

SOUTH AUSTRALIA

Annual Report on the Operations

of the

Auditor-General's Department

for the

Year ended 30 June 2006



EMPLOYEES OF THE AUDITOR-GENERAL'S DEPARTMENT 2006

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29 September 2006

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

I am pleased to provide you with the Department's Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2006.

Yours sincerely

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

K I MacPherson
AUDITOR-GENERAL

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Foreword

The Auditor-General and the Auditor-General's Department are charged with the important role of conducting independent audits of public sector agencies and operations within this State. The discharge of this responsibility has a direct outcome of providing independent information, advice and assurance to Parliament and to the management of public sector agencies, concerning the stewardship of funds and resources administered within the public sector.

The Annual Report on the Operations of the Department for 2005-06 reflects our achievements in discharging this responsibility.

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

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

During 2005-06, the Department continued to pursue the highest quality standards of audit and investigatory services and to build on a corporate culture which values the professional input of our people.

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

In concluding, I would again extend my thanks to all members of staff of the Auditor-General's Department for their continued support and commitment during the year.



SA AUDITOR-GENERAL
Ken MacPherson

Three Year Summary

KEY FINANCIAL INDICATORS

	2005-06	2004-05	2003-04
	\$'000	\$'000	\$'000
Total Audit Fees Raised	8 778	8 029	7 765
Total Expenses			
• Prescribed Audits	10 451	10 209	9 687
• Special Investigations	43	190	77
Total Assets	3 186	2 639	2 301
Total Liabilities	3 081	2 746	2 335

KEY OPERATING RESULTS

	2005-06	2004-05	2003-04
Qualified Audit Opinions Issued	19	24	23
Staff Establishment (FTE)	110	110	110
Average FTE for year	108	107	109

LIST OF REPORTS PRESENTED SINCE 1 JULY 2003

Date Presented	Report Title
30 November 2005	Supplementary Report: Government Management and the Security Associated with Personal and Sensitive Information
22 November 2005	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2005
22 November 2005	Supplementary Report: Agency Audit Reports
17 October 2005	Report of the Auditor-General for the year ended 30 June 2005 – Part A Audit Overview and Part B Report on Individual Agencies
12 September 2005	Report on the Auditor-General's Examination, Pursuant to Section 39 of the <i>Passenger Transport Act 1994</i> , of Certain Bus Contracts and the Probity of Processes Leading up to the Awarding of the Contracts
17 February 2005	Report Pursuant to Sections 32 and 36 of the <i>Public Finance and Audit Act 1987</i> : Matters Associated with the 2001-02 Proposal Concerning the Establishment of an Ambulance Station at McLaren Vale
6 December 2004	Supplementary Report: Agency Audit Reports
25 November 2004	Report of the Auditor-General on the Basketball Association of South Australia Incorporated
12 October 2004	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2004
11 October 2004	Report of the Auditor-General for the year ended 30 June 2004 – Part A Audit Overview and Part B Report on Individual Agencies
16 February 2004	Supplementary Report: Department of Human Services: Some Matters of Importance to the Government and the Parliament
4 December 2003	Supplementary Report: Information and Communication Technology – Future Directions: Management and Control
25 November 2003	Supplementary Report: Agency Audit Reports
14 October 2003	Annual Report on the Operations of the Auditor-General's Department for the year ended 30 June 2003
13 October 2003	Report of the Auditor-General for the year ended 30 June 2003 – Part A Audit Overview and Part B Report on Individual Agencies
15 July 2003	Report on the Process of Procurement of Magnetic Resonance Imaging Equipment by the North Western Adelaide Health Service

Corporate Overview

THE AUDITOR-GENERAL

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

PURPOSE OF THE DEPARTMENT

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

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

AUDIT LEGISLATION

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

The Act prescribes the financial reporting obligations of the Treasurer and public sector agencies. The Auditor-General provides an Independent Audit opinion on these financial reports and, in accordance with the Act, reports to the Parliament on these

matters. The Auditor-General's independent attestation, together with the statutory reporting obligations provide assurance to the Parliament that monies raised and collected have been expended properly and in accordance with the law.

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

ORGANISATIONAL STRUCTURE

Organisation

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

A complete organisation chart is shown in Appendix A.

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

Field Audit Activities

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

Corporate Support Activities

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

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

Departmental Executive

The Executive of the Department consists of the Auditor-General, Deputy Auditor-General and the five Directors of Audits. It meets on a regular basis (usually weekly) and discharges its responsibilities through two principal mechanisms.

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

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

RELATIONSHIP WITH PARLIAMENT

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

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

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

Part A The Audit Overview has as its main focus specific commentary on the public finances of the State. This commentary includes observations on past year's budgeted and actual results, forecasts, debt and cash management and other salient matters. This part may also include summarised commentary on other financial management, accounting and control matters within the public sector.

Part B Agency Audit Reports contains comments on the operations of individual public authorities, the financial statements of those public authorities and the Treasurer's Statements. Comments on public authorities focus on matters of administrative, financial management and control significance.

In addition, the Auditor-General meets the Committees of the Parliament on an 'as needs' basis. The Auditor-General attended a number of meetings of Parliamentary Committees during the year.

RELATIONSHIP WITH THE PORTFOLIO OF THE PREMIER AND CABINET

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

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

RELATIONSHIPS WITH AUDITEE AGENCIES

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

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

- providing independent information and advice on the operations of agencies;
- encouraging the development and maintenance of effective financial and management processes;
- supporting improvements in the form and quality of internal and external financial reporting by agencies.

RELATIONSHIPS WITH AUDIT COMMITTEES

The Department recognises the benefits of creating and maintaining professional respect between itself and its auditee agencies. One method for building such a relationship is the

attendance by the employees of this Department at audit committee meetings for various auditee agencies.

RELATIONSHIP WITH INTERSTATE AND OVERSEAS AUDIT OFFICES

Australasian Council of Auditors-General

The Australasian Council of Auditors-General (ACAG) was established following the 19th Bicentennial Conference of Auditors-General in Perth in 1993. It provides consultative arrangements for the structured sharing of pertinent information and intelligence between Auditors-General. Membership of ACAG is open to the Auditor-General of all audit jurisdictions within Australia, Fiji, New Zealand, and Papua New Guinea.

The role and function of ACAG is:

- Facilitating the sharing of information and discussion of matters of mutual interest to members, concentrating on the essential elements of the Legislative Audit.
- Providing opportunities for Audit Offices to improve their own effectiveness and efficiency by such means as may be agreed from time to time including a professional quality assurance peer review program, benchmarking surveys, targeted reviews of particular functions and operations.
- Promoting educational, training and professional development activities that will contribute generally to an Audit Office's performance.
- Supporting the development of audit methodologies and practices for, and approaches to, the discharge of audit mandates.
- Promoting co-operation in the conduct of audits.
- Identifying and promulgating, where appropriate, the collective opinion of Auditors-General on financial accounting and auditing standards and related issues.

During 2005-06, the Department participated in a number of benchmarking exercises and projects involving the exchange of information and expertise.

