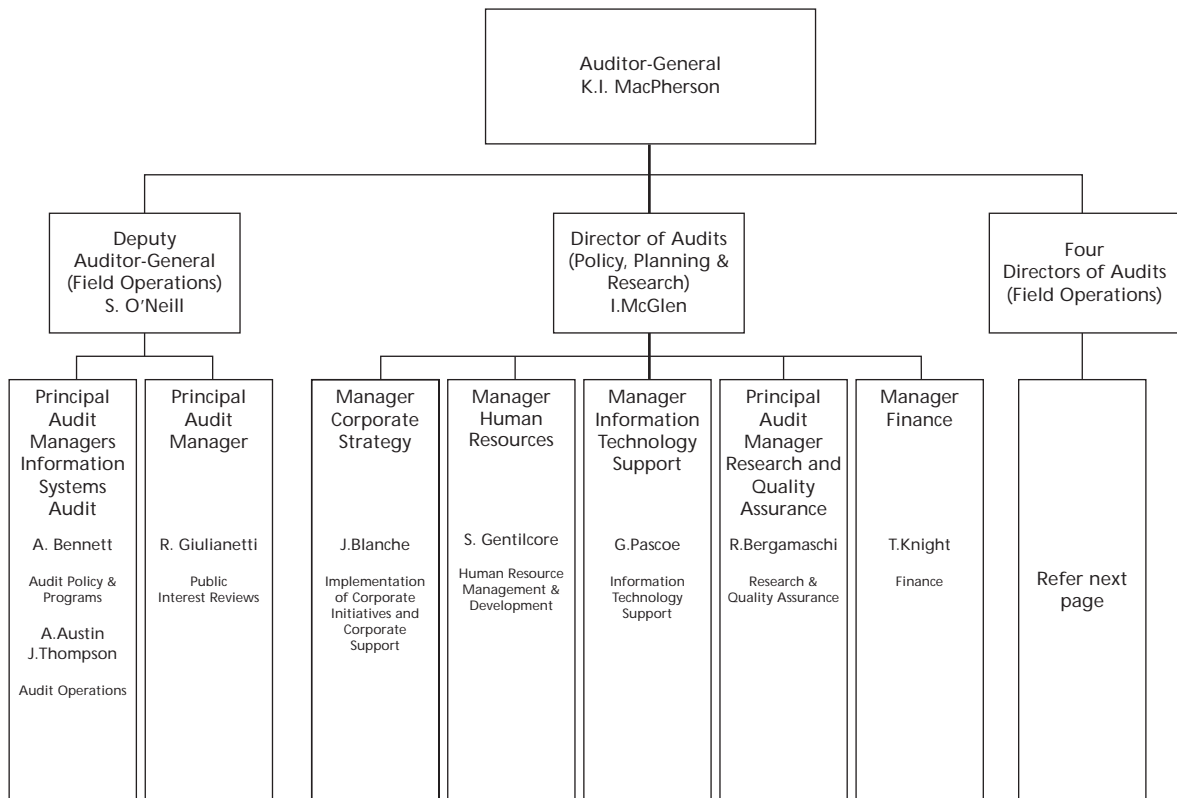
Paul A Dutton CA
Paul Feltrin CA
Belinda C Goedecke FCA
Daniel Pezzuto CA
Leanne Thomas CA
Carly Thornton CA
Nicholas K Wilkins FCA

