



Annual Report on the Operations of the
Auditor-General's Department
for the year ended 30 June 2008



Government of South Australia

Auditor-General's Department

30 September 2008

The Hon M Rann MA, JP, MP
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Dear Premier

Annual Report on the Operations of the Auditor-General's Department

It is my pleasure to forward to you for presentation to the South Australian Parliament the Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2008.

This report has been prepared in accordance with the requirements of the *Public Sector Management Act 1995*.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S O'Neill'.

S O'Neill
Auditor-General

Table of Contents

At a glance:

2007-08 highlights	2
Auditor-General's Report	3
Key operational statistics	4

What we do

5

Our challenges in 2007-08 6

Our strategic management framework 7

Our vision, mission and values 8

Our performance:

Corporate objective 1 9

Corporate objective 2 12

Corporate objective 3 13

Corporate objective 4 16

Looking ahead

18

Our governance and communication structures 19

Our important external relationships 20

Our financial report 21

Appendices

Appendix A - Organisation structure 40

Appendix B - Workforce profile 42

Appendix C - Our audit approach 45

Appendix D - Public Sector agencies audited at 30 June 2008 47

Appendix E - Courses attended by our staff 51

Appendix F - Providing a safe, environmentally friendly workplace 53

2007-08 highlights

Leadership

The new Auditor-General was appointed in September 2007 and the new Deputy Auditor-General was appointed in March 2008

Three new Principal Audit Managers were appointed to fill temporary vacancies

Reports

The Annual Report of the Auditor-General for the year ended 30 June 2007 was presented to Parliament (*see page 4*)

We commenced work on certain public interest reviews for reporting to Parliament (*see page 12*)

Running our Department

Workstations and training/conference facilities were significantly improved with the completion of an office refurbishment (*see page 16*)

Audits

209 independent auditor's reports were issued, 47 of which were qualified (*see page 9*)

We increased our chargeable audit hours despite a fall in our FTEs (*see page 10*)

Audit Methodology

We conducted a detailed evaluation of the audit methodology and associated software tools developed by the Queensland and Victorian Audit Offices (*see page 11*)

We advanced audit efficiency by reviewing our approach to the audit of small agencies, major government restructures and computer processing environments (*see page 10*)

Quality Control

16 audit files were subject to peer review to ensure the audits met our quality standards (*see page 10*)

We undertook an assessment of the Department's quality assurance practices to identify areas for possible improvement (*see page 10*)

Recruitment

We recruited 18 graduates through a revamped recruitment strategy (*see page 13*)

Retention

We initiated actions directed at improving the working environment for our staff (*see page 13*)

Developing our People

All staff participated in our performance review and development process (*see page 15*)

We implemented a comprehensive professional development program (*see page 14*)

We completed plain English training for all staff (*see page 14*)

Knowledge Management

We improved the way we access and share corporate information, knowledge and experience (*see page 16*)

Financial Management

We successfully operated within our approved expenditure budget (*see page 21*)

We raised \$10.3m in audit fees (*see page 22*)

Auditor-General's Report

'2007-08 was not only a busy and challenging year, but a successful and satisfying one'

The Annual Report on the Operations of the Auditor-General's Department reports the achievements of the Department and gives an insight into the important work we do.

Continual changes within the State public sector demand a critical role for this Department to review, evaluate and report on changes and developments as they occur. It has been a busy and challenging year but also a very successful and personally satisfying one where the achievements of our staff and the quality and timeliness of our reports to Parliament are the ultimate measure of our success.

I think it is important to mention the strong relationship this Department has with the Parliament and with public sector agencies and their senior management, who I wish to acknowledge for their shared commitment to public sector accountability and transparency, their willingness to consider the matters raised by this Department and their acceptance of the important role this Department plays in the accountability process.

It has been a year of building on what is strong and successful about the Department by continuing to pursue the highest standards of audit service and produce timely and reliable reports to Parliament and to public sector agencies. In addition we have continued to focus our attention on attracting, developing and keeping our highly skilled and committed professional people.

Inspired by our corporate goals and values, which are now well understood by staff, we are moving ahead responding to changes and developments in the public sector such as the implementation of Shared Services and Public Private Partnership arrangements. Internally we are actively exploring options for a possible replacement of the Department's audit methodology and associated software tools, and refining our governance and quality control standards to ensure that the highest standards are maintained.

Looking ahead, 2008-09 brings an end our three year Corporate Plan, and I am pleased that already we have achieved most of what we set out to do. Next year we will start the important task of developing a new Plan that positions us to meet the challenges ahead.

Finally I acknowledge and thank my staff. They are a dedicated team of highly professional people, and it is a great privilege and a pleasure to work with them.



S. O'Neill
Auditor-General

Key operational statistics

ACTIVITY INDICATORS

Employees (FTEs) at 30 June 2008	106.5
Number of audits at 30 June 2008	165
Independent Auditor's Reports issued in 2007-08	209

FINANCIAL INDICATORS

	2007-08	2006-07	2005-06
	\$000	\$000	\$000
Total audit fees raised	10 277	9 392	8 778
Total expenses:			
Prescribed audits	11 094	11 023	10 451
Special investigations	0	0	43
Total assets	3 241	3 459	3 186
Total liabilities	3 547	3 351	3 081

REPORTS PRESENTED IN THE LAST THREE YEARS

Date Presented	Report Title
22 November 2007	Supplementary Report - Agency Audit Reports
16 October 2007	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2007
16 October 2007	Report of the Auditor-General for the year ended 30 June 2007 - Part A Audit Overview, Part B Agency Audit Reports and Part C State's Finances and Related Matters – Some Audit Observations
23 November 2006	Supplementary Report: State Finances and Related Matters: Some Audit Observations
22 November 2006	Supplementary Report: Matters Arising from the Further Audit Examination of the Administration of the <i>Criminal Law (Forensic Procedures) Act 1998</i> and Other Matters
21 November 2006	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2006
26 October 2006	Report of the Auditor-General for the year ended 30 June 2006 - Part A Audit Overview and Part B Agency Audit Reports
26 October 2006	Supplementary Report: Agency Audit Reports
30 November 2005	Supplementary Report: Government Management and the Security Associated with Personal and Sensitive Information
22 November 2005	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2005
22 November 2005	Supplementary Report: Agency Audit Reports
17 October 2005	Report of the Auditor-General for the year ended 30 June 2005 – Part A Audit Overview (includes State Finances and related matters) and Part B Agency Audit Reports
12 September 2005	Report on the Auditor-General's Examination, Pursuant to Section 39 of the <i>Passenger Transport Act 1994</i> , of Certain Bus Contracts and the Probity of Processes Leading up to the Awarding of the Contracts
17 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

What we do

'We provide independent assurance to the Parliament that government activities are conducted and accounted for properly and in accordance with law'

The Auditor-General

The role of the Auditor-General is an important one, providing independent assurance to the Parliament that government activities are conducted and accounted for properly and in accordance with the law. The Auditor-General's responsibilities are to:

- conduct independent audits of the accounts and operations of the Treasurer and public sector agencies
- examine the efficiency and economy with which public sector agencies use their resources
- report on audits and other matters of importance in the public interest
- conduct and report on examinations of publicly funded bodies at the request of the Treasurer
- review and report on summaries of confidential government contracts at the request of a Minister
- be the Chief Executive of the Auditor-General's Department.

The agencies we audit

The Auditor-General is the prescribed auditor of 165 public sector agencies. They are listed in Appendix D.

The Department

The Auditor-General's Department is an administrative unit established under the *Public Sector Management Act 1995* to support the work of the Auditor-General. The Department is divided into auditing and corporate service areas, shown in our organisation charts in Appendix A.

The legislation

Principal legislation

The Auditor-General is appointed by Parliament under the *Public Finance and Audit Act 1987* (the PFAA). The PFAA is part of the important accountability link between the Executive Government, the Parliament and the taxpayers of South Australia. As well as establishing the Auditor-General's mandate, it prescribes the financial reporting obligations of the Treasurer and public sector agencies.

Other legislation

There are provisions in other Acts that have a direct influence on the Auditor-General and the Department. These include statutes appointing the Auditor-General to audit public sector agencies, legislation covering special Commonwealth and State financial arrangements, and State legislation such as Supply, Appropriation, Public Corporations, and Whistleblowers Protection Acts.

Our Annual Report

The Annual Report of the Auditor-General is the main communication between the Auditor-General and the Parliament. It comprises:

- Part A: Audit Overview – commentary on financial management, accounting and control matters within the public sector
- Part B: Agency Audit Reports – commentary on significant issues of administration, financial management and control in individual public authorities, together with their financial statements, the Auditor-General's independent auditor's reports and the Treasurer's Statements
- Part C: The States Finances and Related Matters – commentary on the public finances of the State, including the past year's budgeted and actual results, forecasts and debt and cash management.

Our challenges in 2007-08

‘Responding to these challenges is an important part of our annual planning processes and our work’

- Being responsive to major policy, administrative and service delivery reforms in Government including:
 - the shared services delivery model for the public sector
 - developments in procurement, including the use of Public Private Partnership arrangements
 - the restructure of public sector agencies, including the Department for Administrative and Information Services and the continuing impact on the agencies involved in this change
 - the restructure of the housing sectors
 - developments in information and communications technology
- Considering the financial and resource implications for the Department of the appointment of the Auditor-General as the statutory auditor of the WorkCover Corporation of South Australia from 1 July 2008
- Monitoring and responding to potential changes in health sector financial reporting and audit arrangements as a result of the new *Health Care Act 2008* which came into operation from 1 July 2008
- Attracting and keeping staff with the experience and skills we need in a highly competitive job market
- Deciding on the future of our financial attest audit methodology beyond current licensing arrangements
- Developing an approach to satisfying our controls opinion mandate following the withdrawal of the current Financial Management Framework and its replacement through changes to the Treasurer’s Instructions
- Achieving an increase in discretionary public interest reviews of probity, accountability, economy and efficiency against the competing demands of our mandatory functions
- The ongoing impact of the changes that occurred in the environmental management area with the introduction of the *Natural Resources Management Act 2004*

Our strategic management framework

'The framework provides a systematic and disciplined approach to managing our operations'

We have a structured approach to planning and managing our audit and corporate responsibilities, which is captured in our strategic management framework. The framework shows how we:

- identify challenges and emerging issues through environmental scanning and staff consultation
- choose the activities that will most benefit our short and long term performance, and plan and allocate the resources needed to get them done
- monitor our progress and measure our performance against what we planned to do.

The Corporate, Annual, Risk Management and Operational planning documents are the key outputs of this cycle:

Corporate Plan

Establishes our vision, mission and values and our intended corporate direction over the longer term, usually three years, expressed as corporate objectives and strategies.

Annual Plan

Translates the broad direction of the Corporate Plan into specific actions, responsibilities and timeframes for each year. This Plan is monitored regularly and formally reviewed every six months.

Risk Management Plan

Identifies risks that may inhibit the achievement of our plans, and opportunities for us to do things better. Describes existing risk control approaches and proposed actions to improve current controls or mitigate emerging risks. This Plan is monitored regularly and formally reviewed every six months.