Corporate

Plan: 2006-07 to 2007-08

The Corporate Plan is one of the most important documents we produce. It sets out the intended direction of the Department

During the year the Department prepared a new Corporate Plan covering a two year period 2006-07 and 2007-08. The Plan has been developed in consultation with all staff, reflecting a corporate culture which values the professional input of our people. It reflects a balance of continuity and change.

The goals and strategies that have been set in the Corporate Plan recognise a number of challenges to be faced in our continuous effort to contribute to the accountability of government and public sector agencies to the Parliament, and to enhance the work environment of the Auditor-General's Department and the capabilities of its committed staff members.

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

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

VISION

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

MISSION

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

VALUES

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

Integrity

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

Independence

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

Innovation

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

Respect

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

Quality

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

Accountability

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

CORPORATE OBJECTIVES

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

- To perform audits of the accounts and controls of public sector agencies, and produce timely and relevant reports on the outcomes.
- To produce timely and relevant reports to Parliament on public sector interest issues.
- To attract, develop and retain highly skilled and committed professional people.
- To efficiently and effectively run the Department.

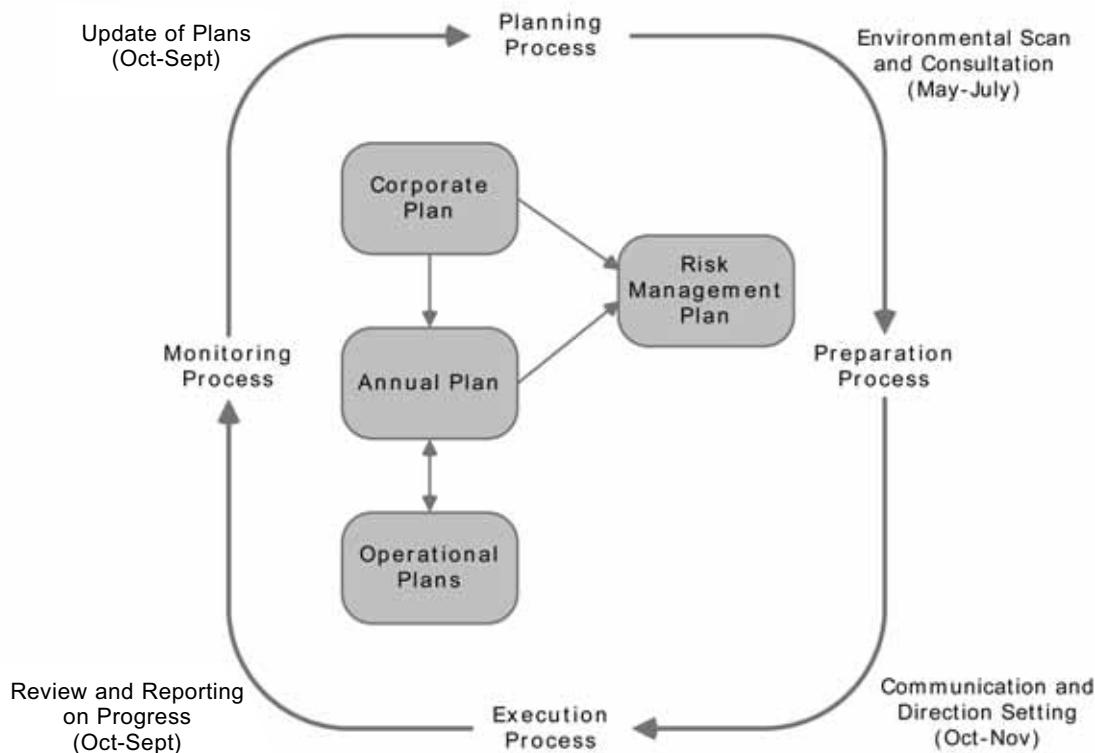
The Corporate Plan also sets out the detailed strategies and associated measures of achievement we will use to meet each of our objectives, and to evaluate the success of our actions.

STRATEGIC MANAGEMENT FRAMEWORK

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

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

STRATEGIC MANAGEMENT FRAMEWORK



Provision of Auditing Services

LEGISLATIVE MANDATE

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

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

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

TYPES OF AUDITS AND REVIEWS CONDUCTED

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

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

- Review of the adequacy of controls exercised by auditee agencies – subsection 36(1)(a)(iii).
- Examination of the accounts of a publicly funded body - section 32.
- Review of a summary of a confidential government contract - section 41A.

Financial and Compliance Audit

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

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

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

The audit methodology used by the Department follows that stipulated in the Auditing and Assurance Standards and Auditing Guidance Statements issued by the Auditing and Assurance Standards Board.

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



Principal Audit Manager, Bill Sierros (left) with his team members.

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

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

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

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

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

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

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

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

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

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

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



Audit Manager, Robert Huddy (right) with his team members.

Efficiency and Economy Audit

Subsection 31(2) of the Act authorises the Auditor-General to examine the efficiency and economy in which a public authority uses its resources. Such audits are also known as 'value for money (or performance) audits'. This type of audit can be diverse in respect of the types of issues reviewed. It may be large and complex, it may encompass more than one organisation, or alternatively, it could be relatively small and cover only one section or part of an organisation.

The methodology and approach adopted will, of course, vary from one subject matter to another. The overall methodology to be followed however, will encompass the following stages:

- planning;

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

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

Review of the Adequacy of Controls Exercised by Auditee Agencies

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

Within the South Australian public sector, this responsibility for internal control systems is mandated in the Treasurer's Instructions, issued pursuant to the *Public Finance and Audit Act 1987*. Specifically Treasurer's Instruction 2 'Financial Management Policies' requires the Chief Executive of a public authority to ensure that the authority develops, implements and documents policies, procedures and systems which will assist the Chief Executive and the responsible Minister to discharge accountability in relation to the authority's:

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

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

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

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

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

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

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

Examination of the Accounts of a Publicly Funded Body

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

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

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

No request to undertake an examination pursuant to Subsection 32 was received during the year.

Review of a Summary of a Confidential Government Contract

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

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

During 2005-06 there were no such summaries forwarded to the Auditor-General for examination and report.

WHISTLEBLOWER LEGISLATION

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

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

Special Issues of Focus by the Auditor-General's Department During 2005-06

HEALTH REGIONALISATION

Regionalisation of the health sector came into effect in 2004-05, with the establishment of three new health services. These services have taken over the functions formerly provided by 12 health units, some of which were not previously audited by this Department. In 2005-06 Audit re-assessed the audit strategy for the health sector, and in particular the way the audits of the individual health units that make up each region were conducted, with the aim of adopting a 'whole-of-region' audit approach. The ability to streamline audits is currently limited as the regions maintain separate financial systems and control environments in their component health units.

INFORMATION TECHNOLOGY

Information technology remains prominent in agency service delivery and business processes. In 2005-06 Audit continued to apply a strategic approach to information technology audits to produce timely and relevant reports in this area. Major changes are now occurring which have required audit consideration. Projects include changes to consolidated Government reporting and related systems and shared corporate services.

Government for many years has acquired information technology facilities and services through major whole-of-government contracts. The most significant and notable of these has been the arrangement with IT service provider, EDS. This arrangement involved many government agencies receiving services from EDS.