APPENDICES

APPENDIX A

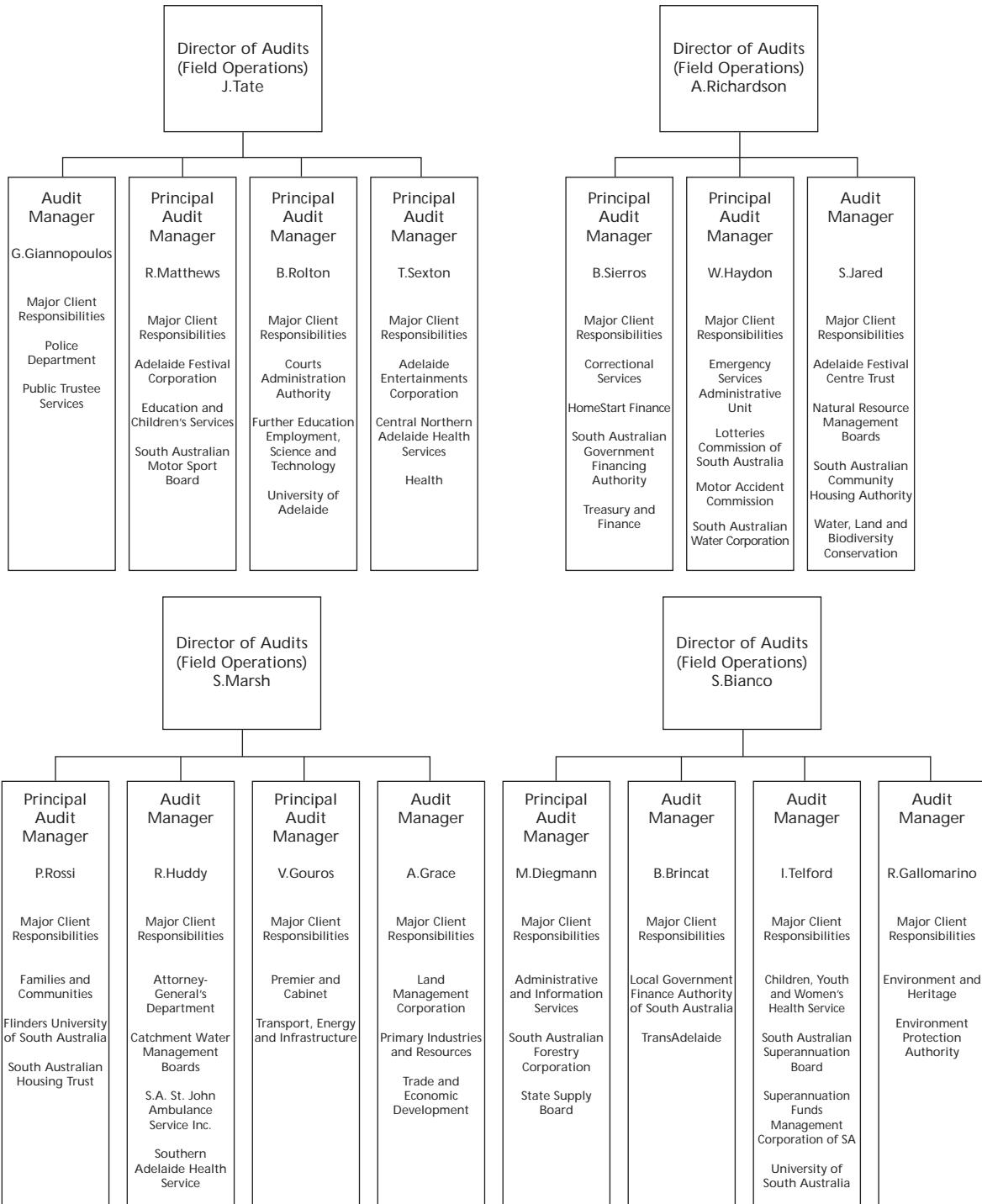
DEPARTMENT ORGANISATION CHART

as at 30 June 2005



DEPARTMENT ORGANISATION CHART

as at 30 June 2005



APPENDIX B

PROFESSIONAL DEVELOPMENT COURSES ATTENDED 2004-05

COURSE TITLE	HOURS
ACL Training Course	129
AGeS Methodology	491
AIFRS and the Public Sector	486
AS/2 Document Manager	150
Behavioural Interviewing	180
Corroborative Inquiry	145
Document Manager	115
Ethics and Public Sector Responsibilities	750
Fixed Assets Business Cycle	72
Get That Job	83
Graduate Development Modules	232
Graduate Induction	122
Igrafx Training Course	38
Induction Follow-Up	62
In's and Out's of Recruitment and Selection	72
Introduction to PRD	42
Leadership & Management - Managing Self (ASO3)	105
Leadership & Management - Managing Others (ASO4)	113
Leadership & Management - Managing Teams (ASO5/6)	104
OHS&W Committee Training	21
OHS&W Ergonomics and Manual Handling	120
OHS&W Forms and Checklists	12
OHS&W Information Session	50
Payroll Business Cycle	68
Presentation Skills	120
Revenue Business Cycle	68
Senior First Aid Certificate Course	345
Trial Balance	107
Understanding Treasury Management	300
Update to AIFRS to the Public Sector	195
Warden Training Program	18
Total	4 915

