



Annual Report on the Operations of the
Auditor-General's Department
for the year ended 30 June 2009



**Government of
South Australia**



Government of South Australia

Auditor-General's Department

25 September 2009

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The Hon M Rann MA, JP, MP
Premier
Department of the Premier and Cabinet
Level 16, State Administration Centre
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Dear Premier

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 2009.

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 'P. Rann'.

Auditor-General

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2008-09 highlights

Governance

We conducted a staff survey with excellent participation levels and good results (see page 15)

We substantially completed development of our new Corporate Plan for 2009-10 to 2011-12 (see page 15)

Reports

The Annual Report of the Auditor-General for the year ended 30 June 2008 was presented to Parliament.

We provided specific comment in a Supplementary Report to Parliament on deficiencies in the implementation of a major and technically complex system of Government.

We improved the readability of our reports (see page 13)

Audits

176 independent auditor's reports were issued, 25 of them qualified (see page 8)

Our audit responsibilities increased significantly with the appointment of the Auditor-General as the statutory auditor of the WorkCover Corporation of South Australia and changes to the country health sector (see pages 9, 10)

We successfully managed the audit impact of the continued implementation of shared services across government (see page 10)

Audit methodology

We concluded an evaluation of a possible replacement audit methodology and proceeded to the next phase of the replacement project (see page 9)

We developed a new methodology for our opinion on controls (see page 9)

Quality control

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

Public interest reviews

We have reviewed our approach to public interest reviews with a view to increasing the number of reviews we do over the next triennium (see page 11)

Engaging with our peers

We increased our involvement with our peers in public sector accounting and auditing and increased our capacity to respond to emerging issues within the profession (see page 10)

Recruitment

We recruited 15 graduates (see page 12)

Retention

Employee turnover fell in 2008-09 (see page 12)

Developing our people

We continued with a comprehensive professional development program (see page 12)

We provided focussed leadership training for our senior management group (see page 13)

Most of our staff participated in our performance review and development process (see page 14)

Financial management

We raised \$10.4m in audit fees (see page 19)

We operated within our budget (see page 19)

Auditor-General's Report

'In 2008-09 we continued to deliver a high level of service to the Parliament and the people of South Australia'

This Annual Report on the Operations of the Auditor-General's Department reports our achievements over the year. It evidences our strong operational performance and governance practices and our continued commitment to high standards in public sector auditing.

2008-09 has been another challenging and eventful year, with changes to our audit portfolio and the continued impact of major policy, administrative and service delivery reforms having a big impact on our work.

Our responsibilities grew significantly this year with the appointment of the Auditor-General as the statutory auditor of the WorkCover Corporation of South Australia and the expansion of the country health sector under the new *Health Care Act 2008*.

We have also been affected by the audit impact of the continued implementation of the Government's shared services program. Three core financial services programs of many agencies transitioned during the year to the Government's shared services agency.

2008-09 also brought to an end our current Corporate Plan and we have prepared our plan for the next triennium, my first Corporate Plan as Auditor-General. We have set ourselves a new vision for this period - *'To effectively change our audit practice to increase and improve reporting to the Parliament on matters of public interest'* - and I am looking forward to the new challenges this will bring.

We have work to do to increase reporting on matters of public interest and during the year we made some important decisions about the best structure to move us forward. I am pleased to be starting the next triennial planning period with a structure and approach that I believe will bring about the increase in reporting on these matters and provide all staff with the opportunity to participate in this type of review activity.

We continue to benefit from the good working relationships we have with the Parliament and with agencies, and this year we have made more of a contribution to the auditing and public sector accounting professions by engaging with our peers on contemporary issues.

I am pleased to report that we have improved the readability of our reports to management on the outcomes of audits through our commitment to plain English principles. The progress we have made to date is very positive but we can improve further and we will continue to pursue ways to make our message clearer.

On a very positive note our workforce was strong this year with reduced employee turnover and a high level of job satisfaction measured through our latest staff satisfaction survey.

I want to acknowledge the very important role my staff play in our performance. I appreciate their dedication and professionalism and the commitment they have shown to our performance. Their willing participation in the corporate planning process throughout the year is an outstanding example of their commitment to our work and our future. It has again been a privilege to work with them.



S. O'Neill
Auditor-General

Key operational statistics

ACTIVITY INDICATORS

Employees (FTEs) at 30 June 2009	110.5
Number of audits at 30 June 2009	160
Independent Auditor's Reports issued in 2008-09	176

FINANCIAL INDICATORS

	2008-09	2007-08	2006-07
	\$000	\$000	\$000
Total audit fees raised	10 440	10 277	9 392
Total expenses: Prescribed audits	11 637	11 094	11 023
Total assets	2 902	3 241	3 459
Total liabilities	3 458	3 547	3 351

REPORTS PRESENTED IN THE LAST THREE YEARS

Date Presented	Report Title
2 June 2009	Supplementary Report – Agency Audit Reports and a Matter of Specific Audit Comment
25 November 2008	Supplementary Report – Agency Audit Report
28 October 2008	Report on the Operations of the Auditor-General's Department for the year ended 30 June 2008
14 October 2008	Report of the Auditor-General for the year ended 30 June 2008 - Part A Audit Overview, Part B Report on Individual Agencies and Part C State's Finances and Related Matters – Some Audit Observations
22 November 2007	Supplementary Report - Agency Audit Reports
16 October 2007	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 Criminal Law (Forensic Procedures) Act 1998 and Other Matters
21 November 2006	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

What we do

'We contribute to the financial integrity of the South Australian Government on behalf of the Parliament and the people of South Australia'

The Auditor-General

The Auditor-General has an important role, 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 financial attest and compliance audits of the accounts and operations of the Treasurer and public sector agencies
- conduct special audits relating to matters of accountability and probity
- report on audits and other matters of importance in the public interest
- examine issues submitted by whistleblowers
- conduct 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 160 public sector agencies. They are listed in Appendix E.

The legislation

Principal legislation

The Auditor-General is appointed 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 and other legislation such as the Appropriation Act, the Public Corporations Act and the Whistleblowers Protection Act.

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.

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.

Our challenges in 2008-09

'Our planning and our work are focused on responding to these challenges'

During the year we:

- managed the expansion of our audit portfolio as a result of:
 - the Auditor-General's appointment as the statutory auditor of the WorkCover Corporation of South Australia from 1 July 2008
 - the audit impact of the significant expansion of the country health sector under the new *Health Care Act 2008*
- managed the audit impact of major policy, administrative and service delivery reforms in Government including:
 - the continued implementation of the shared services delivery model for the public sector
 - the new financial management and compliance framework for public sector agencies
 - developments in infrastructure procurement, including the use of Public Private Partnership arrangements
 - information technology developments
- reviewed and decided on a structure and increased resourcing strategy to increase the conduct of public interest review and reporting on these reviews
- decided on the future of our audit methodology beyond current licensing arrangements
- focussed on attracting and keeping staff in what is still a competitive job market
- increased our presence in our professional community through our contribution to discussions on developments in accounting and auditing

And looking ahead to 2009-10

Our challenges will be to:

- implement a new audit methodology
- increase our reporting of public interest matters
- respond to the impact of new and ongoing administrative reforms, especially Shared Services
- respond to the changing economic environment and its impact on our clients and our own operations
- keep our staff and increase their satisfaction with work

Our vision, mission and values

'Our vision, mission and values 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 guide our actions, words and decisions and we strive to uphold them in everything we do. We hope that by doing so our staff will have the opportunity to optimise their abilities and skills, and we will discharge our responsibilities to public sector agencies and the Parliament efficiently, ethically 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 for all public sector agencies
- deciding the future of our audit methodology
- developing a new controls opinion methodology framework
- responding quickly to internal, industry and public sector developments
- quality assurance and continuous improvement
- increasing our capacity to respond to developments in accounting and auditing

Our performance in 2008-09

Issuing independent audit and controls opinions

Five audit directorates are directly engaged in work to discharge the Auditor-General's audit responsibilities. They comprise 17 field audit teams, an information technology audit section and a public interest review team.

We issued 176 independent auditor's reports in 2008-09, most for agencies with financial years ending on 30 June 2008.