Information and communication technology (ICT) administrative and contract arrangements in government are undergoing significant changes in the next one to two years. The changes result from work undertaken under the specific Future Information and Communications Technology (FICT) Service Arrangements

program. This program is responsible for the procurement of ICT infrastructure services to meet the Government's requirements. It is expected many new contract signings will commence as a result of this program during 2006 and 2007. As a result, audit focus is required to review aspects of procurement negotiation and assessment, contract establishment and transition to several new suppliers of ICT services. Further, audit consideration will be given to the impact of modified arrangements for the provision of ICT services in individual agencies, including the risk and control implications of those arrangements.

NATURAL RESOURCES MANAGEMENT ACT 2004

Changes have occurred in the environmental management area with the introduction of the *Natural Resources Management Act 2004*. The Act divides the State into natural resources management regions and appoints a Board to manage the natural resources of the regions and establishes a Natural Resources Management Council to oversee the regional management arrangements. These Boards assume responsibilities previously assigned under various Acts, such as the *Animal and Plant Control Act 1986* and the *Water Resources Act 1997*, and will replace seventy nine Animal and Plant Control and Soil Conservation Boards not previously audited by the Auditor-General and the eight Catchment Water Management Boards previously audited by the Auditor-General. To date eight Natural Resources Management regions and Boards have been established, and as the Act is progressively implemented there will be ongoing changes to our audit portfolio and responsibilities to be monitored and managed. The primary audit task in 2005-06 is auditing the transitional arrangements under the *Natural Resources Management Act 2004*, involving auditing or obtaining audited information from the affected entities, the majority of which, as mentioned, were not previously audited by the Auditor-General.

DEPARTMENT FOR FAMILIES AND COMMUNITIES REFORM

In May 2006, the State Government announced proposed changes to the way it delivers housing and disability support services.

The proposed reforms will restructure governance and organisational arrangements and include establishing new divisions within the Department to provide services previously delivered by statutory authorities and incorporated health services. The new divisions are Disability Services SA and Housing SA.

In 2005-06 Audit focus was given to the early aspects of implementation of the reform agenda.

In 2006-07 Audit will re-assess the audit strategy for the housing and disability support sectors, and in particular the way the audits will be conducted for the individual units that make up each sector.

INDICATORS OF WORKLOAD AND PERFORMANCE

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

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

That quality requires assessment by:

- subjecting the work undertaken to an independent professional review;
- obtaining feedback from the users of the reports produced.

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

The main measure of performance used is that which relates to the time expended on segments of audits (and on whole audits) compared with that budgeted. The Strategic Management Information System (SMS) provides time recording, audit budgeting, billing and reporting functionality. In addition the system is used to produce management information for planning and monitoring purposes.

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

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

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

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

STATISTICS RELATING TO AUDITS AND AUDIT TIMES

Workload	2005-06	2004-05	2003-04
Audits undertaken as at 30 June	178*	178	178
Average working days between auditee's end of financial year and issuing of an Independent Audit Report	70	66	91
Hours expended on staff preparing, presenting and attending professional development courses	8 268	8 107	7 347
Hours recorded as leave taken during the financial year	29 735	29 760	29 737

* In addition as part of the transitional arrangements associated with changes in the environmental area, the Department was required to audit an additional 32 Animal and Plant Control Boards, 8 Catchment Water Management Boards and 42 Soil Conservation Boards.

Chargeable Hours Spent on Financial Compliance Audits	2004-05 Audits	2003-04 Audits	2002 - 03 Audits
Conduct of Audits	80 215	77 944	72 442
Management of Audits	10 335	10 087	11 474
TOTAL	90 550	88 031	83 916

Benchmarking

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

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

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

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

- performance indicators,
- controls exercised by auditees.

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

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

Corporate

Support Services

CORPORATE STRATEGY AND SUPPORT

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

- Corporate Strategy – strategic and operational planning, monitoring and reporting;
- Corporate Support – report production and administrative support services.

Corporate Strategy

Role and Function

The Corporate Strategy team supports Executive strategic management by:

- managing the development of the Department's Corporate and Annual Plans;
- designing systems and processes for monitoring and reporting on the achievement of planned outcomes;
- contributing to Executive decision making in relation to corporate initiatives; and
- implementing specific strategic initiatives.

Our Corporate Plan sets out our goals and strategies for the period it covers, taking account of the challenges we expect to face in that time and our responses to them. It is a key accountability document for corporate governance. Each year we produce an Annual Plan that details the specific activities to be undertaken during the year, and our audit portfolio allocations and budgets.

These plans, together with the Risk Management Plan and the detailed plans developed by each operational area, are prepared under our strategic management framework. They ensure that everyone in the Department knows what needs to be done, and that departmental effort is directed towards the outcomes we are seeking. Helping the Executive to develop these Plans is a core part of the work of the Corporate Strategy team. The team also

administers the Strategic Management Information System, a project management database that provides the information used by the Executive to monitor and measure our performance against plans. The system produces high level performance data, operational information for audit management purposes, and audit fees.

Achievements

Corporate Plan

2005-06 was the last year of the Department's current Corporate Plan. We have had a very successful planning period, achieving most of what we planned to do. Some of our key successes were:

- Implementing the Strategic Management Framework, and supporting systems and processes, to provide a systematic approach to selecting, implementing and managing the activities that benefit the Department's long and short term performance.
- The continuation of our highly regarded training and professional development program for staff.
- Our continued commitment to quality assurance in the audit process.
- The progression of our strategy to improve the way we access and share information, knowledge and experience.

These and other significant achievements for the past year are discussed under the relevant areas of this Report.

During the year a new Corporate Plan for the period 2006-07 to 2007-08 was developed, a process that involved all of our staff. With our corporate governance structures now working well, the key objective of this new Plan is to build on past successes and continue progress on a number of significant ongoing projects.

Our Corporate Plan will again direct corporate strategy, while our strategic management framework will operate to monitor performance and manage risks and opportunities throughout the planning period.

Annual Plan

The 2005-06 annual planning period concludes in September 2006, and we are progressing strongly towards the achievement of our goals. Specific achievements are discussed under the relevant areas of this Report.

Strategic Management System

We have continued to improve reporting on departmental performance, particularly in the production of activity based audit statistics and the analysis of work-in-progress data. We have made further improvements to the audit fee approval process, with new automated approval forms to be implemented next year.

Outlook

Risk management is integral to effective corporate governance. It is the culture, processes and structures that help us to realise potential opportunities and manage the things that threaten our objectives.

Our plan to review and update the Department's risk management policy and framework was deferred this year while we concentrated on implementing the new records management system. Risk management will be an area of particular focus for 2006-07.

Corporate Support

Role and Function

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

- production of all reports to Parliament;
- administration of our corporate records management system;
- reception and word processing services;
- management of general office supplies; and
- provision of high quality administrative support to other areas of the Department.



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

Achievements

Records Management

Records management is the application of systematic controls to information required for an organisation's business processes, from their creation to their ultimate disposal. It ensures that valuable corporate information is protected and maintained.