Operational Plans

Prepared by each work team within the Department, these detailed work programs are the link between the Annual Plan and the work of every departmental employee. Managers translate strategies and actions into specific accountabilities and outcomes for their team.

These documents are the accountability statements against which we monitor our performance, using a combination of qualitative and quantitative measures to assess our performance. An important part of review process is identifying and addressing any barriers to performance, as well as understanding our key success factors. Monthly reports on the status of our planned activities are made available to all staff.



Our vision, mission and values

‘Our vision, mission and values are important to us. They guide our work and our behaviours’

Our vision

To improve the quality and relevance of services we provide to the Parliament and the people of South Australia and to promote the professional development of our staff.

Our mission

To provide assurance to the Parliament on the accountability of the Executive Government and public sector agencies by providing independent reports on:

- financial reports
- financial controls
- the use of public resources
- the probity and lawfulness of public administration.

Corporate objectives

Corporate objective 1

To perform audits of the accounts and controls of public sector agencies and produce timely and relevant reports on the outcomes.

Corporate objective 2

To produce timely and relevant reports to Parliament on public sector interest issues.

Corporate objective 3

To attract, develop and retain highly skilled and committed professional people.

Corporate objective 4

To efficiently and effectively run the Department.

Our values

Our values are the foundation for our actions, words and decisions. We will strive to uphold them in everything we do. In this way all staff have the opportunity to optimise their abilities and skills, and we will discharge our review and reporting responsibilities to public sector agencies and the Parliament efficiently and professionally.

Integrity

We will show our integrity through honest, ethical and professional behaviour.

Independence

In our work and our opinions we will be independent, impartial and fair.

Innovation

We will continuously improve by promoting and accepting innovative ideas and by sharing our 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 roles and responsibilities of our stakeholders.

Quality

We will ensure our work is of the highest quality and that it reflects relevance, sound methodology, good judgment and thoroughness.

Accountability

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

Corporate objective 1

'To perform audits of the accounts and controls of public sector agencies and produce timely and relevant reports on the outcomes'

Key targets

- issuing independent audit and controls opinions
- quality assurance and continuous improvement
- improving audit efficiency
- responding quickly to internal, industry and public sector developments
- deciding the future of our audit methodology

Our performance in 2007-08

Issuing independent audit and controls opinions

Five audit directorates directly contribute to the discharge of the Auditor-General's audit responsibilities, incorporating sixteen Field Audit teams, an Information Technology Audit team and a Public Interest Review team.

We issued 209 independent auditor's reports in 2007-08. Most were for agencies with financial years ending on 30 June 2007. 33 related to earlier years.

A practical measure of our performance is the time it takes us to issue an audit opinion to our clients. Although there was a marked decline in our timeliness in 2007-08, it is largely explained by the impact of opinions issued to environmental agencies affected by legislative reforms in 2005-06 (see the note to the table below). As commented in Part A of this year's Auditor-General's Annual Report to Parliament, the delays in issuing those opinions to certain environmental agencies resulted directly from their delay in preparing satisfactory financial statements that are readily auditable.

This table shows our audit activity output measures for the past three years:

	2007-08	2006-07	2005-06
Number of agencies audited at 30 June	165*	174*	178*
Number of qualified audit opinions issued	47*	29	19
Average working days between an agency's end of financial year and issuing an Independent Auditor's Report	149*	102*	70

* As part of the transitional arrangements associated with the restructuring of environmental management, the Auditor-General was appointed to audit an additional 32 Animal and Plant Control Boards, 8 Catchment Water Management Boards and 42 Soil Conservation Boards in 2005-06. Some of these Boards continue in existence today.

All of these Boards experienced major delays in preparing and submitting for audit their 2005-06 financial statements. Although most of these audits have now been finalised, these delays have had a significant impact on the average time taken to issue IAR's in 2006-07 and 2007-08. Without the impact of these Boards, the average time taken to issue an opinion in 2007-08 would have been 94 working days.

Financial statement preparation difficulties at many Boards also contributed to the increase in qualified audit opinions issued in 2007-08.

Also of interest is the number of hours we spend on financial and compliance audits. This is better measured by audit year than financial year. An audit year generally runs from 1 November to 31 October, because an audit finishes when an opinion is issued for financial statements usually prepared as at 30 June.

Budgeted and actual hours charged to financial and compliance audits for the past three audit years are shown in the table below. These hours, which are chargeable to public sector agencies, have increased by six percent over this period, reflecting additional audit responsibilities assigned to the Auditor-General and the increasing complexity of agency financial and administrative arrangements. Additional audit responsibilities include Country Health SA, eight Natural Resources Management Boards and closing accounts for their associated entities, and final accounts and transitional arrangements for the now abolished Department for Administrative and Information Services.

Over this same three year period, average FTE numbers have fallen from 107.8 to 105.2, suggestive of an overall improvement in staff productivity.

Chargeable hours spent on financial and compliance audits	2006-07 audits	2005-06 audits	2004-05 audit
Conduct of audits	85 900	83 700	80 200
Management of audits	10 300	10 900	10 300
Total actual chargeable hours	96 200	94 600	90 600
Budgeted hours	90 400	88 700	85 600
Excess of actual hours over budget	5 800	5 900	5 000

Quality assurance and continuous improvement

Peer reviews

Ensuring that effective quality control policies and procedures are in place is a professional audit requirement, and a key responsibility area for the Department's Research and Quality Assurance team. The team administers the Department's peer review program – an independent 'post-event' review of audit files to ensure that audits meet quality standards and consistently apply the principles of our audit methodology. 16 audit files were peer reviewed in 2007-08 and the results of these reviews were communicated to staff and used to develop technical guidance and support programs for Field Audit staff.

Quality control

In response to the Australian Professional and Ethical Standards Board standard APES 320 'Quality Control for Firms', we have reviewed our operations using a self-assessment process developed in conjunction with other Audit Offices. The process is designed to provide Auditors-General with assurance that their audit offices are meeting the legal and professional requirements for audit quality control and corporate governance.

A report on the outcome of the self-assessment has been considered by the Executive, and in 2008-09 we will develop a plan to address areas for improvement. As most of these are strategic in nature, they will need to be considered when we develop the Corporate Plan for the period 2009-10 to 2011-12. We will assign priorities and determine resource requirements for future years as part of the planning process.

Improving audit efficiency

A number of new and ongoing strategies either advanced our audit efficiency in 2007-08 or will improve efficiency in future years. They included:

- using information from the Department's Strategic Management System (a project management and billing database that captures budgeted hours and time costing information to produce statistical reports on our performance and audit fees) to monitor team performance against budgets and respond quickly by providing additional resources to problem areas
- reviewing our approach to the audit of small agencies, which identified potential efficiencies from addressing issues such as the level of accounting expertise in agencies, increasing the use of standard audit programs where possible and transferring audit knowledge between audit staff
- reviewing our handling of the transitional arrangements for the restructure of environmental management to improve our management of future major government restructures. Recommendations included giving lead responsibility for coordinating our response to one Director of Audits, setting realistic budgets and responding quickly to any financial reporting issues
- finalising a policy for the audit of information systems and computer processing environments that clearly establishes the roles of Field Audit teams and the Information Technology Audit team in conducting these reviews.

We are also working towards meeting professional guidelines for the timely completion of audit files that document our audit work.

Responding quickly to internal, industry and public sector developments

2007-08 saw changes to our audit portfolio, which coupled with the continued impact of recent major policy, administrative and service delivery reforms have had a major impact on our workload. Some of the more significant changes have been:

- implementation of shared corporate and business services arrangements across government, with Shared Services SA commencing operations in 2008.
- a new financial management and compliance framework for public sector agencies, which will operate from 2008-09 and which necessitated changes to our methodology for the review of agency internal controls
- major public private partnership (PPP) and other significant infrastructure programs, including prisons and secure facilities, super schools, the Marjorie Jackson-Nelson Hospital and water desalination, that can give rise to significant financial, operational and legal risks over a long term and require specific audit examination
- a major restructure of Government involving the abolishment of the Department of Administrative and Information Services and the transfer of its major functions to other agencies, which continued to impact on audit
- ongoing reforms to the country health sector
- housing sector reforms
- appointment of the Auditor-General as auditor of the WorkCover Corporation of South Australia from 1 July 2008, which has necessitated preliminary work to understand audit requirements for 2008-09 and going forward.

Deciding the future of our audit methodology

Our current auditing methodology is licenced to us by Deloitte Touche Tohmatsu until December 2010.

The market for the supply of auditing software and methodology is very limited and we have been exploring options for a possible replacement methodology. One option is the Integrated Public Sector Audit (IPSAM) methodology and associated software developed by the Victorian and Queensland Audit Offices, the that supports it. This methodology has been tailored to public sector audit requirements. In a joint Research and Quality Assurance/Field Audit project IPSAM has been applied to one of our agency audits as a method of evaluating it as an option for further consideration. We were greatly assisted by the Victorian Audit Office, who provided training and support to our project.

Results of the evaluation will be known when the audit is completed in October 2008. This together with information about other possible replacements will be used to determine the future direction of our audit methodology during 2008-09.

Corporate objective 2

'To produce timely and relevant reports to Parliament on public sector interest issues'

Key targets

- finalising the Public Interest Review (PIR) framework
- conducting all planned reviews

Our performance in 2007-08

Finalising the PIR framework

Our new PIR framework will govern the way we:

- identify potential areas for examination
- plan reviews and integrate PIR work into the Department's overall Annual Plan
- execute reviews, including our project management and reporting approaches.

Once released all reviews will be undertaken in accordance with the planning, execution and accountability requirements for the framework.

We had hoped to finalise the framework in 2007-08, but other priorities delayed our progress. Our PIR strategy and the approach that underpins the framework requires careful consideration of a number of strategic factors, including our staffing structure, audit product mix and the competing demands of our statutory audit mandate. Finalising the framework is a priority for 2008-09.

Conducting all planned reviews

All PIR work is directed by the Auditor-General. It is undertaken by staff working in the Public Interest Review team, Information Technology Audit team or Field Audit, depending on the nature and scope of the review. We try to give all staff the opportunity to participate in a PIR to provide job variety and experience in major review projects.

In 2007-08 some areas of review focus were identified and certain review work commenced. The areas of review involve:

- Procurement – review of aspects of the regulatory framework and operational issues involved in purchasing goods and services, tendering and contract management in public sector agencies.
- Public Private Partnerships (PPPs) – these are significant financial transactions with a very long timeframe, involving a partnership between an external party and the Government for the provision of infrastructure, services or both. We have commenced reviewing the policy and process framework of the Government, as well as looking at the frameworks used in interstate and overseas jurisdictions. We are also reviewing the governance arrangements, business case development approaches and financial reporting requirements for these projects.
- Aspects of the Information and Communications Technology (ICT) arrangements of Government and agencies, including the implications of implementing the Government's shared services initiative – our review work includes governance arrangements, major information technology contracts with external service providers for legal compliance, procurement, security and control and financial reporting.
- Some specific areas of government expenditure – including travel, grants, sponsorships, property sales and the use of government purchase cards for procurement efficiency.

The outcomes of these reviews will either be reported in the Annual Report of the Auditor-General to Parliament or may be the subject of a smaller periodic report to Parliament.