A practical measure of our performance is the time it takes us to issue an audit opinion to our clients. The table below shows a significant improvement in our timeliness in 2008-09, mainly due to the reducing impact of opinions issued to environmental agencies affected by legislative reforms in 2005-06 (see the note to the table below).

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

	2008-09	2007-08	2006-07
Number of agencies audited at 30 June	160	165	174
Number of qualified audit opinions issued	25	47*	29
Average working days between an agency's end of financial year and issuing an Independent Auditor's Report	115*	149*	102*

* 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. Only a small number 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 and in some cases residual problems affected the timely preparation of 2006-07 statements. These delays have had a significant impact on the average time taken to issue IAR's over the past three years. Without the impact of these Boards, the average time taken to issue an opinion would have been 103 working days in 2008-09 and 94 working days in 2007-08.

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

Also relevant to understanding how we have performed is the number of hours we spend on financial and compliance audits. This is best measured by audit year rather 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 compliance and controls opinion audits for the past three audit years are shown in the table below. These hours, which are chargeable to public sector agencies, fell slightly for 2007-08 audits due to a fall in average FTEs over the period.

Chargeable hours spent on financial and compliance audits	2007-08 audits	2006-07 audits	2005-06 audits
Conduct of audits	83 200	85 900	83 700
Management of audits	10 000	10 300	10 900
Total actual chargeable hours	93 200	96 200	94 600
Budgeted hours	89 600	90 400	88 700
Excess of actual hours over budget	3 400	5 800	5 900

Deciding the future of our audit methodology

Our current auditing methodology is licenced to us by Deloitte Touche Tohmatsu until December 2010. Next year will be the last year that we will apply this methodology.

Replacing an audit methodology is a significant project and the market for the supply of auditing software and methodology is very limited. We have been exploring options for a possible replacement for the past two years and one possible option - the Integrated Public Sector Audit methodology developed by the Victorian and Queensland Audit Offices - has been evaluated.

We will now follow a process to fully evaluate, select and implement a replacement audit methodology, with partial implementation in 2009-10 and full implementation in the following year. In preparation for the demands of this project we are restructuring our Research and Quality Assurance team to provide the leadership needed to develop and execute effective implementation strategies and to drive the change management process.

Developing a new controls opinion methodology

A new financial management and compliance framework for public sector agencies came into effect in 2008-09. The requirements for financial management and control are less prescriptive than under the old framework, requiring agencies to develop their own robust financial management compliance programs. This meant changes had to be made to our methodology for the review of agency internal controls, and additional work done to evaluate the programs being developed within agencies.

The new methodology we developed was integrated into our auditing methodology and successfully implemented for 2008-09 audits. The progress agencies have made towards developing compliance programs will be the subject of specific audit comment in the next Annual Report to Parliament.

Responding quickly to internal, industry and public sector developments

We use information from the Department's Strategic Management System – a practice management and billing system that captures budgeted hours and time costing information to produce statistical reports on our performance and audit fees. This information is used to regularly monitor team performance against budgets and respond quickly by providing additional resources to problem areas. We also use it to make decisions about the best way to resource new work requirements.

A number of developments significantly increased the Auditor-General's statutory audit program in 2008-09 and needed an effective response:

WorkCover Corporation of South Australia

Significant amendments to legislation governing the Workcover Corporation of South Australia and the Workcover Scheme were passed by Parliament in late 2007-08. As a result the Auditor-General became the statutory auditor of the Corporation from 1 July 2008. This is a major agency with a significant IT infrastructure and unique risks and challenges. Whilst some actuarial valuation and IT audit work is subcontracted, our own audit staff conduct most of the audit program for this agency.

Country Health SA Hospital Incorporated

From 1 July 2008 significant changes occurred to governance and audit arrangements for Country Health units and related new bodies as a result of the implementation of the *Health Care Act 2008*. These changes broadened the country health division to include the financial activities of 44 former country health units not previously audited by the Auditor-General. In addition around 30 new incorporated Health Advisory Committees were created. Although not audited by the Auditor-General, the financial activities of these bodies are consolidated into Country Health SA Hospital Incorporated, requiring the Auditor-General to perform audit procedures on the work done by the auditors of these bodies to ensure that it can be relied upon. Our audit strategy involves the use of departmental audit staff and subcontracted audit firms.

Department of Planning and Local Government

The Department of Planning and Local Government was established as an administrative agency in 2008 and is required by law to be audited by the Auditor-General. It integrates functions that were previously the responsibility of another Department. Departmental audit staff have conducted this audit in 2008-09.

Shared services

The Government's shared services initiative has changed the administrative arrangements of certain fundamental aspects of public sector operations, including payroll, accounts payable, revenue collection, financial reporting and ICT related activities. This year has seen the initiative take on major momentum with the transitioning of most government agencies to Shared Services SA.

This has placed significant additional audit review requirements on us as we identify and evaluate the new control environment and specific control activities of the transitioned systems and functions. This work has been done by departmental audit staff.

Quality assurance and continuous improvement*Peer reviews*

Ensuring that effective quality control policies and procedures are in place is a professional audit requirement. 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 – was applied to 14 audit files that were peer reviewed in 2008-09. The results were summarised for communication to staff and were used to develop technical guidance and support programs for Field Audit staff.

Responding to developments in accounting and auditing

There is much to be gained by having a presence within our professional community and actively participating in debate on emerging issues. It helps us to maintain relationships with stakeholders, appropriately influence the direction of accounting and auditing in the public sector and keep up to date with current developments. In 2008-09 we had a much greater level of involvement with the Department of Treasury and Finance on issues in Government accounting and with ACAG on broader issues.

This year we also started the restructure of our Research and Quality Assurance team to increase our capacity to respond to emerging issues and to enable us to participate more fully in forums, debates and technical committees. The benefits of these changes will be realised in 2009-10 when the new structure becomes fully operational.

Corporate objective 2

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

Key targets

- conducting all planned reviews
- moving forward with our aim to increase the number of reviews we do

Our performance in 2008-09

Conducting all planned reviews

All public interest review (PIR) work is directed by the Auditor-General. It is undertaken by staff working in the PIR team, information technology audit section 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 as a way of providing interesting work and experience in major review projects. Review outcomes have been principally reported in the Annual Report of the Auditor-General to Parliament.

Moving forward to conduct more reviews

Our PIR strategy requires careful consideration of strategic factors like staffing structure, audit product mix and the competing demands of our statutory audit mandate. We have not always achieved what we wanted to in this area because competing priorities and resource issues have interfered with our plans.

Over the next three year corporate planning cycle we have set ourselves a definite target to increase the number of PIR reviews for reporting to Parliament. In 2008-09 we made some important decisions about how to achieve this. We have reviewed the structure and resourcing of the PIR team, looked at ways to give field audit teams more time for PIR work and are developing a PIR framework to govern the way we identify, plan and execute reviews.

We believe these changes will provide the right foundation to achieve our vision.

Corporate objective 3

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

Key targets

- attracting and keeping professional auditors
- meeting the development needs of our staff

Our performance in 2008-09

Recruiting and keeping professional auditors

Attracting and keeping audit professionals continues as one of our major challenges. There will always be high demand for good people with accounting and auditing skills, although a shift in the labour market late in 2008-09 made it easier to attract and retain experienced professionals, with businesses and government agencies shedding staff due to economic factors.

The uncertain state of the economy is a likely contributor to the improvement in our rate of employee turnover which at 13 percent for 2008-09 was down significantly on the 23 percent turnover we experienced in 2007-08.

We see graduate recruitment as an important investment in our future. To hold our strong position in the local employment market we maintain close links with Universities and professional accounting organisations. We also continued to explore at every opportunity options for employing university students to increase the potential pool of applicants for graduate positions. Temporary and casual staff are brought in during periods of peak demand.

	2008-09	2007-08	2006-07
Graduates appointed	15	18	16

We have continued our commitment to making the working environment for our staff as good as it can be, and through the 2009 staff survey we identified a number of key factors that impact on retention in the areas of reward and recognition, personal growth, training and technology. This feedback will be used to develop strategies to further improve staff satisfaction and retention.