The team's major success in 2005-06 was to implement a new electronic document and records management system, TRIM Context. The system enables us to capture electronic documents from any source, store them centrally and re-access them in their native format. It provides very powerful search capability, making it possible for anyone to find the records they are looking for provided they have the right level of access. This should substantially improve the sharing and reporting of information across the Department, and provide opportunities to decentralise some aspects of records capture and management.

The design of the database and electronic migration of records from our existing records management system were significant projects, and we are proud to have met our target to launch the new system in June 2006.

Outlook

With the first phase of TRIM Context implementation now complete, our focus in 2006-07 is to finalise policies and business rules to support the system before we commence the second phase of roll-out to Executive and other Corporate Services staff, and then to field audit staff in the following phase.

FINANCE

Role and Function

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

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



Acting Manager Finance, Megan Stint (back right) and her team members

During the year the Finance section met all reporting requirements, maintained an effective internal control system, and contributed to the achievement of the budgeted financial performance for the Department. The section maintained its strive for continual improvement, and changes were implemented to associated work practices to improve the operational efficiency of the section.

Payment of Accounts

The following table presents statistics of the timing of payments to creditors. During 2005-06 94 percent of the number of accounts were paid by the due date.

Timing of Payments	Number	Percentage	Value \$'000	Percentage
Paid by the due date	1 034	94	2 918	90
Paid late less than 30 days after due date	54	5	281	9
Paid more than 30 days after due date	11	1	17	1
Total	1 099	100	3 216	100

Energy Efficiency

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

ANNUAL ENERGY USE

	Energy Use (GJ)	Expenditure \$'000 (Net of GST)	GHG Emissions Tonnes
Base year 2000-01	450	17	148
Year being reported	480	22	134

HUMAN RESOURCES

Role and Function

The Human Resource function supports Executive management in the development and implementation of strategic human resource initiatives.

Achievements

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



Manager, Human Resources, Silvana Gentilcore (centre) and her team members

INFORMATION TECHNOLOGY SUPPORT

Role and Function

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

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

Achievements

Laptop Upgrades

During the year the Information Technology Support section undertook the replacement of 35 (33 percent) of laptop computers as part of the Department's replacement program.

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

Server Reliability Program

An extensive program of Server upgrades has been undertaken resulting in all the Departments servers being updated to the latest hardware and software. The key purpose of these upgrades is to ensure the maximum possible reliability, continuity and security of the network and its data. The new backup and recovery systems that have been implemented represent the latest technology in backup and disaster recovery.

Client Data Security

As part of the Department's risk assessment processes, the Department identified the opportunity to improve security of the client data and related documents carried by field audit staff on portable storage devices. All storage devices carried by audit staff are now secured electronically with passwords and stronger encryption.

Ergonomics

This year the Department has addressed the ergonomic needs of staff. This review has resulted in greatly improved conditions for staff comprising new desks, monitors, keyboards and mice both within the Department's facilities and at many offsite locations. The principal purpose of this project was to improve the safety and productivity of personnel.

Policy Development

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

Accordingly the data and information and the enabling technology are important assets that must be protected to a level commensurate with their value to the Department. Recognising this, the Information Technology Support section has issued minor addendums to the Department's Information Technology Policy to all staff.



Acting Manager, Information Technology, Matthew Wozniak (right) and his team member

RESEARCH AND QUALITY ASSURANCE

Role and Function

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

The team's specific objectives are to:

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

Achievements

The major achievements over the past year include:

- Progressing the development of a revised robust quality assurance process.
- Conducting a series of reviews of selected audit files with the principal purpose of assessing the application of the AGES Audit Methodology (an acronym for Audit Guidance and Evaluation System) to assess compliance with the requirements of the Australian Auditing and Assurance Standards and Departmental policies.
- Conducting research on a number of developments within the auditing profession, including actual and proposed changes to professional pronouncements.

- Developing a new and more streamlined approach to assessing compliance with financial reporting disclosure requirements. With the introduction of the AIFRS Accounting Standards, and the Department of Treasury and Finance's Accounting Policy Framework there have been significant changes to financial reporting disclosure requirements applicable for the 2005-06 financial year. As a result a review was undertaken and a revised approach will be implemented.
- Assisting in revising the Department's financial statement year end letters. The letters outline audit's expectation of audit agencies with respect to year end processes.

These include the requirement to:

- Prepare a financial statement reporting plan to meet targeted financial statement submission dates;
- Prepare year end material (key reconciliations and workpapers) and documentation to support movements in account balances as compared to previous year amounts.
- Contributing to the preparation of a number of departmental responses to requests from the Department of Treasury and Finance concerning proposed public sector financial reporting requirements.
- The conduct of the training programs as planned per the Department's Professional Development Program.

Quality Assurance Framework

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

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

The development of this framework is seen as a significant task and substantial progress has been made over the past year in developing a revised framework. Work performed includes defining the roles of senior management and the RQA team and embedding quality processes that are supplemented by post audit review procedures. Work in this area continues.

One of the strategies forming part of this framework is the establishment of a program of independent quality assurance reviews of agency audits. The review program was expanded from the previous year to include an audit file from each audit field section. The reviews focused on reconsidering the audit strategy applied in undertaking the audit, including the assessment of whether the planned strategy adequately catered for audit risk, was executed as planned and whether an appropriate audit opinion had been expressed for both the financial attest and controls opinion audits. Consideration was also given to the requirements of the Australian Auditing and Assurance Standards and Departmental policies.

It was concluded that the audit files reviewed this year were completed in accordance with the requirements of professional auditing standards and Departmental policies. Notwithstanding this overall conclusion, areas of improvement were noted. All findings were discussed with the audit team concerned as part of the natural justice process prior to being conveyed to Executive. The

involvement of Senior Management in the peer review process facilitates the dissemination of review findings. Findings from all reviews will also be summarised and formally communicated to all staff.

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

Further reviews will be undertaken next year.

Staff Development

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

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

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

With the introduction of the AIFRS, applying to annual reporting periods beginning on or after 1 January 2005, the Department again this year engaged an external contractor to conduct a series of accounting seminars designed to upskill and update staff on selected accounting principles and developments. The seminars were specifically tailored to consider changes in the context of the public sector environment. These seminars received positive feedback and proved to be successful.

The RQA team, for a selected course, this year trialled a concept whereby individuals took responsibility to work through a training workbook on their own accord rather than in a classroom environment. The training course selected for the trial was a relatively simple software package and participants were required to learn how to use key elements of the package. Participants were supported by their Managers and of course, the RQA team.

Initial feedback regarding the approach has been positive. The concept will be further explored in developing the Professional Development Program for the coming year.

As part of the Department's staff development program, the RQA team also regularly provides all employees information affecting their work. This information has included details of:

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

This information is available on line through a centralised network system.