Corporate objective 3

'To attract, develop and retain highly skilled and committed professional people'

Key targets

- recruiting and keeping professional auditors
- meeting the development needs of our staff
- developing our workforce planning capability

Our performance in 2007-08

Recruiting and keeping professional auditors

Attracting and keeping audit professionals continues to be one of our major challenges. Competition to attract people from a thin market of audit and accounting graduates and experienced professionals is high. Despite this we recruited 18 new graduates in 2007-08.

	2007-08	2006-07	2005-06
Graduates appointed	18	16	21

Our recruitment results evidence our strong position in the market and reflects improvements we made to our marketing approach this year. Working with a media professional we revamped our graduate recruitment resources. We also continued to develop closer links with Universities, and increased our profile at campus and professional accounting organisation career fairs.

We have started to explore options for employing university students and overseas graduates to increase the potential pool of applicants for graduate positions. We have also extended the employment of temporary staff in periods of peak demand.

The strong demand for experienced professionals with accounting/auditing skills has also affected our ability to keep our staff, with the rate of employee turnover for the financial year at 23 percent, an increase from 19.5 percent in 2006-07.

We have responded to this with new and ongoing improvements to the working environment for our staff. They include:

- extending overtime provisions to senior staff during periods of high work demand
- implementing job progression strategies for senior managers
- expanding flexible working arrangements
- providing staff with high quality IT equipment and support
- upgrading workstations and improving office accommodation
- continuing our strong commitment to professional development
- continued recognition of performance and support for personal growth and development through the Performance Review and Development process (refer below).

We will continue to look for ways to improve staff retention through initiatives like these.

Meeting the development needs of our staff

Our workforce is highly skilled, with all audit and most corporate services staff holding or working towards professional qualifications. We support staff who are CPA and ICAA members with their professional education fees, and provide study leave to staff who are working towards qualifications that relate to their work.

We also invest heavily in continuing professional development to help our staff maintain their technical knowledge and improve their performance, abilities and skills, and particularly their leadership capabilities.

Total training and development expenditure for all employees for 2007-08 was four percent of salaries, and close to three percent of total employee expenses. This is just below what we spent in 2006-07.

Most of our training expenditure in 2007-08 was directed to completing training for all staff in our newly developed standards for report writing. Starting in 2006-07, all staff have now attended a two day plain English report writing workshop to improve the written expression and readability of our reports. Work will now commence on the next phase of this project, which aims to ensure that plain English principles are reinforced and used by all staff.

Training and Development	Total Cost	% of total employee expenses
Total training and development expenditure	\$225,000	2.65
Leadership and management development expenditure	\$99,000	1.16

Most training is planned and conducted through the Department's Annual Professional Development Program. Training needs are identified through Executive and staff consultation, the performance review and development process, focus groups and informal feedback. The program is aligned with core position competencies, and divided into three categories: technical, personal and management. Courses in the 2007-08 program included:

- employee induction
- audit methodology and software
- fair treatment in the workplace
- presentation skills
- time management
- training others.

Increased recruitment activity in 2007-08 led to a 25 percent increase in hours committed to internal technical courses to train new employees in our audit methodology and software. Staff are also supported to attend external courses, conferences and seminars. Full details of the courses attended by our staff are contained in Appendix E.

Leadership and Management Development

Focused leadership and management training is important for our current and future managers. The leadership and management modules of the 2007-08 Professional Development Program delivered courses dealing with ethics and fair treatment in the workplace, dealing with conflict and training others. In addition five staff undertook the Adelaide University's Professional Management Program. A valuable aspect of this program is the completion of a work based project which focuses on an aspect of organisation improvement.

Performance Review and Development

Our Performance Review and Development process continues to be an integral part of developing the capabilities of our people. Employees and managers work together to review performance against position competencies and key responsibilities, and identify development objectives and opportunities.

Employees who have had:	Percentage of total workforce
A review within the last 12 months	72
A review older than 12 months	28

Progress towards achieving personal development goals is reviewed regularly, and development needs are reflected in departmental and individual training and development activities.

Developing our workforce planning capability

Strengthening our workforce planning capability is one way we can respond to the workforce planning challenges that we face in this difficult labour market. We need to be able to anticipate and deal with impending workforce issues. In 2007-08 we strengthened our networks with HR divisions in public sector audit offices around Australia through our participation in the Australasian Council of Auditors General (ACAG) Human Resource Management group. This has helped us to exchange information and ideas on common workforce challenges.

In 2008-09 we will further develop strategies to improve our workforce planning capability so that we can deal effectively with the issues we will face.

Appendix B contains more information and statistics about the profile of our workforce.

Corporate objective 4

*'To efficiently and effectively
run the Department'*

Key targets

- advancing knowledge management
- continuing to improve records management
- improved office accommodation
- meeting our OHSW targets

Our performance in 2007-08

Advancing knowledge management

Knowledge management is essentially about helping an organisation maximise the returns on its investment in knowledge (people, processes, intellectual capital), sharing experiences and best practices, improving innovation and avoiding knowledge loss after organisational change.

In recent years we have been working on improving the way we access and share corporate information and knowledge. In 2007-08 we took stock of our progress to date and the Department's Knowledge Management Group has prepared a report on the future direction of this strategy. This report is being considered by the Executive and the recommendations we adopt will drive our actions in 2008-09.

Continuing to improve records management

Our electronic document and records management system, TRIM Context, provides significant scope for decentralised record keeping and we continued to roll the system out to users in 2007-08. However we have not progressed with this as far as we would have liked, and our corporate record keeping is still largely centralised. Continuing to train users to capture their own records will be a priority in 2008-09.

We are also working towards achieving a level 5 State Records rating for all of our records management practices.

Improved office accommodation

A renovation program designed to improve our accommodation facilities was completed on schedule in December 2007. The project delivered new meeting rooms, training and conference facilities, improved workstations for Field Audit staff and better storage areas.

The new facilities have been enthusiastically welcomed by staff, particularly the training and conference rooms. All internal training programs are now run in-house, saving on the cost of hiring external training rooms.

Meeting our OHSW targets

The Department has exempt employer status under Section 60 (4) of the *Workers Rehabilitation and Compensation Act 1986*. To maintain this status we must comply with five performance standards for self insurers:

- commitment and policy
- planning
- implementation
- measurement and evaluation
- management systems review and improvement.

The Occupational Health, Safety and Welfare (OHSW) Committee contributes to effective departmental OHSW management by establishing and monitoring policies and procedures, and driving new initiatives in this area. The Committee also develops and coordinates delivery of the annual OHSW training program.

Membership comprises management and employee representatives and the Department's OHSW coordinator.

Our OHSW and Injury Management Action Plan sets our objectives and actions for each standard and the OHSW Committee is responsible for implementing the Action Plan. A quarterly performance report measuring results against key performance targets is prepared. Independent reviews indicate that we have a high level of compliance with these standards

Our high standard of workplace safety and low level of incidents continued through 2007-08. Additional information and statistics are contained in Appendix F.

Looking ahead

Our major challenges in 2008-09:

- ***The recruitment challenge***

We do not expect the market for quality graduates and experience audit professionals to improve in the near future. We will continue to look for ways to increase the potential pool of applicants for graduate positions.

- ***Changes to WorkCover legislation***

The *WorkCover Corporation Act 1994* has been amended to appoint the Auditor-General as the statutory auditor of the WorkCover Corporation of South Australia from 1 July 2008.

This is a significant new audit responsibility and the financial and resource implications for the Department are being reviewed. We expect heavy involvement from our own staff, and will require external expertise in specialist areas such as claims liability valuations and estimations.

- ***Changes to the health sector***

The new *Health Care Act 2008* comes into operation from 1 July 2008. Replacing several existing health acts, it aims to create an integrated public health system for South Australia. The Chief Executive of the Department of Health will have direct responsibility and accountability for managing the health system. Existing health service/hospital boards will be dissolved.

These changes have the potential to change health sector financial reporting and will impact on existing audit arrangements. The major impact for us will be in the country health area, where 44 incorporated health entities not formerly audited by the Auditor-General will become part of the Country Health SA Hospital Incorporated, for which the Auditor-General is the appointed auditor.

- ***Continuing to implement shared services***

As the shared services strategy continues to be implemented across Government, we will be impacted by:

- changes to agency internal control arrangements where services have been transferred
- the changing scope of our audit of the growing shared services provider, Shared Services SA
- the transfer of our own financial services to the shared services provider.

- ***Developing our next Corporate Plan***

2008-09 brings an end to our current Corporate Plan and we will develop a plan for the next three year planning period, 2009-10 to 2011-12.

Our governance and communication structures

Good governance is critical to ensuring that the Department acts ethically and with integrity, and that our decisions are in the best interests of the Parliament, our staff and the agencies we audit.

Our governance structure incorporates our internal communication processes, because effective governance demands that we maintain a flow of information through well established and reliable channels of communication.

Executive

Comprising the Auditor-General, Deputy Auditor-General and our four Directors of Audits, the Executive is responsible for departmental governance. The Executive meets monthly to oversee: strategic direction; policy setting; organisation structure and resource allocation; business planning; risk management; and organisational performance and accountability. Minutes of these meetings are communicated to all staff.

Executive Operational Group

This Group meets weekly to address operational matters that arise between formal Executive meetings. All decisions are formally reported through the Executive meeting.

Senior Management Group

The Senior Management Group comprises the Executive, Principal Audit Managers and Corporate Managers. Meetings are held at least quarterly to maintain strong communication across the department, and as a forum for consultation on policy and procedural matters as they arise.

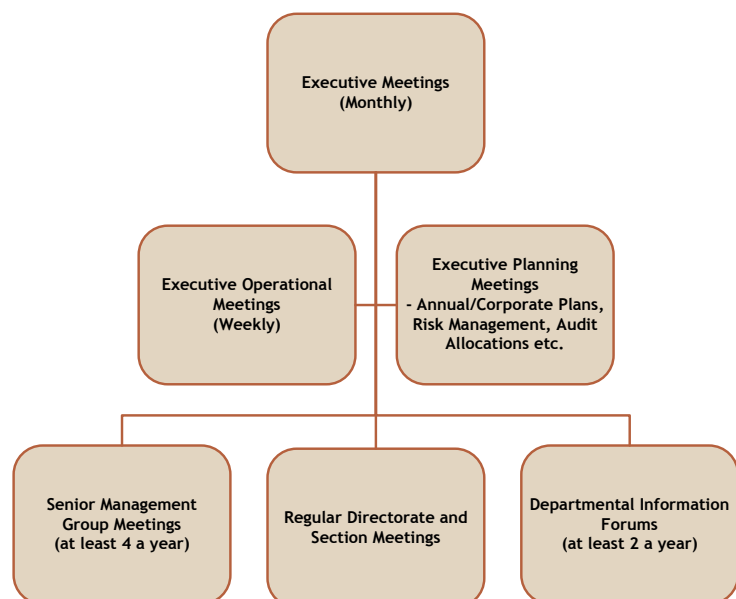
Departmental Information Forums

Involving all staff, these meetings are held at least twice a year to ensure matters of importance to the department's operations are communicated effectively to everyone.

Directorate/Section Meetings

Each year Managers translate strategies in the Corporate Plan into specific accountabilities, actions and outcomes for work teams. These are the basis of their operational plans. Meeting between Directors and Managers occur often to discuss the progress of these plans and to discuss local management issues.