Meeting the development needs of our staff

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

We 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 in 2008-09 was five percent of salaries and close to four percent of total employee expenses, up slightly on 2007-08.

Training and Development	Total Cost	% of total employee expenses
Total training and development expenditure	\$326 200	3.75
Leadership and management development expenditure	\$131 100	1.51

Appendix E has the full details of the courses attended by our staff.

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

Courses in the 2008-09 program included:

- employee induction
- audit methodology and software
- time management
- recruitment and selection
- behavioural interviewing
- advanced report writing skills
- leadership development for managers.

Staff are also supported to attend external course, conferences and seminars that are relevant to their development.

Advanced report writing skills

Last year we embarked on a major project to improve the written expression and readability of our reports, and all staff attended our writing skills training in 2007-08. This year we continued to pursue improved standards in our report writing by providing advanced editorial training for senior audit managers.

Results of a writing progress review conducted by an external consultant in May 2009 suggest that the Department's writing has improved significantly since this project began in 2007. Although there are still some things we need to do to improve the readability of our reports and management letters, we are very pleased with what we have achieved so far.

Leadership development for managers

We support our current and future managers through focused leadership and management training. This year the main leadership module of the Professional Development Program was delivered through a series of discussion-based workshops. These sessions looked at successful approaches to engage and manage staff in areas identified by managers as critical to effective leadership:

- teams
- motivating staff and maintaining enthusiasm
- managing diversity
- managing conflict
- performance management.

In addition three people participated in 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 as 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. This gives everyone feedback about the quality of their work and their development needs.

Employees who have had:	Percentage of total workforce
A review within the last 12 months	64
A review older than 12 months	36

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

Our performance review and development process has been one of our biggest successes of the last five years and is enthusiastically embraced by our staff. However we received feedback through the 2009 staff survey that the process could be refined for senior managers. We will be looking at our management assessment methodology in the next corporate planning cycle in response to this.

Appendix B contains statistics for more information 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

Developing the next Corporate Plan

2008-09 brings to an end our current three year Corporate Plan and we have achieved most of what we set out to do over this period. Our most significant achievements and our appraisal of where we did not do as well as we hoped in the past year are discussed under each Corporate Objective in this section of this Report.

During the year we started the important task of developing a new Corporate Plan to position us to meet the challenges of the next three years. Currently in final draft and due for release in October 2009, the Corporate Plan introduces our new vision to *'Effectively change our audit practice to increase and improve reporting to the Parliament on matters of public interest'*. We are very excited about the challenge of reaching this goal.

Staff survey

As part of the Corporate Plan development process we conducted a staff survey to:

- identify staff needs and issues
- measure staff satisfaction
- get specific feedback about the form and content of the Corporate Plan.

Staff feedback is an established and important part of our consultation, strategic planning and continuous improvement processes. Past survey results have been the force behind many key operational changes. 86 percent of our staff took part in this voluntary survey, which demonstrates their willingness to participate in the planning process and their interest in the future of the Department. We value their open and honest feedback on what we do.

This was our third staff needs and satisfaction survey, and the first to incorporate specific elements of the corporate plan. Trends that emerged over time indicate where we are getting better and where we most need to improve. These results help us to identify issues that need to be dealt with and areas of strong performance that need to be locked in. The survey results have been reviewed as part of the process to develop the Corporate Plan.

Staff have received reports on the results of the survey, an analysis of results over three surveys and feedback on Executive responses to the issues raised through the consultation phases of the planning process.

The 2009 survey results indicated that:

- we have a strong quality and service focus, and most people are happy with the Department's image in the public sector and with the quality of their relationships with clients
- our internal team structure is strong and people are happy with the dynamics in their own work team
- our direct leaders are doing a good job
- internal communication is effective
- most people have a good understanding of our mission, objectives and big picture issues.

There were some areas in which staff were not as happy, and remuneration, training and development, and performance review results had weakened since the last survey in 2005. We have worked through many of these issues with staff as we developed the Corporate Plan.

Overall, 74 percent of people were satisfied with the Department and 72 percent were happy with their jobs. These are very strong results for staff satisfaction.

Technology improvements

We think supporting our staff with advanced technology and equipment is important both for efficiency and job satisfaction. When asked what was the single most important technology improvement we could make to help people with their work, most staff survey respondents asked for better remote access to our internal network.

During the year we looked at ways to improve remote network access to audit staff who spend most of their time at client sites. We are now trialling a secure wireless broadband connection with a view to rolling this technology out to all field audit staff in 2009-10.

Meeting our Occupational Health Safety and Welfare (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.

The Department's OHSW committee develops and monitors compliance with policies and procedures, and drives new initiatives in OHSW. The committee also develops and coordinates delivery of the annual OHSW training program. Membership of the committee comprises management and employee representatives and the Department's OHSW coordinator.

Our OHSW and Injury Management Action Plan sets objectives and actions for each performance standard and the OHSW committee is responsible for implementing the 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 2008-09. Appendix G contains specific data on this.

Our strategic management framework

'The framework provides a systematic and disciplined approach to planning and managing what we do'

Our strategic management framework provides structure for planning and managing our audit and corporate responsibilities. It drives 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 months through Executive meetings.

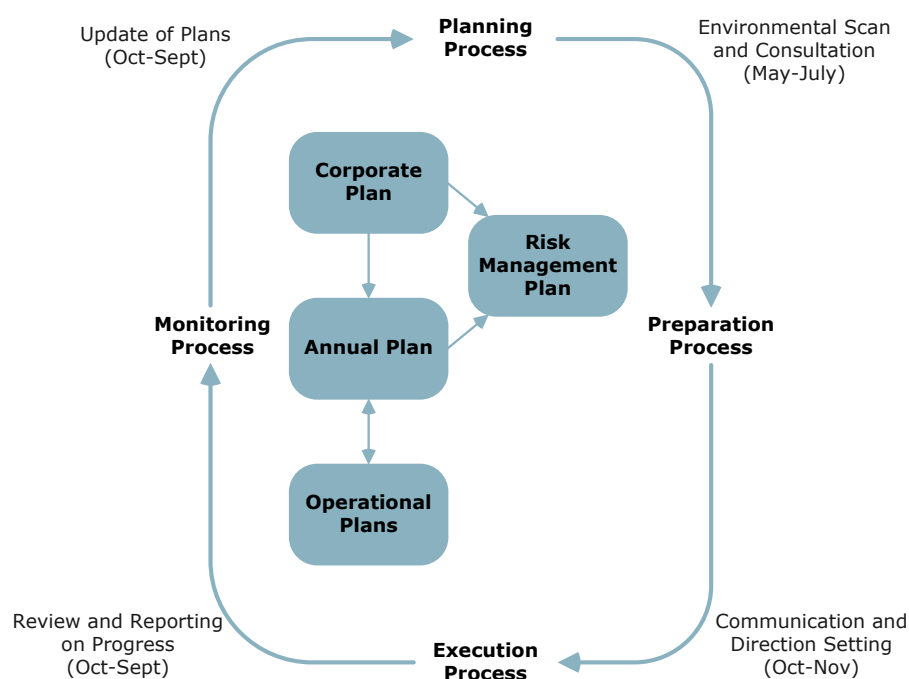
Risk Management Plan

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. An important part of review process is identifying and addressing any barriers to performance, as well as understanding our key success factors.



Our governance and communication structures

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.

This Group also meets weekly to address operational matters that arise between formal Executive meetings. All decisions are formally reported through the Executive meeting. Minutes of these meetings are communicated to all staff.

Senior Management Group

The Senior Management Group is made up of 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.