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

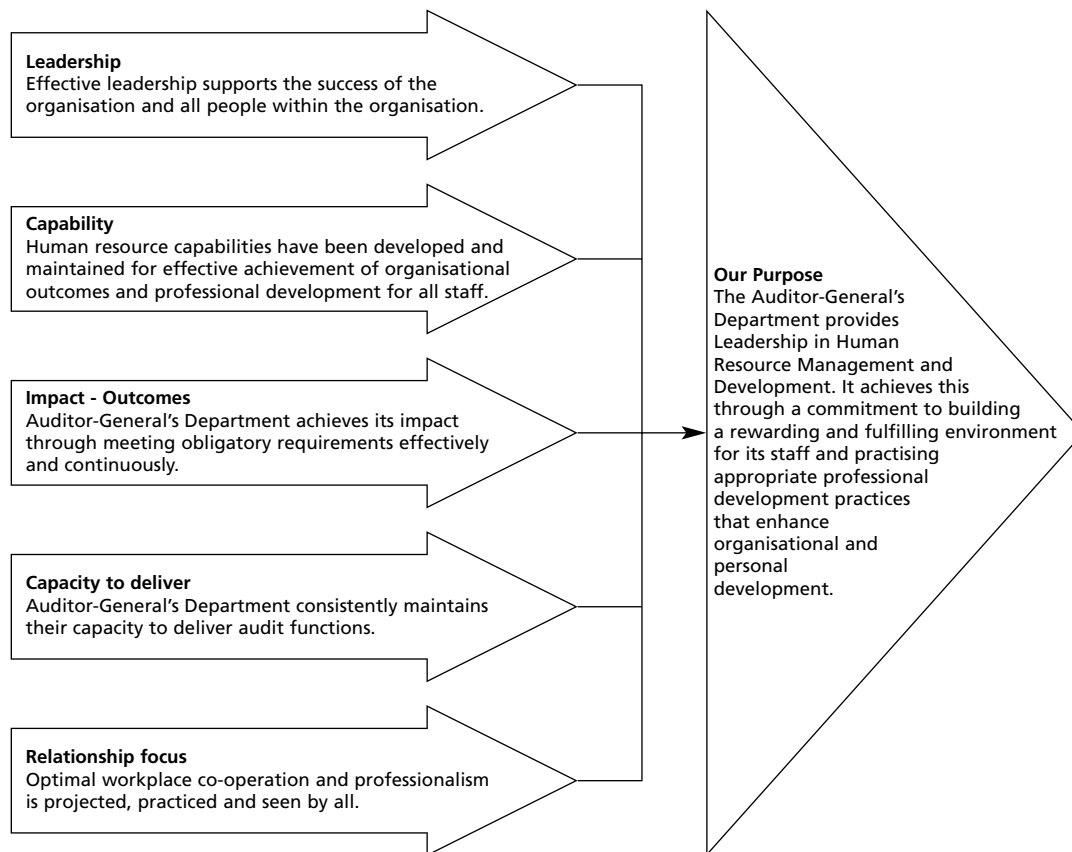
Human Resources

Management and Development

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

The commentary below highlights the goals, achievements and future strategies that have been identified as part of the Human Resource Management Strategic Plan for 2005-06, within five strategic result areas.

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



LEADERSHIP

Communication Process

Outcome

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

Achievements

A Staff Needs Survey was conducted in 2005. The survey results have provided the ability to compare staff perceptions from the first survey and to test whether implemented strategies are having the desired impact.

The 2005 survey results have been analyzed by the Executive and key areas of focus have been fed into the Department's Corporate Planning process.

Areas that have enhanced the continuous improvement approach to communication and consultation have been the establishment of terms of reference for the Senior Management Group Meetings and the development of Staff and Audit Allocations principles.

Outlook

To have a continuous improvement approach to communication and consultation mechanisms.

CAPABILITY

Competency Development

Outcome

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

Achievements

The Competency Project Group completed its work on the consolidation of field audit position responsibilities and competency profiles. The position responsibilities were streamlined and there was a substantial reduction in the number of competencies.

The revised competency profiles have been further integrated into the Department's human resource processes such as recruitment and selection; performance review and development and the professional development program.

The Department continues to work towards developing and integrating competency profiles for all Field Audit and Corporate Service positions.

Outlook

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

Performance Management

Outcome

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

Achievements

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

The performance management process was reviewed in 2005 as a result of a review of the competencies and key responsibilities. Modifications have been made to reflect current practice and have been fully implemented across the department.

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

DOCUMENTED INDIVIDUAL PERFORMANCE DEVELOPMENT PLAN

Salary Bracket	%with a plan negotiated 2005-06	% with a plan older than 12 months	% with no plan
\$0 - \$40 399	100	-	-
\$40 400 - \$54 999	95	5	-
\$55 000 - \$67 999	100	-	-
\$68 000 - \$88 999	68	32	-
\$89 000 +	50	50	-
TOTAL	82	18	-

Outlook

The Performance Review and Development system will continue to be reviewed for effectiveness. The performance management process will continue to be integrated into the Professional Development Program to ensure consistency in learning and development outcomes.

Professional Development

Outcome

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

Achievements

Participation rates in training and development programs continue to be high.

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

Professional Development Program

Particularly high importance is attached to the development and training of employees in order to achieve corporate goals and public sector responsibilities. The Department continues to strive to increase opportunities available to staff for development, while still achieving corporate goals. The 2005-06 program provided a range of training, development and learning activities for the varied and changing needs of the Department and its employees.

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

Key areas of the program were:

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

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

Leadership and Management Development

There is ongoing commitment to the continued development of the leadership and management skills of staff. Total expenditure on leadership and management development training for *Public Sector Management Act 1995* employees for 2005-06 was 1.8 percent of total employee remuneration expenditure. Total training and development expenditure for all employees for 2005-06 was 5.8 percent of total remuneration costs by salary.

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

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

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

Salary Bracket	Target 2005-06 percent	Actual 2005-06 percent	Target 2006-07 percent
\$0 - \$40 399	9	9	9
\$40 400 - \$54 999	6	5	6
\$55 000 - \$67 999	5	5	5
\$68 000 - \$88 999	4	3	4
\$89 000 +	2	7	2
TOTAL	5	5.8	5

Education Assistance

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

The reimbursement of fees during the year for the completion of approved studies totalled \$29 000 and study time totalling 912 hours was granted, reflecting ongoing support to staff to pursue current studies.

The Auditor-General's mandate encompasses a broad range of public sector agencies. To effectively discharge this audit mandate, it is essential that employees possess tertiary and post-graduate qualifications.

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

EMPLOYEE TERTIARY QUALIFICATIONS

Qualifications	Number
Bachelor of Arts (Accountancy)	15
Bachelor of Accountancy	4
Bachelor of Economics (Accountancy)	7
Bachelor of Economics	4
Bachelor of Business (Accountancy)	5
Bachelor of Commerce	42
Other Degrees	33
Diploma in Accountancy	6
Other Diplomas	10
Certificates	23

Professional Bodies/Institutions

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

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

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

Outlook

The overall outcomes of these activities are that:

- training and development processes support, measure, motivate and develop staff capabilities; and

- a high level of employee professionalism is maintained.

CAPACITY TO DELIVER**Workforce Diversity****Outcome**

Managing diversity is promoted throughout the Department.

Achievements

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

Age Profile of Employees

At 30 June 2006 the average age of the Department's employees was 35 years 2 months compared to 34 years and 3 months as at 30 June 2005. More than half of the staff (54 percent) is under 35 years of age as compared with the South Australian workforce statistics of 38.9 percent.