APPENDIX C

EXTERNAL TRAINING COURSES ATTENDED 2004-05

COURSE TITLE	TRAINING HOURS
Contract Management	49
CPA Congress 2004	132
CS2 InDesign	75
DEST Workshop	8
End of Year Processing (in CHRIS 21)	4
Government Accounting and Information Forum	18
GST/FBT Refresher Workshop	3
Network Security Essentials	32
Professional Certificate in Management	128
Public Sector Demystified	23
SA Government Travel Forum	3
Shifting Realities: Creating Energy to Revitalise Organisations	3
Strategies for Success	4
Strategy for Human Resources Workshop	8
System and Network Security Essentials	15
Total	505

APPENDIX D

STAFF LIST AS AT JUNE 2005

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Abbott	D M	B Sc (Maths & Comp Sc)	ASA
Adams	B J	B Com	
Afnan	D	B.Eng (Mech) (Hons), Grad Dip Bus Admin, B 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	
Balendra	R	B Com (Acc)	
Bennett	A F	Dip Acc	CPA, MACS
Bergamaschi	R C	B Ec, Grad Dip Acc, Cert IV Assessment Workplace Training	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	
Caldow	E	B Com (Acc), B Mang (Mar)	ASA
Chan	D	B Com, B Bus (Mang Info System)	ASA
Churches	S L	B Ec (Acc)	CPA
Deegan	P A		
Diegmann	M	B A (Acc)	CPA
Eustace	L C	B Com, Cert IV Assessment Workplace Training	CPA
Fitzgerald	J	B Acc	CPA
Fogal	A	B Com (Acc)	ASA
Furze	K A	Sec Dip	
Gallomarinno	R	B Ec (Acc)	CPA
Gardiner	A	B A, Dip Teach, Mast Ed (HR Studies)	AHRI
Gentilcore	S	B Bus, HRD	AHRI
Giannopoulos	G	B A (Acc)	CPA
Gichuhi	L M	B Com	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)	
Gu	S	Mast Bus (Acc), BA (Multimedia Studies)	ASA
Haydon	W M	B Ec (Acc)	CPA
Huddy	R W	B Bus Prop (Val), B Bus (Acc)	ASA
Jared	S P	B A (Acc)	CPA
Jordan	C V	Cert First Line Mgmt, Cert Bus Proc, Dip Govt (Mgmt)	
Joyner	S	B Com (Acc & Fin)	ASA

STAFF LIST AS AT JUNE 2005

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Kelly	C L	B A (Acc)	ASA
Kennedy	A M	B Bus (Acc)	CPA
Kiefel	D	B Com(Acc)	CPA
King	R	Cert in Arts	
Knight	T N	B Com & Admin (BCA)	
Kolecki	C	Cert Off Sk, Cert Off Proc, Cert Clerical Proc (Gen Off)	
Lam	E	B Com (Acc)	CPA
Larkin	L		
Leach	J		
Leckie	J	B Bus(Acc)	CPA
Logozzo	A	B Com (Acc), B Bus (Bank & Fin)	ASA
Loizi	S		
Loulas	H	B Com	CPA
Mack	J	B Com (Acc)	
MacLean	S	B Com (Acc), B Ec	
MacPherson	K I	LLB	FCPA
Marsh	S W	B Ec, Dip Acc	CPA
Matthews	R J	B A (Acc)	CPA
Mazel	A	B Com (Acc)	
McGlen	I C	B A (Acc)	CPA
McGowan	C	B Com (Acc & Fin)	ASA
Migliore	F	B A (Acc)	CPA
Morotti	I	B Acc, B Ec	
Noujaim	M	B Com (Acc), B Bus (Admin Mgmt)	
Nugent	S M	B Ec (Acc), Dip Govt (Mgmt)	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
Pirrota	I	B Com	
Poulos	G	B Bus (Acc)	
Reed	K		
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
Rossi	P A	B A (Acc)	CPA