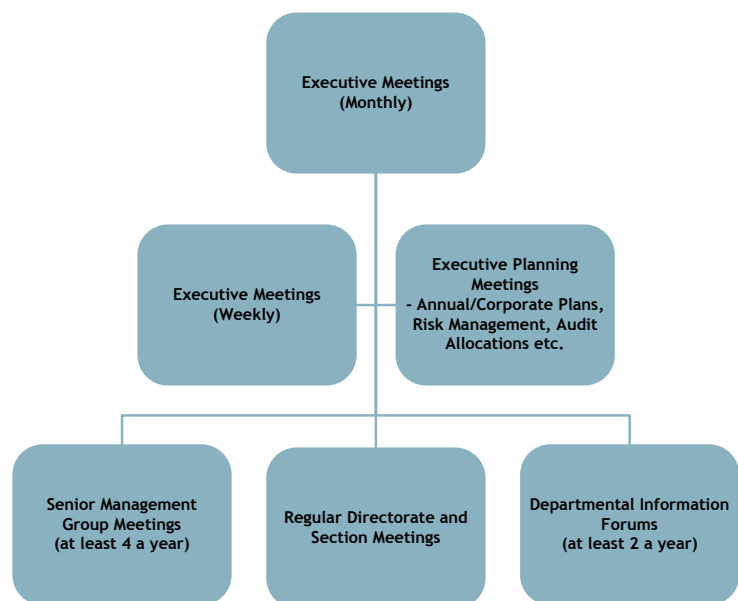
Directorate/Section Meetings

Each year Managers translate the strategies in the Corporate Plan into specific accountabilities, actions and outcomes for their work teams. These are the basis of their operational plans. Meetings 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.

'Effective corporate governance and good communication are the keys to achieving our vision'

Refer also to Appendix C for information about our important external relationships



Our financial report

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.

	Budget	Actual		
	2008-09	2008-09	2007-08	2006-07
		\$000	\$000	\$000
Total audit fees raised	10 322	10 440	10 277	9 392
Net cost of providing services	11 612	11 636	10 847	11 009
Total assets	3 103	2 902	3 241	3 459
Total liabilities	3 635	3 458	3 547	3 351

Expenses

Contracted audits

\$1 296 000 was paid to contracted auditors, up from \$998 000 last year. This reflects an increase in the amount of audit work being contracted 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 \$80 000 in 2008-09 (\$33 000 in 2007-08).

Consultancies	Details	\$'000
Under \$10 000	3 Consultancies	12
\$10 000 - \$50 000:	1 Consultancy:	13
Plain English Foundation	Development of a tailored manual for the Department and completion of phase one analysis of management letters	
Above \$50 000	1 Consultancy:	55
KPMG	Actuarial services for the audit of the WorkCover Corporation of South Australia	
Total Consultancies	5 Consultancies	80

Overseas travel

There was no work-related overseas travel by employees in 2008-09.

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 96 percent of invoices by the due date compared with 93 percent last year, 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	981	96.0	3 874	98.1
Paid late, within 30 days of due date	37	3.6	74	1.9
Paid more than 30 days after due date	4	0.4	1	-
Total	1 022	100.0	3 949	100.0

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.

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.

During the year we developed a Fraud Management Policy for the Department. The policy has been formally endorsed and will be implemented in 2009-10.

There were no cases of internal fraud detected during the year. Four attempted instances and two suspected instances of fraudulent presentation of electronic taxi tickets by an external third party were detected, investigated and reported to the service provider. The Department was reimbursed for three of the attempted instances with the remaining matters still under investigation by the service provider.

Transition to Shared Services

In September 2006 the South Australian Government announced a shared services initiative to streamline and simplify the internal corporate and business support services to deliver savings. As part of this reform on 20 October 2008 the Department's payroll services were transitioned to Shared Services SA.

One employee and budget funding of \$44 000 were transferred to Shared Services SA.

Auditor-General's Department

Statement of Comprehensive Income for the year ended 30 June 2009

		2009	2008
EXPENSES:	Note	\$'000	\$'000
Employee expenses	3	8 573	8 488
Supplies and services:	4		
Contractors		1 296	1 007
Accommodation and service costs		586	513
Other expenses		249	193
Computing and network processing costs		169	191
Staff development and training		151	161
Motor vehicle hire		128	131
Consultancies		80	33
Temporary staff		58	44
FBT		50	56
Report printing		23	25
		2 790	2 354
Depreciation and amortisation		261	252
Net loss from the disposal of non-current assets	6	13	-
Total Expenses		11 637	11 094
INCOME:			
Employee benefits transferred	5	-	245
Other income		1	2
Total Income		1	247
NET COST OF PROVIDING SERVICES		11 636	10 847
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	7	11 386	11 358
Return of surplus cash pursuant to cash alignment policy	7	-	(925)
NET RESULT		(250)	(414)
TOTAL COMPREHENSIVE RESULT		(250)	(414)

Net result and comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2009**

	Note	2009 \$'000	2008 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	8	2 229	2 590
Receivables	9	144	93
Total Current Assets		2 373	2 683
NON-CURRENT ASSETS:			
Computing and office facilities	10	489	526
Intangible assets	11	40	32
Total Non-Current Assets		529	558
Total Assets		2 902	3 241
CURRENT LIABILITIES:			
Payables	12	279	515
Cash advance - Imprest account		3	3
Employee benefits	13	891	841
Provision for workers compensation	14	4	5
Total Current Liabilities		1 177	1 364
NON-CURRENT LIABILITIES:			
Payables	12	235	210
Employee benefits	13	2 034	1 960
Provision for workers compensation	14	12	13
Total Non-Current Liabilities		2 281	2 183
Total Liabilities		3 458	3 547
NET ASSETS		(556)	(306)
EQUITY:			
Opening balance - (Deficit) Surplus		(306)	108
Decrease in net assets		(250)	(414)
TOTAL EQUITY		(556)	(306)
Total equity is attributable to the SA Government as owner			
Commitments	15		

**Statement of Changes in Equity
for the year ended 30 June 2009**

	Note	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2007		108	108
Total Comprehensive Result for 2007-08		(414)	(414)
Balance at 30 June 2008		(306)	(306)
Total Comprehensive Result for 2008-09		(250)	(250)
Transactions with SA Government as owner			
Net assets transferred as a result of an administrative restructure	16	-	-
Balance at 30 June 2009		(556)	(556)

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

**Statement of Cash Flows
for the year ended 30 June 2009**

	Note	2009 Inflows (Outflows) \$'000	2008 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		(8 414)	(8 327)
Supplies and services		(3 323)	(2 355)
CASH INFLOWS:			
Other income		1	2
GST refunds from Australian Taxation Office		248	278
CASH FLOWS FROM (TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	7	11 386	11 358
Return of surplus cash pursuant to cash alignment policy	7	-	(925)
Net Cash (used in) provided by Operating Activities	17.2	(102)	31
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payment to Shared Services SA due to administrative restructure	16	(14)	-
Cash used in Financing Activities		(14)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of computing and office facilities		(215)	(542)
Purchase of intangible assets		(30)	(12)
Cash used in Investing Activities		(245)	(554)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(361)	(523)
CASH AND CASH EQUIVALENTS AT 1 JULY		2 590	3 113
CASH AND CASH EQUIVALENTS AT 30 JUNE	8,17.1	2 229	2 590

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 *Public Finance and Audit Act 1987* (PFAA).

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

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 \$11 637 000 (\$11 094 000) on this activity.

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.

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 2008-09 and 2007-08 the Department incurred no expenditure on this activity.

2. Statement of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with applicable Australian Accounting Standards (AAS), Treasurer's Instructions (TI) and Accounting Policy Statements (APS) 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 statements has been prepared based on a 12 month operating cycle and is presented in Australian currency.

Statement of Compliance

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 2009 with the exception of the revised AASB 101. 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 statements of the Department. The Department has early adopted the revised AASB 101; and AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101).

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

The Statement of Cash Flows has been prepared on a cash basis.

The preparation of the financial statements 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 these financial statements:
 - (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 Statement of Comprehensive Income).

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 statements 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 statements 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 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.

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

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

2.6 Income and Expenses

Income and expenses are recognised in the Statement of Comprehensive Income 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.

The loss on 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 in 2007-08 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 Statement of Financial Position 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 Accounting Policy Framework (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.

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 2009 has been calculated at nominal amounts based on current salary rates for employees with 6.5 or more years service.

Long Service Leave (continued)

The long service leave to be taken in the 12 months to 30 June 2010 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

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. The liability outstanding at the reporting date for any contributions due but not yet paid to the South Australian Superannuation Board is included in payables.