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

Age Bracket	Male	Female	Total	Total Percentage	South Australian Workforce Benchmark*
15-19	-	-	-	-	7.9
20-24	6	16	22	19.64	10.7
25-29	9	17	26	23.21	9.8
30-34	5	7	12	10.71	10.5
35-39	9	5	14	12.5	11.4
40-44	8	8	16	14.29	12.4
45-49	3	3	6	5.36	12.4
50-54	6	2	8	7.14	10.9
55-59	4	1	5	4.46	8.3
60-64	2	-	2	1.79	4.4
65+	1	-	1	0.90	1.3
Total	53	59	112	100.0	100.0

* Benchmark as at January 2006 from ABS Supertable LM8

Flexible Working Arrangements

The Department continues to review the availability of other types of flexible working arrangements.

Since the implementation of the Part Time Policy there has been an increased level of employee participation.

Number of Employees using Voluntary Flexible Working Arrangements			
	Male	Female	Total
Purchased leave	1	1	2
Flexitime	47	59	106
Part-time/Job Share	-	11	11

Indigenous Employees

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

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

* Benchmark from State Strategic Plan

Cultural and Linguistic Diversity

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

Cultural and Linguistic Diversity					
	Male	Female	Total	Percentage of Agency	Percentage of SA Community*
Number of employees born overseas	8	14	22	19.6	20.3
Number of employees who speak language(s) other than English at home	7	15	22	19.6	15.5

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

Disability Action Plans

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

Number of Employees with Ongoing Disabilities requiring Workplace Adaptation				Percentage of Agency
	Male	Female	Total	
Total	0	1	1	0.9

Outlook

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

Recruitment, Selection and Placement**Outcome**

Recruitment, selection and placement processes are reviewed and updated.

Achievements

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

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

Twenty one graduates were appointed during 2005-06 as the result of several recruitment processes.

Graduate Recruitment and Placement

	2005-06	2004-05
Graduates appointed up to 30 June	21	14

Graduates are appointed under the *Public Sector Management Act 1995* and are initially employed on a 12 month probationary period. During this period, the graduate's manager completes four structured performance assessments, to evaluate the graduate's work performance. This process provides the flexibility for a graduate to complete their probation at the end of 9 months rather than 12 months.

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

The Department has also implemented a range of recruitment and selection strategies for identified field audit positions. These strategies include short term development opportunity placements and liaison with relevant professional bodies.

Outlook

The Department will continue to implement practices to enhance and implement recruitment and selection practices that complement its business needs.



Graduates from the 2005-06 Intake

Induction

Outcome

Induction processes are reviewed and updated.

Achievements

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

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

reviewed and updated to ensure that all information is accurate, relevant and current.

The structure of the induction program is based on the number of graduates employed, the amount of time required for methodology training and the section or area of the Department they will be joining. Graduate's learning will be enhanced through on-the-job training and practical experience.

Outlook

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

Workforce Profile

Outcome

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

Achievements

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

Employee Classifications and Numbers

The Department has an approved staffing establishment of 111 full time equivalents (FTE), including the Auditor-General's position.

As at the last pay day in June 2006, the Department employed 112 employees representing 107.8 FTE (excluding the Auditor-General). The tables on pages 33 and 34 exclude the Auditor-General.

Staffing of the Department by Salary Bracket

Salary Bracket	Male	Female	Total
\$0 - \$40 399	9	14	23
\$40 400 - \$54 999	8	24	32
\$55 000 - \$67 999	13	12	25
\$68 000 - \$88 999	17	9	26
\$89 000+	6	0	6
Total	53	59	112

Status of Employees in Current Position

Gender	FTE's				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Casual	
Female	32.60	22.20	-	-	54.80
Male	31.00	16.00	6.00	-	53.00
Total	63.60	38.20	6.00	-	107.80

Gender	Persons				Total
	Ongoing	Short-Term Contract	Long-Term Contract	Casual	
Female	36	23	-	-	59
Male	31	16	6	-	53
Total	67	39	6	-	112

Gender	% Persons	% FTEs
Male	47.3	49.2
Female	52.7	50.8

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

Classification	Ongoing		Contract Tenured		Contract Untenured		Total		
	Male	Female	Male	Female	Male	Female	Male	Female	Total
Level B	-	-	6	-	-	-	6	-	6
Total	-	-	6	-	-	-	6	-	6

There has been no change in the employment of Executives.

Number of persons at 30 June 2006 on Leave Without Pay

Leave Without Pay	2
Reassignment / Temporary Contract in another Agency	3

Work Experience Profile

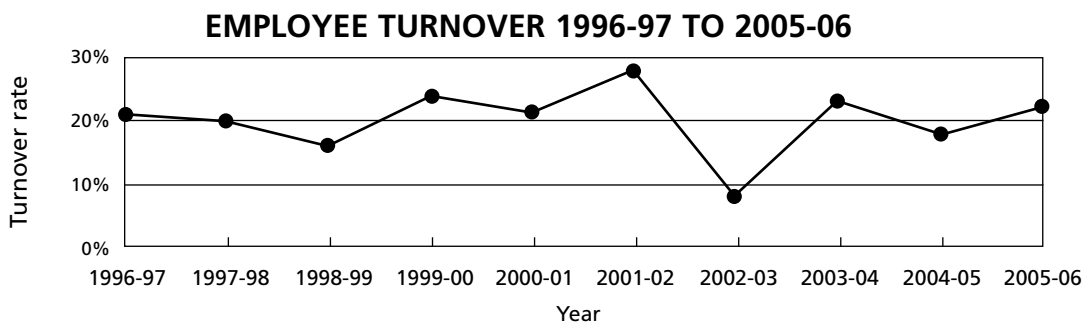
At 30 June 2006 the average work experience of employees in the Department was nine years and five months compared to nine years and three months at 30 June 2005.

WORK EXPERIENCE PROFILE

Years of Service	0 <3	3 <6	6 <11	11<16	16<21	21+	Total
Employees with Work Experience in:							
• Auditor-General's Department	44	16	19	4	14	15	112
• Public Sector	37	17	15	8	14	21	112

Employee Turnover and Movements

The average employee FTE for 2005-06 was 107.8 (108 for 2004-05) and the rate of employee turnover for the financial year was 22 percent, an increase of 5 percent from 17 percent in 2004-05. During 2005-06, 20 employees separated from the Department and 25 employees were recruited.



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

During 2005-06, the major reasons employees gave for ceasing employment within the Department were:

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

This remains constant with data collected from previous years exit interviews.

Outlook

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

IMPACT - OUTCOMES

Benchmarking

Outcome

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

Achievements

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

Outlook

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

RELATIONSHIPS FOCUS

Ongoing Improvement in Service Delivery

Outcome

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

Achievements

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

Outlook

The Department continues to document and implement changes in consultation with staff.

OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

Outcome

An occupational safe, healthy workplace for employees.

Achievements

Employee Health and Wellbeing

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

As part of its pro-active program to promote a healthier work environment for employees, a Flu Vaccination Program was arranged. 38 percent of staff took the opportunity to receive a cost free vaccination.