STAFF LIST AS AT JUNE 2005

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Scalzi	D	Cert III Fin Serv, Cert III Bus, Cert II Govt	
Scalzi	D	B Com (Acc), B Laws	Law Society
Sexton	T	BA (Acc)	CPA
Sierros	B	B Ec, Dip Acc	CPA
Slaytor	K M	B A (Jur), LLB, GDLP, B Acc	CPA
Spirat	A	B Com, B App Fin	
Spurge	S	B Com (Acc & Fin)	
Srdic	S	B Com, Adv Dip in Acc	
Stephens	R	Int Bus, B Com	
Stint	M J	Adv Dip in Acc, Cert Bus Prac, Cert First Line Mgnt	ANIA
Stockman	S	Ass Dip Bus Off Admin, EDP Secretarial	
Symons	T	B Com	
Tasker	C	B A (Ec), Grad Dip Acc, Cert IV Assessmnt Workplace Training	CPA
Tate	W J	B A (Acc)	CPA
Tauriello	A	B Com (Acc)	CPA , IPA
Telford	I	B A (Acc)	CPA
Terrington	K	B Com, Cert IV Assessment Workplace Training	
Thiele	D	B Taxation	
Thompson	G P	B Com (Acc)	CPA
Thompson	J D	B A, Grad Dip Sys Anal, Mast Prof Acc	
Tran	L	B Com (Acc), B Fin (Int)	
Tran	T-T	B Com (Acc), B Bus (Com Law)	
Vasilikiotis	S	B Com (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	
Yengi	D	B Com (Acc & Fin)	
Yip	J	B Com, B Laws	CPA

APPENDIX E

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT
(AS AT 30 JUNE 2005)**

2007 World Police and Fire Games Corporation
 Aboriginal Lands Trust
 Adelaide and Mount Lofty Ranges Natural Resources Management Board
 Adelaide Cemeteries Authority
 Adelaide Convention Centre Corporation
 Adelaide Dolphin Sanctuary Fund
 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
 Alinytjara Wilurara Natural Resources Management Board
 Animal and Plant Control Commission
 Apiary Industry Fund
 Arid Areas Catchment Water Management Board
 Art Gallery Board
 Attorney-General's Department
 Austraining International Training Pty Ltd
 Australian Children's Performing Arts Company
 Australian Energy Market Commission
 Bio Innovation SA
 Botanic Gardens and State Herbarium, Board of the
 Carrick Hill Trust
 Carwell Pty Ltd
 Cattle Industry Fund
 Central Northern Adelaide Health Service
 Children, Youth and Women's Health Service
 Chiropractors Board of South Australia
 Coast Protection Board
 Commissioners of Charitable Funds
 Commonwealth State Housing Agreement
 Construction Industry Training Board
 Correctional Services, Department for
 Country Fire Service Board
 Courts Administration Authority
 Dairy Authority of South Australia
 Deer Industry Fund
 Distribution Lessor Corporation

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT
(AS AT 30 JUNE 2005)**

Dog and Cat Management Board
Dog Fence Board
Education Adelaide
Education and Children's Services, Department of
Electricity Supply Industry Planning Council
Emergency Services Administrative Unit
Environment and Heritage, Department for
Environment Protection Authority
Essential Services Commission of South Australia
Eyre Peninsula Catchment Water Management Board
Eyre Peninsula Natural Resources Management Board
Families and Communities, Department for
Farm Business Improvement Program
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 Scheme
Health, Department of
Health, Community and Disability Services Ministerial Council
History Trust of South Australia
HomeStart Finance
Independent Gambling Authority
Independent Gaming Corporation Ltd
Institute of Medical and Veterinary Science
Intellectual Disability Services Council
Judges' Pensions Scheme
Julia Farr Services
Justice, Department of
Kangaroo Island Natural Resources Management Board
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
Maralinga Lands Unnamed Conservation Park Board
Marine Scalefish Industry Fund
McLaren Vale Wine Industry Fund
Medical Board of South Australia

AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT (AS AT 30 JUNE 2005)