2.17 Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2009 provided by a consulting actuary engaged through the Public Sector Workforce Relations 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 Statement of Comprehensive Income on a straight-line basis which is representative of the benefits derived from the leased assets.

2.19 Events after the end of the Reporting Period

There have been no events subsequent to 30 June 2009 that have had a material impact on the information disclosed in these financial statements.

3. Employee Expenses	2009	2008
Employee Benefits:	\$'000	\$'000
Salaries	6 530	6 325
Annual leave	570	593
Long service leave	222	285
Total Employee Benefits	7 322	7 203
Employee On-Costs:		
Superannuation	834	837
Payroll tax	415	442
Total Employee On-costs	1 249	1 279
Workers compensation	2	6
Total Employee Expenses	8 573	8 488
4. Supplies and Services provided by Entities within SA Government		
Accommodation and service costs	582	490
Other expenses	67	38
Staff development and training	5	3
Motor vehicle hire	92	91
5. Employee Benefits Transferred		
The Employee Benefits Transferred relates to the one-off recognition in 2007-08 of the transfer of the 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. Net Loss from the Disposal of Non-Current Assets	2009	2008
	\$'000	\$'000
Proceeds from disposal of plant and equipment	-	-
Net book value of plant and equipment disposed	13	-
Total Net Loss from the Disposal of Non-Current Assets	13	-
7. Funding of the Department		
Appropriations to the Department in 2008-09 amounted to \$11.371 million (\$11.338 million) and there was a contingency provision grant of \$15 000 (\$20 000).		

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.

8. Cash and Cash Equivalents	2009	2008
	\$'000	\$'000
Deposits with the Treasurer	2 226	2 587
Imprest Account and cash on hand	3	3
Total Cash and Cash Equivalents	2 229	2 590

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.

	2009	2008
	Percent	Percent
The weighted average interest rate for the Imprest Account was	5.13	6.79

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

9. Receivables	2009	2008
Current:	\$'000	\$'000
GST input tax recoverable	138	93
Other	6	-
Total Current*	144	93

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

Interest Rate and Credit Risk

GST input tax credits are recoverable from the ATO and as such there is no interest rate or credit risk and the carrying amount represents fair value. With respect to the other receivable there is no interest rate risk and the carrying amount represents fair value. The credit risk associated with the other receivable is insignificant.

10. Computing and Office Facilities	2009	2008
10.1 Classes of Computing and Office Facilities	\$'000	\$'000
Equipment - At cost	855	780
Accumulated depreciation	(523)	(512)
	332	268
Leasehold improvements - At cost	444	458
Accumulated depreciation	(287)	(200)
	157	258
	489	526

10.2 Reconciliation of Carrying Amount

	Carrying Amount				Carrying Amount
	01.07.08	Additions	Disposals	Depreciation	30.06.09
	\$'000	\$'000	\$'000	\$'000	\$'000
Equipment	268	214	13	137	332
Leasehold improvements	258	1	-	102	157
Total Computing and Office Facilities	526	215	13	239	489

	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

11. Intangible Assets	2009	2008
11.1 Classes of Intangible Assets	\$'000	\$'000
Computer software - At cost	549	519
Accumulated amortisation	(509)	(487)
	40	32

11.2 Reconciliation of Carrying Amount

	Carrying Amount				Carrying Amount
	01.07.08	Additions	Disposals	Amortisation	30.06.09
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer software	32	30	-	22	40
Total Intangible Assets	32	30	-	22	40

**11.2 Reconciliation of Carrying Amount
(continued)**

	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.

12. Payables	2009	2008
Current	\$'000	\$'000
Employee on-costs	207	202
Creditors	64	311
Accrued expenses	8	2
Total Current	279	515
Non-Current:		
Employee on-costs	235	210
Total Non-Current	235	210
Total Payables	514	725

Payables to entities within the SA Government **220** 238

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.

13. Employee Benefits	2009	2008
Current:	\$'000	\$'000
Salaries	195	155
Annual leave	519	515
Long service leave	177	171
Total Current	891	841
Non-Current:		
Long service leave	2 034	1 960
Total Non-Current	2 034	1 960
Total Employee Benefits	2 925	2 801

14. Provision		
Current:		
Provision for workers compensation	4	5
Total Current	4	5
Non-Current:		
Provision for workers compensation	12	13
Total Non-Current	12	13
Total Provision	16	18
Carrying amount at 1 July	18	50
Workers compensation payments	-	(30)
(Decrease) in the provision	(2)	(2)
Carrying Amount at 30 June	16	18

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.

15. 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):	2009	2008
	\$'000	\$'000
Not later than one year	607	602
Later than one year and not later than five years	38	595
Total Operating Lease Commitments	645	1 197

Capital Commitments

Capital expenditure contracted for at the reporting date which is not recognised as a liability

Not later than one year	27	-
Total Capital Commitments	27	-

The Department's capital commitments relate to leasehold improvements.

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	866	837
Later than one year and not later than five years	1 654	2 434
Total Remuneration Commitments	2 520	3 271

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.

16. Net Assets Transferred as a Result of an Administrative Restructure

In September 2006 the South Australian Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in the Department of Treasury and Finance.

As part of this reform on 20 October 2008 the Department's payroll services were transitioned to Shared Services SA.

One employee, budget funding of \$44 000 and the following assets and liabilities were transferred to Shared Services SA.

	2009	2008
	\$'000	\$'000
Cash	14	-
Total Assets	14	-
Payables	1	-
Employee benefits	13	-
Total Liabilities	14	-
Total Net Assets Transferred	-	-

The net assets transferred by the Department as a result of an administrative restructure were at their carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

17. Cash Flow Reconciliations	2009	2008
17.1 Reconciliation of Cash and Cash Equivalents	\$'000	\$'000
Cash and Cash Equivalents at 30 June per:		
Statement of Financial Position	2 229	2 590
Statement of Cash Flows	2 229	2 590
17.2 Reconciliation of Net Cost of Providing Services to Net Cash provided by Operating Activities		
Net cost of providing services	(11 636)	(10 847)
Net cash flows from government	11 386	10 433
Depreciation and amortisation	261	252
Increase in receivables	(51)	(3)
Increase (Decrease) in employee benefits	137	(91)
Decrease in provision for workers compensation	(2)	(32)
(Decrease) Increase in payables	(210)	319
Loss on sale of assets	13	-
Net Cash (used in) provided by Operating Activities	(102)	31

18. Remuneration of Employees

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

	2009		2008	
	Number of Executives*	Number of Employees	Number of Executives*	Number of Employees
\$100 000 - \$109 999	-	10	-	6
\$110 000 - \$119 999	-	2	-	1
\$150 000 - \$159 999	-	-	2	-
\$160 000 - \$169 999	-	-	1	-
\$170 000 - \$179 999	3	-	2	-
\$180 000 - \$189 999	1	-	-	-
\$190 000 - \$199 999	1	-	-	-
\$320 000 - \$329 999	-	-	1	-
\$350 000 - \$359 999	1	-	-	-
Total Number of Executives/Employees	6	12	6	7

* Based on the Department's executive organisation structure.

Total remuneration received or receivable by Departmental executives was \$1.253 million (\$1.158 million). Total remuneration received or receivable by the non-executive employees was \$1.264 million (\$736 000).

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.

19. Remuneration of Auditor

	2009 \$'000	2008 \$'000
Remuneration for audit of financial statements	9	8
Remuneration for other services	-	-
	9	8

20. 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.