In addition, to assist staff with eye strain and eye vision problems, a presentation to address the issues was conducted by an optometrist. 29 percent of staff attended.

Employee Assistance Program

This program provides staff and management with a proactive support mechanism for meeting personal needs and work performance objectives. The program is accessed by the employees and is recognised as being valuable.

Occupational Health, Safety and Welfare Committee

The Occupational Health, Safety and Welfare Committee has been established to provide a consultative framework that will assist management to plan for effective OHS&W in the Department. The Committee role is also to establish and monitor policies and procedures and other strategies aimed at improving OHS&W management.

The Committee currently consists of ten members with two management, seven employee representatives and an OHS&W Coordinator.

The functions of the Committee are to:

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

The OHS&W Policies and Procedures can be accessed on the Department's intranet by all employees. All policies and procedures are reviewed and updated on a progressive basis during the year.

Worksite Inspection

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

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

Performance Review

External consultants were engaged to conduct:

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

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

The consultant commended the ongoing continuous improvement demonstrated by the Department during the course of the audit.

SICK LEAVE AND FAMILY CARERS LEAVE

	Days per Employee			
	2005-06	2004-05	2003-04	2002-03
Average FTE sick leave	5.84	7.80	6.60	5.70
Average FTE family care leave	0.40	0.26	0.17	0.26
Average FTE special leave with pay	2.81	1.08	0.73	0.64

Workers Rehabilitation and Compensation

The premium paid for workers compensation insurance for 2005-06 was \$251 (\$2 400 in 2004-05).

**OCCUPATIONAL HEALTH, SAFETY AND INJURY
MANAGEMENT STATISTICS**

	2005-06	2004-05	2003-04
1. OHS&W Legislative Requirements:			
Notifiable occurrences pursuant to OHS&W Regs. Div 6.6	Nil	Nil	Nil
Notifiable injuries pursuant to OHS&W Regs, Div 6.6	Nil	Nil	Nil
Notices served pursuant to OHS&W Act s35, s39, s40	Nil	Nil	Nil
2. Injury Management Legislative Requirements:			
Employees who participated in a rehabilitation program	Nil	Nil	Nil
Employees rehabilitated and reassigned to alternative duties	Nil	Nil	Nil
Employees rehabilitated back to original work	Nil	Nil	Nil
Open claims	Nil	Nil	1
Percentage of workers compensation expenditure over gross annual remuneration	Nil	Nil	0.002
3. Number of Claims			
New workers compensation claims for the reporting period	Nil	Nil	2
Fatalities, lost time injuries, medical treatment only	Nil	Nil	Nil
Whole working days lost	Nil	Nil	Nil
4. Cost of Workers Compensation:			
Cost of new claims for financial year	Nil	Nil	\$130
Cost of all claims excluding lump sum payments	Nil	Nil	\$130
Lump sum Payments (s42, s43, s44)	Nil	Nil	Nil
Total amount recovered from external sources (WRC Act s54)	Nil	Nil	Nil
Budget for workers compensation (Insurance Premium)	\$2 000	\$3 000	\$3 000
5. Trends			
Lost time injury frequency per million hours worked	Nil	Nil	Negligible
Most frequent cause of injury	None	None	Tripping
Most expensive cause of Injury	None	None	Tripping
6. Meeting Strategic Targets			
Achievement of OHS&W action plan (Independent Audit Assessment)	Excellent	Excellent	Excellent

Outlook

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

SOCIAL CLUB

The Auditor-General's Department Social Club enables staff, who work in separate teams and physical locations, to interact and network with each other in a relaxed atmosphere.

The Social Club Committee organises a number of events and activities for its members, which in 2005-06 included a 70's

themed annual dinner, a quiz night, Christmas picnic, Christmas lunch and a movie night. In addition, the Social Club Committee hosted a number of regular happy hours. All activities are funded by staff member subscriptions.

The Social Club also supports fundraising for various charity organisations including participation in Cancer Council Australia's "Biggest Morning Tea".



Annual Dinner – October 2005

Commentary on Financial Report

FUNDING OF THE DEPARTMENT

Estimates of annual accrual expense and capital requirements are submitted through the Department of Treasury and Finance to Parliament. Parliament approves the budgeted appropriation of funds from the Consolidated Account.

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

BUDGET PROGRAM DESCRIPTIONS

The sole program is the performance of auditing services covering all of the audit responsibilities prescribed under the *Public Finance and Audit Act 1987*. This program is segmented into two sub-programs.

Prescribed Audits

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

Special Investigations

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

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

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

FINANCIAL PERFORMANCE

The following table discloses the key financial performance indicators for the 2005-06 year on an accrual basis exclusive of goods and service tax.

Item	Budget \$'000	Actual \$'000	Variance \$'000
Auditing Services Net Cost of Services	10 463	10 339	(124)
Administered Revenue - Audit Fees	8 149	8 778	629

CONTRACTED AUDITS

A number of audits are contracted out to the private sector where specialist audit skills are not available within the Department. The key criteria is to provide a professional audit in the most efficient and cost effective manner. During 2005-06, payments totalling \$699 000 (\$740 000) were made for contracted audits.

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

CONSULTANTS

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

Consultancy expenses during 2005-06, as itemised below, amounted to \$191 000 (\$312 000 in 2004-05).

Consultancies	Details	\$'000
Under \$10 000	7 Consultancies	17
\$10 000 - \$50 000:	5 Consultancies	101
K J Bockmann Consulting	Professional services associated with the production of the Auditor-General's 2004-05 Annual Report to Parliament.	16
Henderson MS	Provision of Accounting Opinions.	14
Australian Govt Solicitor	Professional advice in relation to the Auditor-General's examination pursuant to section 39 of the <i>Passenger Transport Act 1994</i>	43
Australian Govt Solicitor	Professional advice in relation to material included in the Auditor-General's Report to Parliament	11
University of New South Wales	SA Forestry Review	17
Over \$50 000	1 Consultancy	73
Finlaysons Lawyers	Role of the DPP – Public Relations Consultants	73
Total Consultancies	13 Consultancies	191

Financial Report

Income Statement for the year ended 30 June 2006

		2006	2005
	Note	\$'000	\$'000
EXPENSES:			
Employee expenses	4	7 982	7 807
Supplies and Services:	5		
Contractors		755	760
Accommodation and service costs		515	506
Other expenses		372	312
Consultancies		191	312
Computing and network processing costs		176	183
Motor vehicle hire		124	127
Staff development and training		124	164
Depreciation and amortisation		255	215
Total Expense		10 494	10 386
INCOME:			
Interest		147	118
Net Gain (Loss) on disposal of assets	6	5	(13)
Other income		3	3
Total Income		155	108
NET COST OF SERVICES		10 339	10 278
REVENUES FROM SA GOVERNMENT:			
Appropriations and contingency provision grant	7	10 551	10 205
NET RESULT		212	(73)
THE NET RESULT IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER			