Any issues raised at these meetings that have a broader departmental implication or which cannot be resolved at this level are referred to the Executive.



Our important external relationships

Parliament

The Auditor-General is accountable to the Parliament. He is independent of the Executive Government and not subject to the direction of any person in carrying out his functions and exercising his powers under the PFAA.

There is a high level of accountability to the Parliament, met mainly through the Auditor-General's Annual Report to Parliament.

The Auditor-General also meets with Parliamentary Committees if requested.

Public sector agencies

We have established professional working relationships with Chief Executives and managers in the public sector. We contribute to their management outcomes by:

- providing independent information and advice on their operations
- encouraging them to apply effective financial and management controls
- supporting improvements to agency financial reporting.

Senior audit staff also attend audit committee meetings at most agencies.

Contract auditors

The Auditor-General contracts a number of audits to the private sector where audit resources or specialist audit skills are not available within the Department. Plans prepared by contracted auditors are reviewed by our own senior audit managers, who also exercise quality control over the work performed.

The Auditor-General remains responsible for all contracted audits and issues the Independent Auditor's Report on the financial statements.

In 2007-08 the Auditor-General contracted the audits of 14 public sector agencies, including several divisions of regional health services. Contract auditors also assisted with a number of specialist Information Technology audit reviews.

Interstate and overseas audit offices

The Auditor-General is a member of ACAG, an association established by Auditors-General in Australia, Fiji, New Zealand and Papua New Guinea for mutual support and sharing of information. This involvement benefits us by providing strong networks to other audit offices throughout the region, which can provide opportunities for us to improve our own effectiveness and efficiency.

In 2007-08 we participated in ACAG benchmarking exercises, projects and forums involving the exchange of information and expertise.

Our financial report

	Budget 2007-08	Actual		
	2007-08	2007-08	2006-07	2005-06
	\$000	\$000	\$000	\$000
Total audit fees raised	9 137	10 277	9 392	8 778
Total expenses:				
Prescribed audits	11 179	11 094	11 023	10 451
Special investigations	0	0	0	43
Net cost of providing services	10 998	10 847	11 009	10 297
Total assets	3 554	3 241	3 459	3 186
Total liabilities	3 402	3 547	3 351	3 081

Funding

The Department's operations are funded by appropriations from the Consolidated Account. In addition Special Act's funding is received for the Auditor-General's salary.

Budget performance

The Department administers one budget program: Auditing Services. This covers all audit responsibilities prescribed under the PFAA and is divided into two sub-programs:

- Prescribed audits – annual audits where the Auditor-General is the prescribed auditor
- Special investigations – work associated with:
 - special investigations requested by the Treasurer
 - reviewing summaries of confidential Government contracts at the request of a Minister.

Audit fees

Audit fees are charged to agencies on a cost recovery basis. This revenue is paid into the Consolidated Account and accounted for as an administered item. Audit fees raised in 2007-08 rose by 9 percent on the previous year. This reflects an increase in chargeable audit hours and a CPI increase in the charge out rate. Chargeable hours have increased by six percent over this period, reflecting a combination of additional audit responsibilities and the increasing complexity of agency financial and administrative arrangements.

Expenses

Contracted audits

\$998 000 was paid to contracted auditors, up from \$796 000 last year. This reflects the increased cost of purchasing audit services and an increase in the audit work that we contract out.

Consultants

Consultants are sometimes used to provide expert advice on matters associated with an audit or a particular aspect of the Department's operations. Consultancy expenses were \$33 000 in 2007-08 (\$231 000 in 2006-07).

Consultancies	Details	\$'000
Under \$10 000	3 Consultancies	15
\$10 000 - \$50 000: Australian Government Solicitor	1 Consultancy: Advice on matters associated a contract arrangement of a Government agency	18
Total Consultancies	4 Consultancies	33

Overseas travel

There was no work-related overseas travel by employees in 2007-08.

Payment performance

Treasurer's Instruction 11 requires undisputed accounts to be paid within 30 days of receiving the invoice unless a specific due date applies. We report monthly to the Department of Treasury and Finance on our payment performance. This year we paid 93 percent of invoices by the due date, exceeding the Department of Treasury and Finance's benchmark of paying 90 percent of accounts within 30 days.

Timing of Payments	Number	Percentage	Value \$'000	Percentage
Paid by the due date	882	92.6	3 088	92.5
Paid late, within 30 days of due date	64	6.7	231	6.9
Paid more than 30 days after due date	7	0.7	20	0.6
Total	953	100	3 339	100

Fraud Management

We want our workplace to be free of fraud. Our staff are bound by the Employee Conduct Standards of the *Public Sector Management Act 1995* and the Code of Conduct for South Australian Public Sector Employees. We also have a policy on Ethical Conduct in the Workplace which offers protection to genuine whistleblowers who disclose information about suspected illegal or fraudulent activities. Internal controls are in place to either prevent or detect fraud.

There were no cases of internal fraud detected during the year. Two attempted instances of electronic taxi tickets used by our staff being fraudulently presented by a third party were detected, investigated and reported to the service provider.

Transition to Shared Services

The Government is moving ahead with the implementation of shared corporate services. This is a major economy and efficiency reform, and most public sector agencies will be affected. Our own payroll/HRMS service is scheduled for transition in October 2008, and much work was done in 2007-08 to negotiate service level agreements and prepare for the transfer. We will transfer 1 FTE to Shared Services SA as part of this process.

Auditor-General's Department

Income Statement for the year ended 30 June 2008

		2008	2007
EXPENSES:	Note	\$'000	\$'000
Employee expenses	3	8 488	8 425
Supplies and Services:	4		
Contractors		1 007	845
Accommodation and service costs		513	502
Other expenses		318	339
Computing and network processing costs		191	171
Staff development and training		161	159
Motor vehicle hire		131	134
Consultancies		33	231
Depreciation and amortisation		252	217
Total Expenses		11 094	11 023
INCOME:			
Employee benefits transferred	5	245	-
Interest		-	12
Other income		2	2
Total Income		247	14
NET COST OF PROVIDING SERVICES		10 847	11 009
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	6	11 358	11 012
Return of surplus cash pursuant to cash alignment policy	6	(925)	-
NET RESULT		(414)	3

Net result is attributable to the SA Government as owner

**Balance Sheet
as at 30 June 2008**

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	7	2 590	3 113
Receivables	8	93	90
Total Current Assets		2 683	3 203
NON-CURRENT ASSETS:			
Computing and office facilities	9	526	181
Intangible assets	10	32	75
Total Non-Current Assets		558	256
Total Assets		3 241	3 459
CURRENT LIABILITIES:			
Payables	11	515	215
Cash advance - Imprest account		3	3
Employee benefits	12	841	895
Provision for workers compensation	13	5	22
Total Current Liabilities		1 364	1 135
NON-CURRENT LIABILITIES:			
Payables	11	210	191
Employee benefits	12	1 960	1 997
Provision for workers compensation	13	13	28
Total Non-Current Liabilities		2 183	2 216
Total Liabilities		3 547	3 351
NET ASSETS		(306)	108
EQUITY:			
Opening balance - Surplus		108	105
(Decrease) Increase in net assets		(414)	3
TOTAL EQUITY		(306)	108
Total equity is attributable to the SA Government as owner			
Commitments	14		

**Statement of Changes in Equity
for the year ended 30 June 2008**

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	105	105
Net Result for 2006-07	3	3
Balance at 30 June 2007	108	108
Net Result for 2007-08	(414)	(414)
Balance at 30 June 2008	(306)	(306)

All changes in equity are attributable to the SA Government as owner

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(8 327)	(8 132)
Supplies and services		(2 074)	(2 402)
GST on purchases		(281)	(233)
CASH INFLOWS:			
Interest		-	12
Other income		2	2
GST on receipts		-	1
GST refunds from Australian Taxation Office		278	235
CASH FLOWS FROM (TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	6	11 358	11 012
Return of surplus cash pursuant to cash alignment policy	6	(925)	-
Net Cash provided by Operating Activities	15	31	495
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of computing and office facilities		(542)	(44)
Purchase of intangible assets		(12)	(7)
CASH INFLOWS:			
Disposal of computing and office facilities		-	17
Net Cash used in Investing Activities		(554)	(34)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		(523)	461
CASH AND CASH EQUIVALENTS AT 1 JULY		3 113	2 652
CASH AND CASH EQUIVALENTS AT 30 JUNE	7,15	2 590	3 113

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. 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 PFAA.

The Department's sole program is the provision of Auditing Services covering all the audit responsibilities prescribed under the PFAA. 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 PFAA. During the year the Department spent \$11 094 000 (\$11 023 000) on this subprogram.

Special Investigations

Includes all work defined in the PFAA 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 summary documents of confidential government contracts and reporting on the adequacy of each document as a summary of the contents of the contract when requested to do so by a Minister.

Special Investigations (continued)

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 incurred no expenditure on this subprogram and in 2006-07 expenditure on the subprogram was also nil.

2. Statement of Significant Accounting Policies

2.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with applicable AASs, TIs and APSs issued pursuant to the PFAA.

The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values.

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian currency.

Statement of Compliance

AASs include AIFRS and AAS 29. AASs and AASB Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

The Department's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

The Cash Flow Statement has been prepared on a cash basis.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement, or where assumption and estimates are significant to the financial statements are outlined in the applicable notes;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures in this financial report:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
 - (b) Employees whose normal remuneration is \$100 000 or more and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly to those employees.
 - (c) Expenses incurred as a result of engaging consultants (reported in the Income Statement).

2.2 Reporting Entity

The Department produces both Departmental and Administered financial statements. The Departmental financial statements report on the use of assets, liabilities, income and expenses controlled or incurred by the Department. The Administered Items financial statements report on the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

2.3 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where applicable the comparatives have been restated to assist users understanding of the current reporting period and do not replace the original financial report for the preceding period.

2.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT and GST. Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred by the Department on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO) it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables which are stated with the amount of GST included.

2.5 Taxation (continued)

The net GST receivable/payable to the ATO has been recognised as a receivable in the Balance Sheet.

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

2.6 Income and Expenses

Income and expenses are recognised in the Income Statement only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by another accounting standard.

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.7 Revenues from (Payments to) SA Government

Parliament approved funding appropriations are received for the full accrual cost of services. The appropriation is paid into a Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriations for accrued expenses are 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 TI 3, paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

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

2.8 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature.

The Department has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current. All other assets and liabilities are classified as non-current.

2.9 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and deposits held at call.

2.10 Receivables

Receivables arise in the normal course of audit services to other agencies. Receivables are payable within 14 days after the issue of an invoice.

2.11 Inventories

Consumable supplies are not recognised in the Balance Sheet as the value of these supplies is not considered to be material.

2.12 Non Current Asset Acquisition and Recognition

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation.

All non-current physical assets with a value greater than \$2000 are capitalised in accordance with APF III, APSs 2.15 and 2.16.

The acquisition of software is capitalised when the expenditure meets the definition criteria of an intangible asset and when expenditure is greater than or equal to \$2000 in accordance with APF III, APSs 2.15 and 2.16. The Department has no internally generated intangible assets.