	Carrying Amount	
	2009 \$'000	2008 \$'000
Financial Assets:		
Cash and cash equivalents	2 229	2 590
Receivables*	6	-
Financial Liabilities:		
Payables	514	725
Cash advance - Imprest account	3	3

* Receivables amounts disclosed exclude amounts relating to statutory receivables where rights or obligations have their source in legislation such as the GST.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2009**

		2009	2008
EXPENSES:	Note	\$'000	\$'000
Employee expenses		284	665
Amounts paid/payable to consolidated account		10 440	10 277
Total Expenses		10 724	10 942
INCOME:			
Fees for audit services		10 440	10 277
Appropriation - Special Acts	A2.2	283	233
Total Income		10 723	10 510
NET RESULT		(1)	(432)
TOTAL COMPREHENSIVE RESULT		(1)	(432)

The net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Administered Financial Position
as at 30 June 2009**

		2009	2008
ASSETS:	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	A4.1	296	1 748
Receivables	A2.1	2 036	352
Total Assets		2 332	2 100
LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	A3	118	122
Amounts payable to consolidated account		1 896	1 725
GST payable		236	194
Total Current Liabilities		2 250	2 041
NON-CURRENT LIABILITIES:			
Employee benefits	A3	320	296
Total Non-Current Liabilities		320	296
Total Liabilities		2 570	2 337
NET ASSETS		(238)	(237)
EQUITY:			
Opening balance - (Deficit) Surplus		(237)	195
Decrease in net assets		(1)	(432)
TOTAL EQUITY		(238)	(237)

Total administered equity is attributable to the SA Government as owner

**Statement of Administered Changes in Equity
for the year ended 30 June 2009**

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2007	195	195
Total Comprehensive Result for 2007-08	(432)	(432)
Balance at 30 June 2008	(237)	(237)
Total Comprehensive Result for 2008-09	(1)	(1)
Balance at 30 June 2009	(238)	(238)

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

**Statement of Administered Cash Flows
for the year ended 30 June 2009**

		2009 Inflows (Outflows)	2008 Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(264)	(253)
Amounts paid to consolidated account		(10 269)	(9 482)
GST paid to ATO		(1 002)	(1 053)
CASH INFLOWS:			
Fees for audit services	A2.1	9 800	11 379
CASH FLOWS FROM SA GOVERNMENT:			
Appropriations - Special Acts		283	233
Net Cash (used in) provided by Operating Activities	A4.2	(1 452)	824
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		(1 452)	824
CASH AND CASH EQUIVALENTS AT 1 JULY		1 748	924
CASH AND CASH EQUIVALENTS AT 30 JUNE	A4.1	296	1 748

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. 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.

	2009 \$'000	2008 \$'000
Fees outstanding at 1 July	352	425
Billings (including GST)	11 484	11 306
	11 836	11 731
Receipts (including GST)	9 800	11 379
Fees outstanding at 30 June	2 036	352

At 30 June, the value of audit work in progress was \$5.449 million (\$5.043 million). 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	2009	2008
Current:	\$'000	\$'000
Salaries	7	6
Annual leave	111	116
Total Current	118	122
Non-Current:		
Long service leave	320	296
Total Non-Current	320	296
Total Employee Benefits	438	418
A4. Notes to the Administered Statement of Cash Flows		
A4.1 Reconciliation of Cash and Cash Equivalents		
Cash and Cash Equivalents at 30 June per:		
Statement of Administered Financial Position	296	1 748
Statement of Administered Cash Flows	296	1 748
A4.2 Reconciliation of Net Operating Surplus to Net Cash provided by Operating Activities		
Net operating result	(1)	(432)
(Increase) Decrease in receivables	(1 684)	73
Increase in employee benefits	20	413
Increase in amounts payable to the Consolidated Account	171	796
Increase (Decrease) in GST payable	42	(26)
Net Cash (used in) provided by Operating Activities	(1 452)	824
A5. Specific Disclosure - SA Government		
The following discloses revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.		
Income excluding appropriations	9 316	9 146
Expenses	10 440	10 277
Financial assets	2 304	2 022
Financial liabilities	1 896	1 725

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

31 August 2009



M Stint
MANAGER, FINANCE

31 August 2009



EdwardsMarshall

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AUDITOR-GENERAL'S DEPARTMENT

INDEPENDENT AUDITOR'S 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 statement of financial position as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows, statement of administered comprehensive income, statement of administered financial position, statement of administered changes in 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

INDEPENDENCE

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



AUDITOR-GENERAL'S DEPARTMENT

INDEPENDENT AUDITOR'S REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT (CONT)

AUDITOR'S OPINION

In our opinion:

- a) the financial report presents fairly, in all material respects, the financial position of the Department as at 30 June 2009, 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 2009 over its financial reporting and the preparation of the financial statements are effective.

Edwards Marshall
Chartered Accountants

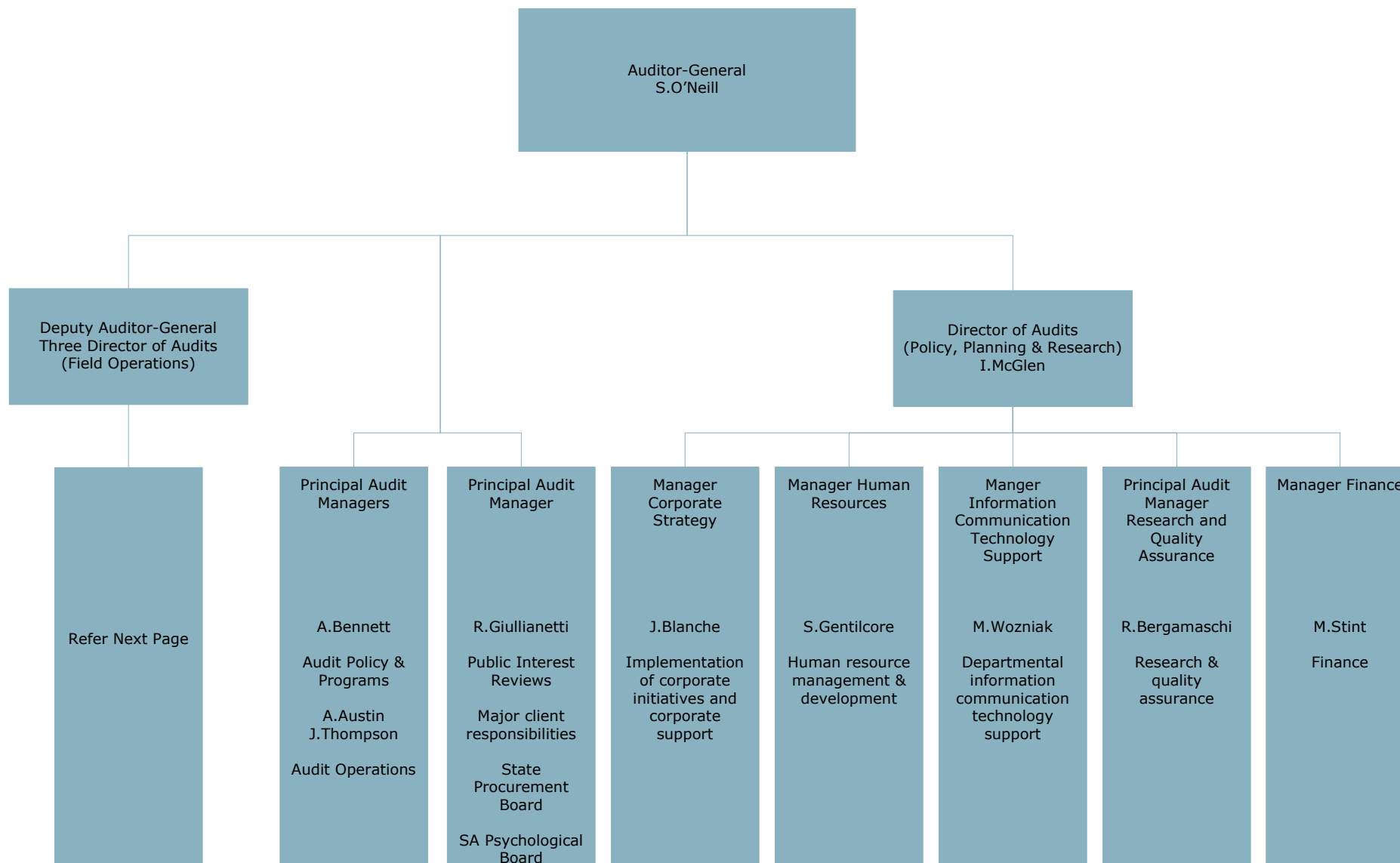
Jamie Dreckow
(Partner)