Medvet Science Pty Ltd
 Motor Accident Commission
 Museum Board
 Narana Pty Ltd
 National Centre for Vocational Education Research Ltd
 Native Vegetation Fund
 Northern Adelaide and Barossa Catchment Water Management Board
 Northern and Yorke Natural Resources 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
 Playford Centre
 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
 Rural Adjustment Scheme
 Rural Industry Adjustment and Development Fund
 SA St John Ambulance Service Inc
 SABB Pty Ltd
 Second Hand Vehicles Compensation Fund
 Senior Secondary Assessment Board of South Australia
 Sheep Industry Fund
 South Australian Aboriginal Housing Authority
 South Australian Arid Lands Natural Resources Management Board
 South Australian Asset Management Corporation
 South Australian Community Housing Authority
 South Australian Country Arts Trust

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT
(AS AT 30 JUNE 2005)**

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 Murray Darling Basin Natural Resources Management 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 Corporation
South Australian Water Corporation - Hydro Joint Venture
South East Catchment Water Management Board
South East Natural Resources Management Board
South Eastern Water Conservation Drainage Board
Southern Adelaide Health Service
Southern Group Insurance Corporation
Southern State Superannuation Scheme
State Disaster Relief Fund
State Electoral Office
State Governor's Establishment
State Heritage Fund
State Opera of South Australia
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, Energy and Infrastructure, Department for
Treasury and Finance, Department of

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT
(AS AT 30 JUNE 2005)**

University of Adelaide
University of South Australia
University of South Australia Foundation Incorporated
Venture Capital Board, Office of the
Veterinary Surgeons Board
Water, Land and Biodiversity Conservation, Department of
West Beach Trust
Wildlife Conservation Fund
Zero Waste SA

Total number of audits for 2004-05

178

General Index

- A**
- Age Profile of Employees, 30
 - Annual Energy Use, 20
 - Audit Committees, 6
 - Audit Legislation, 3
 - Audit Methodology, 9
 - Audit Risk, 10
 - Audit Statistics, 16
 - Auditee Agencies, 61-65
 - Australian Council of Auditors-General, 6
- B**
- Benchmarking, 16, 35
- C**
- Competency Development, 27
 - Consultants, 41
 - Contracted Audits, 40
 - Controls Opinion, 12
 - Corporate Objectives, 8
 - Corporate Plan, 7
 - Corporate Support and Strategy, 4, 17
- D**
- Departmental Executive, 4
 - Department Organisation Chart, 54-55
- E**
- Efficiency and Economy Audits, 11
 - Employee Classification, 34
 - Employee Tertiary Qualifications, 29
 - Employee Turnover and Movement, 35, 58-60
- F**
- Family Carers Leave, 37
 - Finance, 4, 19
 - Financial and Compliance Audit, 9
 - Financial Statements, 42-52
 - Fraud Control Policy, 20
- G**
- Graduate Recruitment, 32, 33
- H**
- Human Resources, 4, 21
- I**
- Independent Audit Report, 53
 - Information Technology Policy, 22
 - Information Technology Support, 4, 21
 - Intranet, 22
- K**
- Key Financial Indicators, 2
 - Key Operating Results, 2
- L**
- Legislative Mandate, 9
- M**
- Managing Diversity, 30-32
 - Mission, 7
- O**
- Occupational Health Safety and Welfare, 36-38
- P**
- Parliamentary Reports, 2, 5
 - Performance Management, 27, 28
 - Professional Development Program, 28
 - Public Sector Reform and Risk Management, 14
- Q**
- Quality Assurance Framework, 23
- R**
- Recruitment and Selection, 32, 33
 - Research and Quality Assurance, 4, 23
- S**
- Sick Leave, 37
 - Social Club, 39
 - Special Investigations, 14
 - Staff Development, 24, 25, 56-57
 - Staff List, 58-60
 - Strategic Management Framework, 8
- T**
- Turnover (Refer Employee Turnover and Movement), 35
- V**
- Values, 7
 - Vision, 7
 - Voluntary Flexible Working Arrangements, 31
- W**
- Whistleblower Legislation, 13
 - Work Experience Profile, 34
 - Workforce Profile, 35