All assets useful lives have been set at three years.

2.13 Revaluation of Non-Current Assets

All non-current assets with a limited useful life are systematically depreciated over three years, hence revaluations are not conducted for non-current assets.

2.14 Depreciation/Amortisation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful lives of all major assets are reassessed on an annual basis.

Depreciation/amortisation for non-current assets is determined as follows:

<i>Class of Assets</i>	<i>Method</i>	<i>Useful Life Years</i>
Computing and office equipment	Straight Line	3
Leasehold improvements	Straight Line	3
Computer software	Straight Line	3

2.15 Payables

Payables include creditors, accrued expenses and employee on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid. Creditors include all unpaid invoices received relating to the normal 12 month operating cycle.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All amounts are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries, long service leave and annual leave.

Contributions are paid to several superannuation schemes operated by the SA Government and are treated as an expense when they occur. The liability for payments to beneficiaries is assumed by the South Australian Superannuation Board (SASB). The liability outstanding at the reporting date is for any contributions due but not yet paid to the SASB.

2.16 Employee Benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with AASB 119. Employee benefits comprise salaries, annual leave and long service leave.

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. Annual leave is expected to be paid within 12 months.

Sick Leave

No liability is recognised, as all sick leave is non-vesting and the average sick leave taken by employees is considered to be taken from the current year's accrual, as it is estimated to be less than the annual entitlement for sick leave.

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 6.5 years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 119. This advice has been adopted and the long service leave liability as at 30 June 2008 has been calculated at nominal amounts based on current salary rates for employees with 6.5 or more years service.

The long service leave to be taken in the 12 months to 30 June 2009 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.

Superannuation

The liability for superannuation is included in payables.

2.17 Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2008 provided by a consulting actuary engaged through the Public Sector Workforce Division of the Department of the Premier and Cabinet. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

2.18 Leases

The Department has entered into two operating leases. The two leases are for office accommodation and motor vehicles.

Operating Leases

Under the operating leases, the lessor effectively retains the entire risks and benefits incidental to ownership of the leased items.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis which is representative of the benefits derived from the leased assets.

3. Employee Expenses	2008	2007
Employee Benefits:	\$'000	\$'000
Salaries	6 325	6 220
Annual leave	593	605
Long service leave	285	277
Total Employee Benefits	7 203	7 102
Employee On-Costs:		
Superannuation	837	817
Payroll tax	442	463
Total Employee On-costs	1 279	1 280
Workers compensation	6	43
Total Employee Expenses	8 488	8 425

4. Supplies and Services		
Supplies and Services provided by Entities within SA Government:		
Accommodation and service costs	490	491
Other expenses	38	51
Staff development and training	3	4
Motor vehicle hire	91	100
Total Supplies and Services - SA Government Entities	622	646
Supplies and Services provided by Entities External to the SA Government:		
Contractors	1 007	845
Accommodation and service costs	23	11
Other expenses	280	288
Consultancies	33	231
Computing and network processing costs	191	171
Staff development and training	158	155
Motor vehicle hire	40	34
Total Supplies and Services - Non-SA Government Entities	1 732	1 735
Total Supplies and Services	2 354	2 381

5. Employee Benefits Transferred

The Employee Benefits Transferred relates to the one-off recognition in 2007-08 of the transfer of Deputy Auditor-General's leave liabilities from the Department's accounts to the Department's administered items accounts upon his appointment as Auditor-General in September 2007. The Employee Expenses and Employee Benefits for administered items reflect the one-off recognition of the transferred liabilities in 2007-08.

6. Funding of the Department

Appropriations to the Department in 2007-08 amounted to \$11 338 000 (\$10 915 000) and there was a contingency provision grant of \$20 000 (\$97 000).

In 2007-08 the Department sought approval from the Department of Treasury and Finance to pay surplus cash totalling \$925 000 to the consolidated Account in accordance with the principles of the Cash Alignment Policy.

Appropriations under Special Acts are reported under Administered Items.

7. Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Deposits with the Treasurer	2 587	3 110
Imprest Account and cash on hand	3	3
Total Cash and Cash Equivalents	2 590	3 113

Deposits with the Treasurer

These include funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

Deposits with the Treasurer are non-interest bearing for the Department. The Department's only interest bearing asset is an Imprest account and the exposure to interest rate risk is insignificant.

	2008	2007
	Percent	Percent
The weighted average interest rate for the Imprest Account was	6.79	6.01

The carrying amounts of cash and cash equivalents represents fair value.

8. Receivables	2008	2007
Current:	\$'000	\$'000
GST input tax recoverable	93	90
Total Current*	93	90

* The current receivable amount is with a non-SA Government entity.

Interest Rate and Credit Risk

The Department's receivable is the GST input tax credits recoverable from the ATO. As such there is no credit or interest rate risk and the carrying amount represents fair value.

9. Computing and Office Facilities				2008	2007
9.1 Classes of Computing and Office Facilities				\$'000	\$'000
Equipment - At cost				780	806
Accumulated depreciation				(512)	(625)
				268	181
Leasehold improvements - At cost				458	150
Accumulated depreciation				(200)	(150)
				258	-
				526	181

9.2 Reconciliation of Carrying Amount	Carrying Amount				Carrying Amount
	01.07.07	Additions	Disposals	Depreciation	30.06.08
	\$'000	\$'000	\$'000	\$'000	\$'000
Equipment	181	234	-	147	268
Leasehold improvements	-	308	-	50	258
Total Computing and Office Facilities	181	542	-	197	526

10. Intangible Assets				2008	2007
10.1 Classes of Intangible Assets				\$'000	\$'000
Computer software - At cost				519	507
Accumulated amortisation				(487)	(432)
				32	75

10.2 Reconciliation of Carrying Amount	Carrying Amount				Carrying Amount
	01.07.07	Additions	Disposals	Amortisation	30.06.08
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer software	75	12	-	55	32
Total Intangible Assets	75	12	-	55	32

The Department has no contractual commitments for the acquisition of intangible assets.

11. Payables				2008	2007
Current				\$'000	\$'000
Employee on-costs				202	182
Creditors				311	31
Accrued expenses				2	2
Total Current				515	215
Non-Current:					
Employee on-costs				210	191
Total Non-Current				210	191
Total Payables				725	406
Payables to entities within the SA Government				238	219
Payables to entities external to the SA Government				487	187
Total Payables				725	406

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates fair value due to the amounts being payable on demand.

12. Employee Benefits				2008	2007
Current:				\$'000	\$'000
Salaries				155	129
Annual leave				515	592
Long service leave				171	174
Total Current				841	895
Non-Current:					
Long service leave				1 960	1 997
Total Non-Current				1 960	1 997
Total Employee Benefits				2 801	2 892

13. Provision	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	5	22
Total Current	5	22
Non-Current:		
Provision for workers compensation	13	28
Total Non-Current	13	28
Total Provision	18	50
Carrying amount at 1 July	50	12
Workers compensation payments	(30)	(3)
(Decrease) Increase in the provision	(2)	41
Carrying Amount at 30 June	18	50

The workers compensation provision is based on an actuarial assessment provided by the Public Sector Workforce Division of the Department of the Premier and Cabinet.

14. Commitments

Operating Lease Commitments

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

Office Accommodation

Office accommodation is leased from the Building Management Division of the Department for Transport, Energy and Infrastructure. The lease expires on 30 June 2010. The rental amount is based on floor space, with the rental rate reviewable by Building Management every two years.

Motor Vehicles

Motor vehicles are leased from the Fleet SA business unit of the Department of Treasury and Finance. 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.

At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	2008	2007
	\$'000	\$'000
Not later than one year	602	514
Later than one year and not later than five years	595	946
Total Operating Lease Commitments	1 197	1 460

Remuneration Commitments

At the reporting date the Department had commitments for the payment of salaries and other remuneration under fixed-term employment contracts (these obligations have not been recognised as liabilities):

Not later than one year	837	844
Later than one year and not later than five years	2 434	2 248
Total Remuneration Commitments	3 271	3 092

Amounts disclosed include commitments arising from executive contracts under fixed term employment. The Department does not offer fixed term employment contracts to executives for periods greater than five years.

15. Cash Flow Reconciliations

15.1 Reconciliation of Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Cash and Cash Equivalents at 30 June per:		
Balance Sheet	2 590	3 113
Cash Flow Statement	2 590	3 113
15.2 Reconciliation of Net Cost of Providing Services to Net Cash provided by Operating Activities		
Net cost of providing services	(10 847)	(11 009)
Net Cash Flows from government	10 433	11 012
Depreciation	252	217
(Increase) Decrease in receivables	(3)	5
(Decrease) Increase in employee benefits	(91)	245
(Decrease) Increase in provision for workers compensation	(32)	38
Increase (Decrease) in payables	319	(13)
Net Cash provided by Operating Activities	31	495

16. Remuneration of Employees

The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:

	2008	2008	2007	2007
	Number of	Number of	Number of	Number of
	Executives*	Employees	Executives*	Employees
\$100 000 - \$109 999	-	6	-	3
\$110 000 - \$119 999	-	1	-	-
\$140 000 - \$149 999	-	-	2	-
\$150 000 - \$159 999	2	-	1	-
\$160 000 - \$169 999	1	-	2	-
\$170 000 - \$179 999	2	-	-	-
\$210 000 - \$219 999	-	-	1	-
\$320 000 - \$329 999	1	-	-	-
\$560 000 - \$569 999 **	-	-	1	-
Total Number of Executives/Employees	6	7	7	3

* Based on the Department's executive organisation structure.

** This amount includes the leave entitlement payments made to the former Auditor-General on retirement. The Auditor-General's normal remuneration exceeded \$100 000.

Total remuneration received or receivable by Departmental executives was \$1 158 000 (\$1 556 000). Total remuneration received or receivable by the non-executive employees listed above was \$736 000 (\$318 000).

The employee remuneration figures detailed above include employee remuneration recorded in both the Department's Financial Statements and in the Administered Items Financial Statements of the Department.