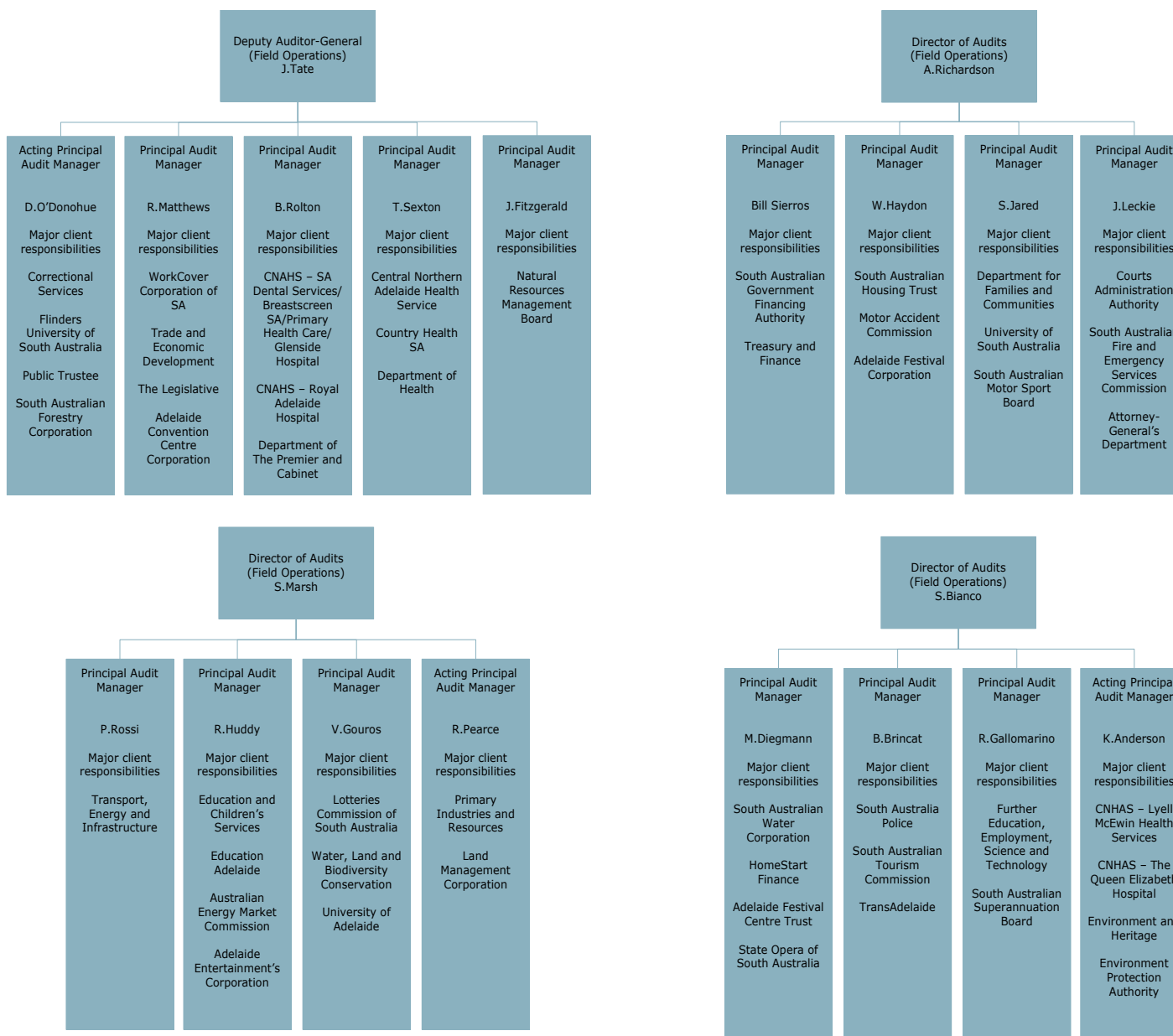
Adelaide
South Australia

Dated 31/8/09

Appendices

Our Organisation Structure





Our workforce profile

The Department has an approved staffing establishment of 110 full time equivalents (FTEs) including the Auditor-General's position, after transferring one FTE to Shared Services SA as part of the transition of payroll services. On 30 June 2009 the Department employed 118 people, representing 110.5 FTEs (106.5 FTEs at 30 June 2008). Almost all of these staff, including the Auditor-General, are directly engaged in audit activity.

The following tables profile our workforce.

Employee numbers, gender and status

Breakdown of workforce by gender

Gender	Proportion of People	Proportion of FTEs
Male	49.2%	51.7%
Female	50.8%	48.3%

Number of employees by salary bracket

Salary Bracket	Number		Total
	Male	Female	
\$0 - \$47 999	11	13	24
\$48 000 - \$60 999	15	25	40
\$61 000 - \$78 199	9	13	22
\$78 200 - \$98 499	17	9	26
\$98 500 +	6	0	6
TOTAL	58	60	118

Status of employees in their positions at 30 June 2009 (FTEs)

Gender	FTE's				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Other (Casual)	
Male	42.3	9.8	5.0	0.0	57.1
Female	46.0	6.8	0	0.6	53.4
TOTAL	88.3	16.6	5.0	0.6	110.5

Status of employees in their positions at 30 June 2009 (FTEs)

Gender	People				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Other (Casual)	
Male	43	10	5	0	58
Female	50	8	0	2	60
TOTAL	93	18	5	2	118

Executives

Executives by gender, classification and status

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

Work experience

At 30 June 2009 the average work experience of employees in the Department was nine years and three months, one month less than at this time last year.

Years of service

Employees with work experience in:	0 <3	3 <6	6 <11	11<16	16<21	21+	TOTAL
Auditor-General's Department	48	18	15	11	6	20	118
Public Sector	44	16	17	9	6	26	118

Employee movements

Staff turnover

Number of people in 2008-09 who have:	
Separated from the Department	15
Been recruited to the Department	20

The average employee FTE for 2008-09 was 103.7, compared with 105.2 last year.

Leave management

Number of days leave per employee

Leave Type	2005-06	2006-07	2007-08	2008-09
Sick Leave	5.84	7.66	6.83	5.14
Family Carer's Leave	0.40	0.57	0.78	0.72
Miscellaneous Special Leave	2.81	0.26	0.32	0.69

Workforce diversity

Age profile of employees

At 30 June 2009 the average age of the Department's employees was 35 years, the same as at 30 June 2008. More than half our staff (58 percent) are under 35 years of age, compared with the South Australian workforce statistics benchmark of 39 percent.

Workforce Age Bracket	Male	Female	Total	Percent of Total	2009 Workforce Benchmark*
15-19	0	0	0	0	6.5
20-24	7	18	25	21.2	10.3
25-29	13	15	28	23.7	11.1
30-34	6	10	16	13.6	10.7
35-39	5	6	11	9.3	11.7
40-44	9	5	14	11.9	11.4
45-49	5	2	7	5.9	11.9
50-54	6	3	9	7.6	10.3
55-59	3	1	4	3.4	8.2
60-64	4	0	4	3.4	5.3
65+	0	0	0	0	2.6
TOTAL	58	60	118	100.0	100.0

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at May 2009.

Aboriginal and Torres Strait Islander Employees

The Department is committed to implementing strategies which promote equal opportunity and has 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 - \$47 999	2	24	8.33%	2%
\$48 000 - \$60 999	0	40	0	2%
\$61 000 - \$78 199	0	22	0	2%
\$78 200 - \$98 499	0	26	0	2%
\$98 500 +	0	6	0	2%
TOTAL	2	118	1.69%	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	12	13	25	21.2	20.3
Number of Employees who speak language(s) other than English at home	12	18	30	25.4	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 2009, however, we did not employ anyone with a disability that meets the Commonwealth DDA definition

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.

The Department monitors and regularly revisits the extent of audit work that is sub-contracted each year, in the context of how best to achieve our annual statutory audit work program. In 2008-09 the Auditor-General contracted the audits of 30 public sector agencies, including eight divisions of regional health services and eight natural resources management boards.

Contract auditors also assisted with a number of specialist IT audit reviews.

Interstate and overseas audit offices

Our membership of ACAG – an association established by Auditors-General in Australia, Fiji, New Zealand and Papua New Guinea for mutual support and sharing information – benefits us by providing strong networks to other audit offices throughout the region. ACAG promotes public sector auditing through the exchange of experiences and ideas, which provides opportunities for us to improve our own effectiveness and efficiency.