17. Remuneration of Auditor

	2008	2007
	\$'000	\$'000
Remuneration for audit of financial reports	8	7
Remuneration for other services	-	-
	8	7

18. Financial Instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 'Statement of Significant Accounting Policies'.

	2008	2007
	Carrying	Carrying
	Amount	Amount
	\$'000	\$'000
Financial Assets:		
Cash and cash equivalents	2 590	3 113
Financial Liabilities:		
Financial liabilities at amortised cost	728	409

Statement of Administered Expenses and Income for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
ADMINISTERED EXPENSES:			
Employee expenses	5	665	239
Amounts paid/payable to consolidated account		10 277	9 392
Total Administered Expenses		10 942	9 631
ADMINISTERED INCOME:			
Fees for audit services	A2.2, A4	10 277	9 392
Appropriation - Special Acts		233	563
Total Administered Income		10 510	9 955
NET OPERATING (DEFICIT) SURPLUS		(432)	324

Operating (deficit) surplus is attributable to the SA Government as owner

Statement of Administered Assets and Liabilities as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ADMINISTERED ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	A5.1	1 748	924
Receivables	A2.1	352	425
Total Assets		2 100	1 349
ADMINISTERED LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	5, A3	122	5
Amounts payable to consolidated account		1 725	929
GST payable		194	220
Total Current Liabilities		2 041	1 154
NON-CURRENT LIABILITIES:			
Employee benefits	5, A3	296	-
Total Non-Current Liabilities		296	-
Total Liabilities		2 337	1 154
NET ADMINISTERED ASSETS		(237)	195
ADMINISTERED EQUITY:			
Opening balance - Surplus (Deficit)		195	(129)
(Decrease) Increase in net assets		(432)	324
TOTAL ADMINISTERED EQUITY		(237)	195

Total administered equity is attributable to the SA Government as owner

Statement of Changes in Administered Equity for the year ended 30 June 2008

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	(129)	(129)
Net Operating Surplus for 2006-07	324	324
Balance at 30 June 2007	195	195
Net Operating Deficit for 2007-08	(432)	(432)
Balance at 30 June 2008	(237)	(237)

All changes in equity are attributable to the SA Government as owner

Statement of Administered Cash Flows for the year ended 30 June 2008

		2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(253)	(563)
Amounts paid to consolidated account		(9 482)	(8 809)
GST paid to ATO		(1 053)	(871)
CASH INFLOWS:			
Fees for audit services	A2.1	11 379	10 286
CASH FLOWS FROM SA GOVERNMENT:			
Appropriations	A4	233	563
Net Cash provided by Operating Activities	A5.2	824	606
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		824	606
CASH AND CASH EQUIVALENTS AT 1 JULY		924	318
CASH AND CASH EQUIVALENTS AT 30 JUNE	A5.1	1 748	924

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Statement of Significant Accounting Policies

All Auditor-General's Department accounting policies are contained in Note 2 'Statement of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and the Administered Financial Statements.

A2. Administered Items

A2.1 Auditing Fees

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

	2008 \$'000	2007 \$'000
Fees outstanding at 1 July	425	380
Billings (including GST)	11 306	10 331
	11 731	10 711
Receipts (including GST)	11 379	10 286
Fees outstanding at 30 June	352	425

At 30 June, the value of audit work in progress was \$5 043 000 (\$5 131 000). The Department is of the opinion that this amount is recoverable.

Interest Rate and Credit Risk

Receivables are normally settled within 14 days and are all non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations and there is no concentration of credit risk. The carrying amount of receivables approximates net fair value due to the amounts being payable on demand.

A2.2 Special Acts

Subsection 24(4) of the PFAA, provides that the salary and allowances of the Auditor-General will be determined by the Governor and will be paid from the Consolidated Account which is appropriated for that purpose and the necessary extent.

A3. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Salaries	6	5
Annual leave	116	-
Total Current	122	5
Non-Current:		
Long service leave	296	-
Total Non-Current	296	-
Total Employee Benefits	418	5

A4. Funding of the Administered Items

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

Appropriations:		
Special Acts	233	563
	233	563

A5. Notes to the Administered Statement of Cash Flows**A5.1 Reconciliation of Cash and Cash Equivalents**

Cash and Cash Equivalents at 30 June per:

Balance Sheet	1 748	924
Cash Flow Statement	1 748	924

A5.2 Reconciliation of Net Operating Surplus to Net Cash provided by Operating Activities

Net operating (deficit) surplus	(432)	324
Decrease (Increase) in receivables	73	(45)
Increase (Decrease) in employee benefits	413	(324)
Increase in amounts payable to the Consolidated Account	796	583
(Decrease) Increase in GST payable	(26)	68
Net Cash provided by Operating Activities	824	606

A6. Specific Disclosure

The following discloses revenues, expenses, assets and liabilities where the counter party/transaction is with an entity within the SA Government or a non-SA Government entity as at the reporting date.

	SA Government		Non-SA Government	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Income excluding appropriations	9 146	8 430	1 131	962
Expenses	10 277	9 392	665	239
Financial assets	2 022	1 349	78	-
Financial liabilities	1 725	929	194	220

Certification of the Financial Report

We certify that the:

- financial statements:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Department over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



S O'Neill
AUDITOR-GENERAL



M Stint
MANAGER, FINANCE



AUDITOR-GENERAL'S DEPARTMENT

INDEPENDENT AUDIT REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Auditor-General's Department ("the Department"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement, statement of administered expenses and income, statement of administered assets and liabilities, statement of changes in administered equity, statement of administered cash flows, certification of the financial report for the year then ended, a summary of significant accounting policies and other explanatory notes.

The Auditor-General and the Manager, Finance's responsibility for the Financial Report

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 (including the Treasurer's Instructions promulgated under the provisions of that Act) and Australian Accounting Standards (including Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General and Manager, Finance, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Jamie T Dreckow CA
Geoffrey R Kay FCA
Benjamin L T Miels FCA
Grantley W Stevens FCA

Senior Employees

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Paul A Dutton CA
Belinda C Goedecke FCA
Karen R Gregor CA
Leanne E Thomas CA
Carly Thornton CA
Martin D White CA
Nicholas K Wilkins FCA



AUDITOR-GENERAL'S DEPARTMENT

INDEPENDENT AUDIT REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT (CONT)

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

AUDIT OPINION

In our opinion:

- a) the financial report presents fairly, in all material respects, the financial position of the Department as at 30 June 2008, and its financial performance and its cash flows for the financial year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards (including the Australian Accounting Interpretations)
- b) the financial statements are in accordance with the accounts and records of the Department; and
- c) the internal controls employed by the Department for the financial year ended 30 June 2008 over its financial reporting and the preparation of the financial statements are effective.

Edwards Marshall
Chartered Accountants

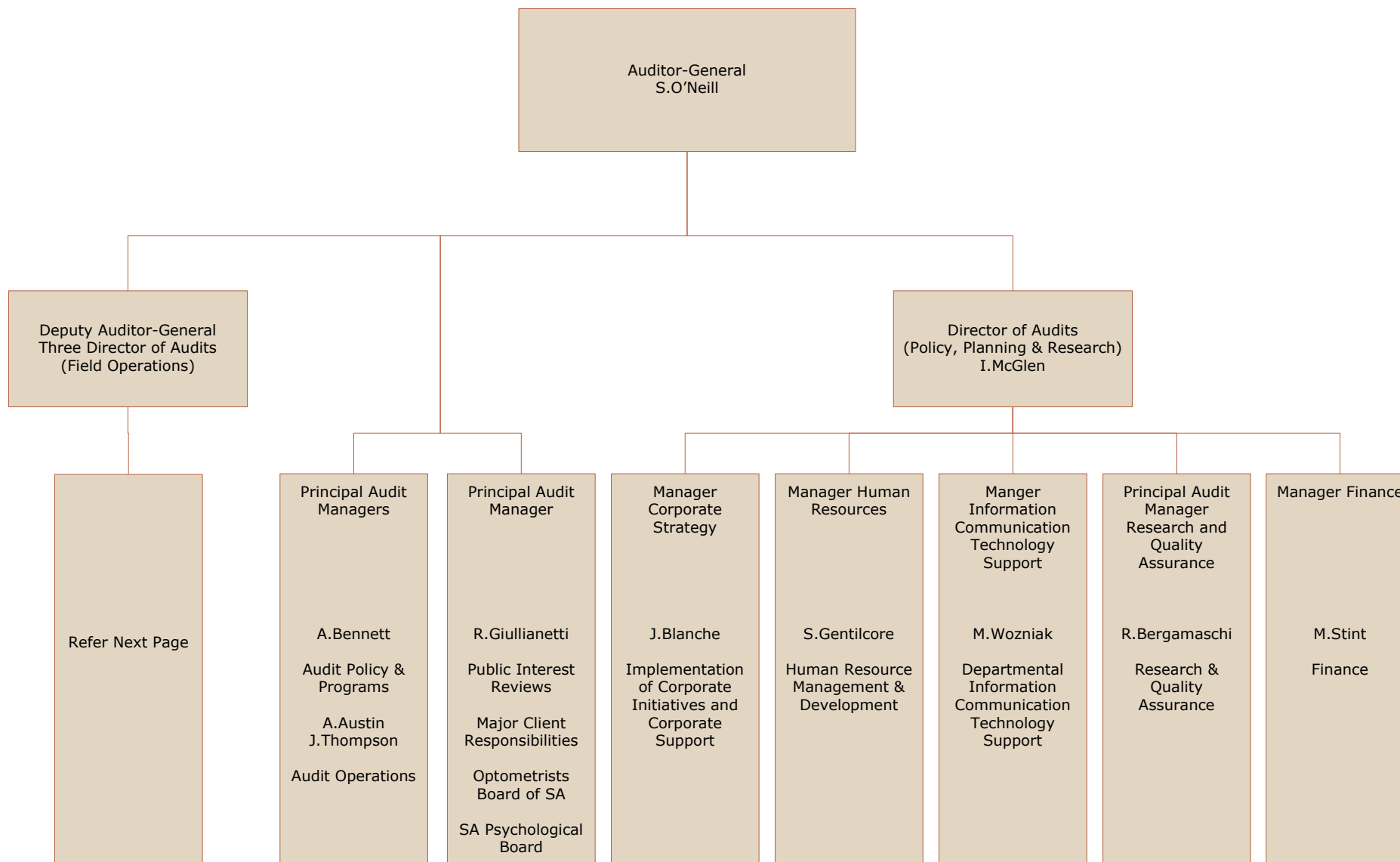
Jamie Dreckow
(Partner)

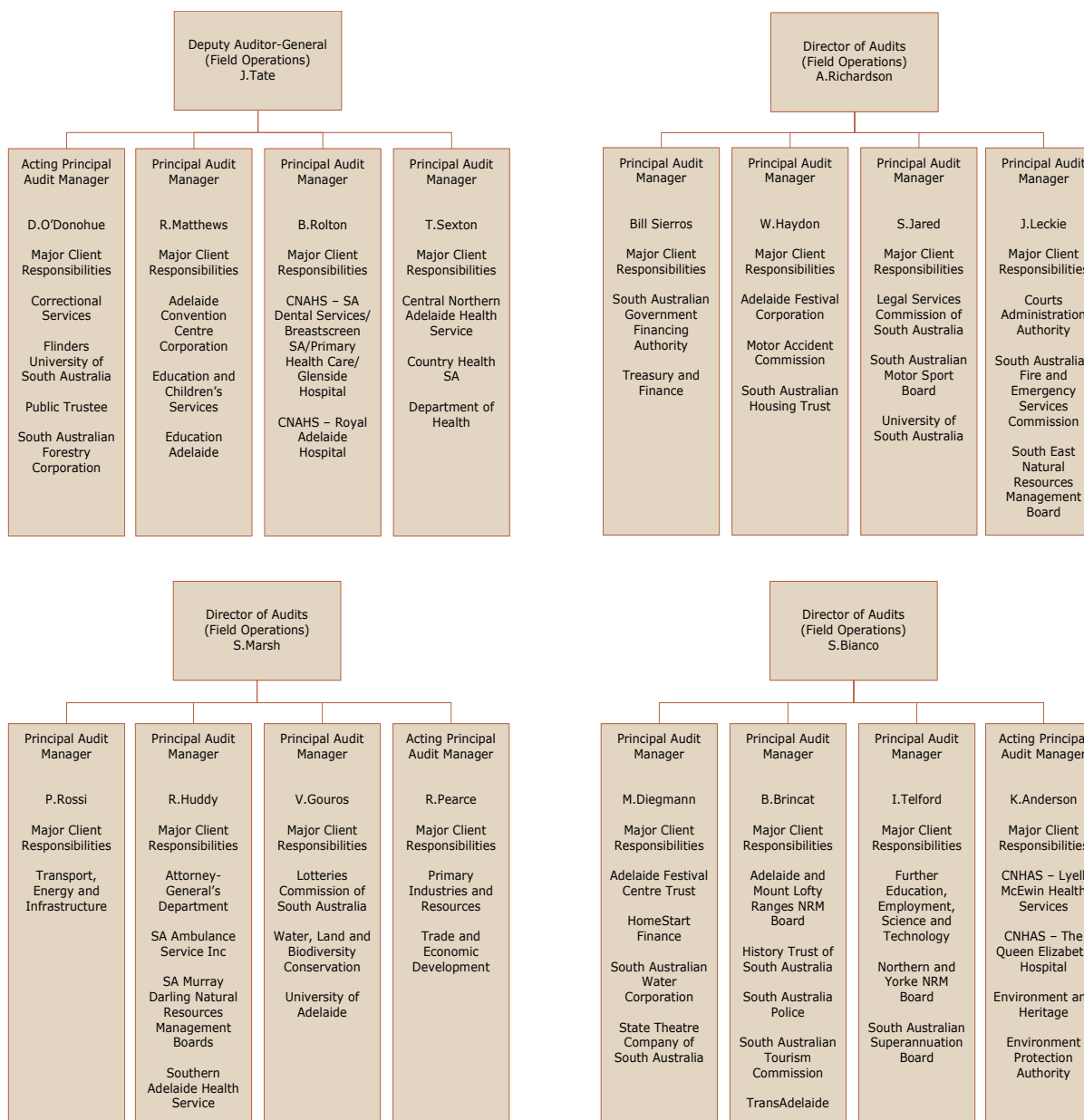
Adelaide
South Australia

Dated 27/8/08

Appendices

Our Organisation Structure





Our workforce profile

The Department has an approved staffing establishment of 111 full time equivalents (FTEs), including the Auditor-General's position. On 30 June 2008 the Department employed 113 people, representing 106.5 FTEs. The following tables profile this workforce.

Employee numbers, gender and status

Breakdown of workforce by gender

Gender	Proportion of People	Proportion of FTEs
Male	46.02%	48.36%
Female	53.98%	51.64%

Number of employees by salary bracket

Salary Bracket	Number		Total
	Male	Female	
\$0 - \$46 399	9	14	23
\$46 400 - \$58 999	12	25	37
\$59 000 - \$75 499	8	13	21
\$75 500 - \$94 999	17	9	26
\$95 000 +	6	0	6
TOTAL	52	61	113

Status of employees in their positions at 30 June 2008 (FTEs)

FTE's					
Gender	Ongoing	Short-Term Contract	Long-Term Contract	Other (Casual)	Total
Male	34	12	5	0.5	51.5
Female	31.9	21.6	0	1.5	55
TOTAL	65.9	33.6	5	2	106.5

Status of employees in their positions at 30 June 2008 (people)

Number of people					
Gender	Ongoing	Short-Term Contract	Long-Term Contract	Other (Casual)	Total
Male	34	12	5	1	52
Female	37	22	0	2	61
TOTAL	71	34	5	3	113

Executives

Executives by gender, classification and status

Classification	Ongoing		Contract Tenured		Contract Untenured		Total	
	M	F	M	F	M	F	M	F
CEO	1	0	0	0	0	0	1	0
EXEC B	0	0	1	0	4	0	5	0
TOTAL	1	0	1	0	4	0	6	0

Work experience

At 30 June 2008 the average work experience of employees in the Department was nine years and four months, the same as at 30 June 2007.

Years of service

Employees with work experience in:	0 <3	3 <6	6 <11	11<16	16<21	21+	TOTAL
Auditor-General's Department	46	41	15	11	6	21	113
Public Sector	42	11	17	10	6	27	113

Employee movements

Staff turnover

Number of people in 2007-08 who have:	
Separated from the Department	26
Been recruited to the Department	27

The average employee FTE for 2007-08 was 105.2, compared with 107.8 last year.

Leave management

Number of days leave per employee

Leave Type	2004-05	2005-06	2006-07	2007-08
Sick Leave	7.8	5.84	7.66	6.83
Family Carer's Leave	0.26	0.40	0.57	0.78
Miscellaneous Special Leave	1.08	2.81	0.26	0.32

4 people were on leave without pay as at 30 June 2008.

Workforce diversity

Age Profile of Employees

At 30 June 2008 the average age of the Department's employees was 35 years, the same as at 30 June 2007. More than half our staff (55 percent) are under 35 years of age, compared with the South Australian workforce statistics benchmark of 37 percent.

Workforce Age Bracket	Male	Female	Total	Percent of Total	Benchmark
15-19	0	0	0	0	6.7
20-24	4	12	16	14.2	10.7
25-29	11	16	27	23.9	9.8
30-34	6	14	20	17.7	9.8
35-39	5	5	10	8.8	11.1
40-44	9	7	16	14.2	11.9
45-49	6	4	10	8.8	12.3
50-54	6	2	8	7.1	10.6
55-59	4	1	5	4.4	9.1
60-64	1	0	1	0.9	5.3
65+	0	0	0	0	2.7
TOTAL	52	61	113	100.0	100.0

Aboriginal and Torres Strait Islander 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.

Salary Bracket	Aboriginal Staff	Total Staff	Percentage Aboriginal	Target*
\$0 - \$46 399	2	22	9.09%	2%
\$46 400 - \$58 999	0	34	0	2%
\$59 000 - \$75 499	0	22	0	2%
\$75 500 - \$94 999	0	25	0	2%
\$95 000 +	0	10	0	2%
TOTAL	2	113	1.77%	2%

* Target from the State Strategic Plan

Cultural and Linguistic Diversity

The table below shows that the Department has a number of employees who speak languages other than English at home.

	Male	Female	Total	% of Agency	% of SA Community*
Number of Employees born overseas	8	12	20	17.7	20.3
Number of Employees who speak language(s) other than English at home	10	13	23	20.35	16.6

* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 census.

Disability

Where possible the Department has actively participated in programs such as the Disability Employment Strategy and provides a supportive work environment for anyone with a disability. At 30 June 2008, however, we did not employ anyone with a disability that meets the Commonwealth DDA definition.

Our audit approach

Financial and compliance audits

These annual audits of the accounts of the Treasurer and public sector agencies focus on accountability for the funds and resources provided to agencies. They also provide high level assurance that the agency has met their legal obligations.

The Department's financial and compliance audit methodology meets professional standards set by the Auditing and Assurance Standards Board. It is a risk based audit approach and uses an audit software package on licence from an international firm of chartered accountants.

The methodology has a strong emphasis on planning, which has two elements:

- understanding the agency's business activities and any associated audit risks. Factors that determine audit risk include the risk inherent in the agency's business/ industry and the internal control structure
- selecting audit procedures that will reduce audit risk to an acceptable level.

Audit plans are developed by experienced audit staff and approved by a Director of Audits.

Statistical sampling methods and special audit software routines are used to select and test audit samples.

For procedural fairness audit findings are discussed with agency management and communicated in a management letter. Agency's are expected to respond to issues raised in a management letter within four weeks.

At the end of an audit a quality control review is performed by audit management to ensure that:

- audit work meets professional standards
- work followed the approved plan or reasons for departures documented
- enough work was performed to form an opinion on the agency's financial statements
- results have been conveyed to agency management
- a written response to issues raised has been received
- the opinion expressed on the financial statements reflects the results of the audit.

The Auditor-General issues an opinion on the financial statements of each agency through an 'Independent Auditor's Report'.

In most cases the opinion is unqualified, but where the results of an audit are not satisfactory or where the accounting treatment for certain transactions does not comply with professional accounting standards the Independent Auditor's Report may be qualified. In extreme cases, no opinion can be expressed.

Reviewing the adequacy of agency controls

In the South Australian public sector responsibility for maintaining internal control systems is mandated in Treasurer's Instruction 2 'Financial Management', issued pursuant to the PFAA. Chief Executives of public authorities must ensure that policies, procedures and systems are developed and implemented in order to meet their financial management responsibilities.

Section 36 of the PFAA requires the Auditor-General to 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.'

We identify, evaluate and test every agency's system of internal control. The Auditor-General also expresses a direct controls opinion for the Treasurer and for individual public sector agencies that are published in the Auditor-General's Annual Report to Parliament.

The Department has developed a specific controls opinion methodology to formalise the planning, conduct and findings of these reviews. This methodology is integrated into our financial and compliance audit methodology

Public Interest Reviews

Efficiency and economy audits

Subsection 31(2) of the PFAA authorises the Auditor-General to examine the efficiency and economy with which a public authority uses its resources. These audits are also known as value-for-money or performance audits'. They can be diverse in the types of issues reviewed. A review may be large, complex and involve more than one agency, or relatively small and cover only one aspect of an agency's operations.

The methodology and approach used are determined by the issues covered, but always feature:

- planning
- a measurement model
- fact gathering
- assessing the facts against the measurement model
- forming conclusions
- natural justice/procedural fairness processes
- quality control
- reporting, either through the Auditor-General's Annual Report or in a separate report to Parliament.

Examining the accounts of a publicly funded body

Subsection 32 of the PFAA empowers the Auditor-General to examine the accounts of any publicly funded body or publicly funded project at the request of the Treasurer. These examinations are conducted, funded and reported as 'special investigations'.

A publicly funded body or publicly funded project is defined in the PFAA 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. A publicly funded project is defined as a project or activity entirely or substantially funded out of money provided by the State or an entity constituted under the *Local Government Act 1934*.

Reports on any examinations conducted are tabled in both Houses of Parliament.

Reviewing summaries of confidential Government contracts

Section 41A of the PFAA 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 must be tabled in both Houses of Parliament.

Whistleblower legislation

In accordance with guidelines issued by the Commissioner for Public Employment, this Department has identified six responsible officers to receive and action disclosures under the *Whistleblowers Protection Act 1993*. All complaints pursuant to this Act are investigated.