The Auditor-General chairs ACAG's Financial Reporting and Auditing Committee.

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
- selecting audit procedures that 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.

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
- agency management has responded to the issues raised
- 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

Public sector agencies are mandated to maintain control over financial management by the Treasurer's Instructions issued pursuant to the PFAA. Chief Executives must ensure that policies, procedures, systems and controls 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 evaluate and test internal controls in every agency. 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.

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

Consistent with the guidelines issued by the Commissioner for Public Employment, we have nominated 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 2009

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
ANZAC Day Commemoration Fund
Art Gallery Board
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
Construction Industry Training Board
Correctional Services - Department for
Country Health SA Hospital Inc
Courts Administration Authority
Dairy Authority of South Australia
Defence SA
Distribution Lessor Corporation
Dog and Cat Management Board
Dog Fence Board
Education Adelaide
Education and Children's Services - Department of
Electoral Commission of South Australia
Electricity Industry Superannuation Scheme

Public Sector Agencies Audited at 30 June 2009

Electricity Supply Industry Planning Council
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
Families and Communities - Department for
Further Education, Employment, Science and Technology - Department of
General Reserves Trust
Generation Lessor Corporation
Governors Pensions Scheme
Grant Animal and Plant Control Board
Health - Department of
Health, Community and Disability Services Ministerial Council
History Trust of South Australia
HomeStart Finance
Independent Gambling Authority
Independent Gaming Corporation Ltd
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
Libraries Board of South Australia
Local Government Finance Authority of South Australia
Lotteries Commission of South Australia
Maralinga Lands Unnamed Conservation Park Board
McLaren Vale Wine Industry Fund
Medvet Science Pty Ltd
Motor Accident Commission
Museum Board
Narana Pty Ltd
National Action Plan for Salinity and Water Quality (South Australia)
National Centre for Vocational Education Research Ltd
National Landcare Program - Community Support (South Australia)
Native Vegetation Fund
Natural Heritage Trust Extension
Northern and Yorke Natural Resources Management Board
Olive Industry Fund

Public Sector Agencies Audited at 30 June 2009

Outback Areas Community Development Trust
Parliamentary Superannuation Scheme
Planning and Development Fund
Planning and Local Government - Department of
Playford Capital Pty Ltd
Playford Centre
Police Superannuation Scheme
Premier and Cabinet - Department of the
Primary Industries and Resources - Department of
Professional Standards Council
Public Trustee
RESI Corporation
Residential Tenancies Fund
Retail Shop Leases Fund
Riverland Wine Industry Fund
Rock Lobster Fishing Industry Fund
Rural Industry Adjustment and Development Fund
SA Ambulance Service Inc
SACE Board of South Australia
Second-hand Vehicles Compensation Fund
South Australia Police
South Australian Ambulance Superannuation Scheme
South Australian Apiary Industry Fund
South Australian Arid Lands Natural Resources Management Brd
South Australian Asset Management Corporation
South Australian Cattle Industry Fund
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 Fire and Emergency Services Commission
South Australian Forestry Corporation
South Australian Government Financing Authority
South Australian Grape Growers Industry Fund
South Australian Housing Trust
South Australian Local Government Grants Commission
South Australian Metropolitan Fire Service
South Australian Metropolitan Fire Service Superannuation Scheme
South Australian Motor Sport Board
South Australian Murray-Darling Basin Natural Resources Management Board
South Australian Pig Industry Fund

Public Sector Agencies Audited at 30 June 2009

South Australian Psychological Board	
South Australian Sheep Industry Fund	
South Australian State Emergency Service	
South Australian Superannuation Board	
South Australian Superannuation Scheme	
South Australian Tertiary Admissions Centre	
South Australian Tourism Commission	
South Australian Trade and Investment Corporation	
South Australian Water Corporation	
South Australian Water Corporation - Hydro Joint Venture	
South East Natural Resources Management Board	
South Eastern Water Conservation and Drainage Board	
Southern Adelaide Health Service	
Southern State Superannuation Scheme	
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 of South Australia	
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	
West Beach Trust	
Wildlife Conservation Fund	
WorkCover Corporation of South Australia	
Zero Waste SA	
Total number of agencies audited at 30 June 2009:	160

Internal training courses attended by our staff

Course title	Hours
Behavioural Interviewing	82.50
Cash Flow Statements Workshop	108.00
Contractor Induction	46.00
Ergonomics and Manual Handling	96.00
Eye Care and Eyestrain information session	25.00
Graduate Development Modules (Professional)	351.00
Graduate Development Modules (Technical)	790.50
Graduate Induction	225.00
Graduate Induction Follow-up	60.00
iGrafx Professional Flowcharter	15.00
In's and Out's of Recruitment and Selection	180.00
Leadership (ASO4)	120.00
Leadership (ASO5/ASO6)	67.50
Managers Leadership Development Workshops	210.00
OHS&W Staff Information Session	93.00
Payroll and Personnel Business Cycle Training	51.00
Presentation Skills	52.50
Report Writing	255.00
Time Management	112.50
Training Others (ASO4)	67.50
TRIM Inquiry User Training	58.00
TOTAL	3 066.00

External training courses attended by our staff

Course title	Hours
Emergency Fire Warden Training	7.50
Women on Boards in the Public Sector	8.00
Understanding Financial Reports & Accounting	15.00
Annual Public Sector Update: Navigating Governance Challenges	5.25
Excel Tips and Tricks Revealed	1.75
From Team Member to Team Leader	3.25
CPA Congress 2008	108.75
Government Accounting Information Forum (GAIF)	343.00
Government Taxation Information Forum (GTIF)	29.50
Public Sector Financial Reporting Update	2.00
Taxation Refresher	14.00
Trim Context 6.1 Technical Implementation and Maintenance Course	18.00
A Practical Guide to Effective Contract Management	40.00
Oceana CACS Sydney 08	21.00
Rehabilitation Co-ordinator Training	7.50
Penetration Testing Course for IT Professionals	40.00
Advanced Security Risk Management	37.50
Introduction to Protective Security	15.00
Managed Performance	13.50
ACL Foundations Training	255.00
OHS&W Committee Member Training	30.00
Electrical Testing & Tagging	7.50
Auditing Solicitor's Trust Accounts	6.00
FBT Simplifier Essential	7.50
The Digital Evolution and the Records Manager	1.25
Professional Management Program	105.00
Treasury Management	66.00
TOTAL	1 208.75

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 percent 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 to make energy savings.

Energy saving measures

We encourage our staff to be energy efficient. 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.

Our office layout maximises natural light in most offices and workstation areas. All offices have movement sensors to control both the conditioning and artificial lighting, reducing energy demand.

Energy Consumption

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 2008-09, which we attribute to the full year effect of changes we made to consolidate workstations and install energy efficient appliances through our office renovation in 2007-08.

Our overall energy use is now 4% less than the 2000-01 baseline.

	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
2008-09	433	93	279

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.

In 2008-09 we used 1100 reams of paper for standard office printing and photocopying. This is a 9 percent (105 ream) reduction in our use of paper since last year.

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)

In late 2008-09 improved recycling and waste management practices were implemented in the building we occupy. Separate bins are now provided for different recycling materials. Our early feel is that this has significantly increased the amount of recycling we do.

Printer cartridges and decommissioned mobile phones and accessories are also routinely recycled.

OHS&W Statistics

OHS&W 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 2008-09 compared with 2007-08²

Expenditure	2008-09	2007-08	Variation	% change
Income maintenance	Nil	16 100	(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	280	11 800	(11 520)	(98)
Other	Nil	2 100	(2 100)	n/a
Total claims expenditure	280	30 000	(29 720)	(99)

¹ Before 3rd party recovery

² Information available from IDEAS RS/SIMS (for detailed advice on data extraction contact PSWD)

Meeting safety performance targets³

	Base: 2005-06	Performance: 12 months to 30 June 2009*			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	Nil	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:					
2007-08 injuries (at 24 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average
2008-09 injuries (at 12 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average

³ Information available from IDEAS RS/SIMS (SIPS target report)

* 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.