Public Sector Agencies Audited at 30 June 2008

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 Film Festival
Adelaide Hills Wine Industry Fund
Agents Indemnity Fund
Alinytjara Wilurara Natural Resources Management Board
Art Gallery of South Australia
Attorney-General's Department
Austraining International Pty Ltd
Australian Children's Performing Arts Company
Australian Energy Market Commission
Barossa Wine Industry Fund
Bio Innovation SA
Board of the Botanic Gardens and State Herbarium
Carrick Hill Trust
Carwell Pty Ltd
Central Northern Adelaide Health Service
Children, Youth and Women's Health Service
Citrus Growers Fund
Clare Valley Wine Industry Fund
Coast Protection Board
Commissioners of Charitable Funds
Commonwealth State Housing Agreement
Construction Industry Training Board
Correctional Services - Department for
Country Health SA
Courts Administration Authority
Dairy Authority of South Australia
Defence SA
Department for Families and Communities
Distribution Lessor Corporation
Dog and Cat Management Board
Dog Fence Board
Education Adelaide
Education and Children's Services - Department of
Electricity Industry Superannuation Scheme

Public Sector Agencies Audited at 30 June 2008

Electricity Supply Industry Planning Council
Elliston LeHunte Animal and Plant Control Board
Environment and Heritage - Department for
Environment Protection Authority
Essential Services Commission of South Australia
Eyre Peninsula Grain Growers Rail Fund
Eyre Peninsula Natural Resources Management Board
Farm Business Improvement Program - Mark III
Further Education, Employment, Science and Technology - Department of
General Reserves Trust
Generation Lessor Corporation
Governors Pensions Scheme
Grant Animal and Plant Control Board
Grape Growers Industry Fund
Health - Department of
Health, Community & Disability Services Ministerial Council
History Trust of South Australia
HomeStart Finance
Independent Gambling Authority
Independent Gaming Corporation Ltd
Institute of Medical and Veterinary Science
Judges' Pensions Scheme
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
Local Government Finance Authority of South Australia
Local Government Superannuation Board
Lotteries Commission of South Australia
Lucindale Naracoorte Animal and Plant Control Board
Maralinga Lands Unnamed Conservation Park Board
McLaren Vale Wine Industry Fund
Medvet Science Pty Ltd
Motor Accident Commission
Narana Pty Ltd
National Centre for Vocational Education Research Ltd
Native Vegetation Fund
Northern Yorke Peninsula Animal and Plant Control Board
Nothern and Yorke Natural Resources Management Board

Public Sector Agencies Audited at 30 June 2008

Office of Venture Capital Board
Optometrists Board of South Australia
Outback Areas Community Development Trust
Parliamentary Superannuation Scheme
Planning and Development Fund
Playford Capital Pty Ltd
Playford Centre
Police Superannuation Scheme
Premier and Cabinet - Department of the
Primary Industries and Resources - Department of
Public Trustee
Repatriation General Hospital
RESI Corporation
Residential Tenancies Fund
Retail Shop Leases Fund
Riverland Wine Industry Fund
Rural Industry Adjustment and Development Fund
SA Ambulance Service Inc
SA Murray Darling Basin Natural Resources Management Board
SABT Pty Ltd
Second Hand Motor Vehicles Fund
Senior Secondary Assessment Board of South Australia
South Australia Police
South Australian Ambulance Superannuation Scheme
South Australian Apiary Industry Fund
South Australian Arid Lands Natural Resources Management Board
South Australian Asset Management Corporation
South Australian Cattle Industry Fund
South Australian Centre for Trauma and Injury Recovery Inc
South Australian Citrus Industry Development Board
South Australian Country Arts Trust
South Australian Country Fire Service
South Australian Deer Industry Fund
South Australian Film Corporation
South Australian Finance Trust Limited
South Australian Fire and Emergency Services Commission
South Australian Forestry Corporation
South Australian Government Financing Authority
South Australian Health Commission
South Australian Housing Trust
South Australian Local Government Grants Commission
South Australian Metropolitan Fire Service

Public Sector Agencies Audited at 30 June 2008	
South Australian Metropolitan Fire Service Superannuation Scheme	
South Australian Motor Sport Board	
South Australian Museum	
South Australian Pig Industry Fund	
South Australian Psychological Board	
South Australian Sheep Industry Fund	
South Australian State Emergency Service	
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 Natural Resources Management Board	
South Eastern Water Conservation and Drainage Board	
Southern Adelaide Health Service	
Southern State Superannuation Scheme	
State Electoral Office	
State Library of South Australia	
State Opera of South Australia	
State Procurement Board	
State Theatre Company of South Australia	
Storm Water Management Authority	
Superannuation Funds Management Corporation of South Australia	
Supported Residential Facilities Indemnity Fund	
Teachers Registration Board	
The Flinders University of South Australia	
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	
University of Adelaide	
University of South Australia	
Water, Land and Biodiversity Conservation - Department of	
Wattle Range Animal and Plant Control Board	
West Beach Trust	
Wildlife Conservation Fund	
Zero Waste SA	
Total number of agencies audited at 30 June 2008:	165

Internal training courses attended by our staff

Course title	Hours
AGES Methodology	422.50
AS/2 Trial Balance: Self-Learning Module	7.50
Audit Command Language Training	168.00
Business Cycles Training - Fixed Assets	52.50
Business Cycles Training - Payroll	60.00
Business Cycles Training - Revenue	52.50
Cash Flow Statements: Preparation and Presentation	143.50
Corroborative Inquiry	112.50
Document Manager	272.00
Ergonomics and Manual Handling	70.00
Graduate Development Module 2008 Ethics & Public Sector Responsibilities	60.00
Expenditure Business Cycle	60.00
Fair Treatment in the Workplace	217.50
Forms and Checklist	9.00
Graduate Development 2008 Module - Communication Skills	56.00
Graduate Development 2008 Module - Conflict	56.00
Graduate Development 2008 Module Team Skills	56.00
Graduate Induction	132.00
Graduate Induction Follow Up	48.00
iGrafx Professional Flowcharter: Self-Learning Module	6.50
Induction	8.00
Information Communication Technology Update Seminar	164.50
Introduction to PRD	42.00
IPSAM Methodology Training	28.00
IPSAM Training	247.50
OHS&W Staff Information Sessions	75.00
Presentation Skills	135.00
Time Management	142.50
Training Others	120.00
TRIM End User Training	29.50
Writing to Account	1 050.00
Total	4 104.00

External training courses attended by our staff

Course title	Hours
Adelaide University Professional Management Program	210.00
2007 Graduate Recruitment & Development Conference	24.50
Australian Red Cross - Senior First Aid	302.00
Australian Red Cross - Senior First Aid Refresher (Workplace level 2)	60.00
Business SA - Responsible Officer Training	3.50
Lotus Notes	82.50
CPA Australia - Auditing Standards	604.00
CAP Australian Congress	130.25
Department of the Premier and Cabinet - Creating Public Value	6.00
Department of Treasure and Finance - Taxation Refresher	5.00
Department of Treasury & Finance - Government Taxation and Information Forum	14.00
Travel Forum - Whole of Government Travel Contract	3.00
IBM Lotus Domino R8 - System Administrator	37.50
IT Security in Government	38.00
The role of leadership in EDRMS implementation	6.00
Total	1 526.25

Providing a safe, environmentally friendly workplace

Greening of Government Operations (GoGO)

Energy management (GoGO priority area 1)

The South Australian Government's Energy Action Plan targets a reduction in energy use in government buildings of 25% from 2000-01 levels by 2014. Energy used by our Department is limited to light and power in our leased office premises in the State Administration Centre, and there are limited opportunities for energy savings.

Energy saving measures

We encourage our staff to adopt energy efficient practices. Office equipment such as faxes, printers and photocopiers are fitted with energy saving modes and auto-off timers to reduce power when not in frequent use. We use low energy LCD computer monitors, and all non-essential computers are shut down at the close of business each day.

All offices have movement sensors to control both the conditioning and artificial lighting, reducing energy demand. We are reviewing a proposal to install energy efficient lighting throughout the Department.

Energy consumption

We have used the floor space we occupy (1550 m²) as the business measure for our light and power energy use. Overall energy use has reduced from the 2000-01 baseline by 2%.

As tenants of leased premises there are limited opportunities for making significant energy savings through infrastructure initiatives. However a small improvement in energy efficiency was achieved in 2007-08, which we attribute to the consolidation of workstations and installing energy efficient appliances through our office renovation.

	Energy Use (GJ)	Greenhouse Gas (CO ₂) Emissions (Tonnes)	Business Measures (MJ/m ²)
Base year 2000-01	450	148	290
2006-07	449	130	289
2007-08	440	120	284

Paper consumption

Our staff are aware of the environmental impact of their actions and conscious of the need to reduce paper wastage. All photocopiers and most printers we use have duplex functions for double-sided printing, and posters near these machines raise awareness of the impact of printing on paper. Maximum use is made of electronic mailing facilities to reduce the need to print agendas, minutes, reports and general office communications.

Expenditure on paper for standard office printing and photocopying in 2007-08 was \$5 200, down from \$6 000 in 2006-07. This represents a 234 ream reduction in our use of paper this year.

Total Expenditure on Paper	Estimated Consumption
\$5 200	1 205 reams

Water use (GoGO priority area 2)

We cannot report on water usage because water is not separately metered for our tenancy. Our water usage is limited to kitchens and bathrooms.

Waste management (GoGO priority area 3)

A recent review indicated a good level of commitment to sustainability initiatives across the Department. Printer cartridges, decommissioned mobile phones and accessories, paper and cardboard are routinely recycled and we are currently working with building administration and Kesab representatives to implement better recycling practices for the building we occupy.

OHSW Statistics

OHS notices and corrective action taken	
Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	0
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	0
Number of notices served pursuant to <i>OHS&W Act</i> ss 35, 39 and 40 (default, improvement and prohibition notices)	0

Agency gross¹ worker's compensation expenditure for 2007-08 compared with 2006-07

Expenditure	2007-08	2006-07	Variation	% change
Income maintenance	16 100	Nil	16 100	n/a
Lump sum settlements - redemptions (sec 42)	Nil	Nil	Nil	Nil
Lump sum settlements - permanent disability (sec 43)	Nil	Nil	Nil	Nil
Medical/hospital costs combined	11 800	2 500	9 300	370
Other	2 100	500	1 600	320
Total claims expenditure	30 000	3 000	27 000	-

¹ Before 3rd party recovery

Meeting safety performance targets

	Base: 2005-06	Performance: 12 months to 30 June 2008*			Final target
	Numbers or %	Actual	Notional quarterly target**	Variation	Numbers or %
1. Workplace fatalities	Nil	Nil	Nil	Nil	Nil
2. New workplace injury claims	Nil	Nil	n/a	Nil	n/a
3. New workplace injury claims frequency rate	Nil	Nil	n/a	Nil	n/a
4. Lost time injury frequency rate***	Nil	5.69	n/a	n/a	n/a
5. New psychological injury claims	Nil	Nil	n/a	Nil	n/a
6. Rehabilitation and return to work:					
6a. Early assessment within 2 days	n/a	n/a	n/a	n/a	80% or more
6b. Early intervention within 5 days	n/a	n/a	n/a	n/a	80% or more
6c. RTW within 5 business days	n/a	n/a	n/a	n/a	75% or more
7. Claim determination:					
7a. Claims determined in 10 business days	Nil	Nil	n/a	Nil	75% or more
7b. Claims still to be determined after 3 months	Nil	Nil	n/a	Nil	3% or less
8. Income maintenance payments for recent injuries:					
2006-07 injuries (at 24 months development)	Nil	16 063	n/a	n/a	Below previous 2 yr average
2007-08 injuries (at 12 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average

* Except for Target 8, which is YTD. For targets 5, 6c, 7a and 7b performance is measured up to the previous quarter to allow reporting lag.

** Based on cumulative reduction from base at a constant quarterly figure.

*** Lost time injury frequency rate for new lost-time injury/disease for each one million hours worked. This frequency rate is calculated for benchmarking and is used by the WorkCover Corporation.