Balance Sheet as at 30 June 2006

		2006	2005
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	8	2 652	2 157
Receivables	9	112	96
Total Current Assets		2 764	2 253
NON-CURRENT ASSETS:			
Computing and office facilities	10	288	333
Intangible assets	11	134	53
Total Non-Current Assets		422	386
Total Assets		3 186	2 639
CURRENT LIABILITIES:			
Payables	12	244	179
Cash advance - Imprest accounts		3	3
Employee benefits	13	812	725
Provision for workers compensation		3	2
Total Current Liabilities		1 062	909
NON-CURRENT LIABILITIES:			
Payables	12	175	205
Employee benefits	13	1 835	1 626
Provision for workers compensation		9	6
Total Non-Current Liabilities		2 019	1 837
Total Liabilities		3 081	2 746
NET ASSETS		105	(107)
EQUITY:			
Opening balance - Deficit		(107)	(34)
Increase (Decrease) in net assets		212	(73)
TOTAL EQUITY		105	(107)
THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER			
Commitments	14		

Statement of Changes in Equity for the year ended 30 June 2006

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2004	(34)	(34)
Restated Balance at 30 June 2004	(34)	(34)
Net Income/Expense recognised directly in equity for 2004-05	(73)	(73)
Balance at 30 June 2005	(107)	(107)
Restated Balance at 30 June 2005	(107)	(107)
Net Income/Expense recognised directly in equity for 2005-06	212	212
Balance at 30 June 2006	105	105
THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		

Cash Flow Statement for the year ended 30 June 2006

		2006 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(7 672)	(7 380)
Supplies and services		(2 235)	(2 380)
Goods and Services Tax on purchases		(241)	(250)
CASH INFLOWS:			
Interest		147	118
Other income		3	3
Goods and Services Tax on receipts		3	4
Goods and Services Tax refunds from ATO		242	251
CASH FLOWS FROM SA GOVERNMENT:			
Appropriations and contingency provision grant	7	10 551	10 205
Net Cash Inflows provided by Operating Activities	15	798	571
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of computer and office facilities		(303)	(298)
Disposal of computer and office facilities		-	42
Net Cash Outflows used in Investing Activities		(303)	(256)
NET INCREASE IN CASH HELD		495	315
CASH AT 1 JULY		2 157	1 842
CASH AT 30 JUNE	8, 15	2 652	2 157

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* (the Act).

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

Prescribed Audits

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the Act. During the year the Department spent \$10 451 000 (\$10 196 000) on this subprogram.

Special Investigations

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

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

These projects have specific Terms of Reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During the year the Department expenditure on this subprogram totalled \$43 000 (\$190 000).

2. Statement of Significant Accounting Policies

2.1 *Basis of Preparation*

The financial report is a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the Treasurer's Instructions and Accounting Policy Framework issued pursuant to the Act. The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values.

2.1 Basis of Preparation (continued)

The financial statements are the first statements to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). Australian Accounting Standard AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are at Note 3.

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

2.2 Reporting Entity

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

2.3 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Framework or Australian Accounting Standard has required a change.

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1. Where applicable the comparatives have been restated to assist users understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 3 provides an analysis of comparative amounts that have been reclassified as a result of adopting AIFRS.

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, fringe benefits tax and goods and services tax. Income, expenses and assets are recognised net of the amount of GST except that:

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

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

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

2.6 Income and Expenses

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

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 3.5 and have not been offset unless required or permitted by another accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APSs 4.1 and 4.2, the Notes to the accounts disclose revenues, expenses, financial assets and financial liabilities where the counterparty transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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

2.7 Revenues from 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 expense 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 Treasurer's Instruction 3 *Appropriation*, paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

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

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

Trade receivables arise in the normal course of audit services to other agencies. Trade receivables are payable within 30 days after the issue of an invoice.

2.11 Inventories.

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

2.12 Non Current Asset Acquisition and Recognition.

Assets are initially 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 \$2 000 are capitalised in accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 2.15 and 2.16.

All assets useful lives have been set at three years.

2.13 Revaluation of Non-Current Assets

All non-current assets, having 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:

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

2.15 Intangible Assets

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 \$2 000 in accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 2.15 and 2.16.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of three years. Intangible assets are measured at cost.

2.16 Payables

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

Creditors represent the amounts owing for goods and services received prior to, that are unpaid, at the end of the reporting period. 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 after receipt of an invoice.

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

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

2.17 Employee Benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 119 *Employee Benefits*. 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 expected to be paid within 12 months are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date.

Sick Leave

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

Long Service Leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of seven years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 119. This advice has been adopted and the long service leave liability as at 30 June 2006 has been calculated at nominal amounts based on current salary and wage rates for employees with seven or more years service.

The long service leave to be taken in the 12 months to 30 June 2007 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Superannuation

The liability for superannuation is included in payables.

2.18 Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2006 provided by a consulting actuary engaged through the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services. 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.

2.19 Leases

Operating 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 charged to the Income Statement which is representative of the benefits derived from the leased assets.

3. Changes in Accounting Policies

The Department has adopted Australian equivalents to International Financial Reporting Standards (AIFRS) for the first time for the year ended 30 June 2006.

The adoption of AIFRS has not resulted in any material adjustments to the Income Statement, Balance Sheet or Cash Flow Statement.

4. Employee Expenses

	2006	2005
Employee benefits:	\$'000	\$'000
Salaries	5 898	5 787
Annual leave	535	523
Long service leave	309	309
Total Employee Benefits	6 742	6 619
Employee on-costs:		
Superannuation	792	768
Payroll tax	444	418
Total Employee On-costs	1 236	1 186
Workers compensation	4	2
Total Employee Expenses	7 982	7 807

5. Supplies and Services

	2006	2005
Supplies and Services provided by entities within SA Government:	\$'000	\$'000
Accommodation and service costs	497	493
Other expenses	55	18
Motor vehicle hire	96	95
Staff development and training	1	2
Total Supplies and Services - SA Government Entities	649	608
Supplies and Services provided by entities external to the SA Government:		
Contractors	755	760
Accommodation and service costs	18	13
Other expenses	317	294
Consultancies	191	312
Computing and network processing costs	176	183
Motor vehicle hire	28	32
Staff development and training	123	162
Total Supplies and Services - Non-SA Government Entities	1 608	1 756
Total Supplies and Services	2 257	2 364

6. Net Gain (Loss) on Disposal of Assets

Historic cost of assets disposed	157	458
Less: Accumulated depreciation	145	403
	12	55
Proceeds on disposal	17	42
Total Gain (Loss) on Disposal of Assets	5	(13)

7. Funding of the Department

Appropriations to the Department in 2005-06 amounted to \$10 407 000 (\$10 112 000) and there was a contingency provision grant of \$144 000 (\$93 000).

Appropriations under Special Acts are reported under Administered Items.

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

Appropriations and contingency provision grant:

Prescribed Audits	10 551	10 205
Special Investigations	-	-
	<u>10 551</u>	<u>10 205</u>

8. Cash and Cash Equivalents

Deposits with the Treasurer	2 649	2 154
Imprest Account and Cash on Hand	3	3
	<u>2 652</u>	<u>2 157</u>

9. Receivables

Current		
Receivables	20	-
Net GST Receivable	92	96
Total Current Receivable *	<u>112</u>	<u>96</u>

* All current receivable amounts are with non SA Government entities.

Interest Rate and Credit Risk

Receivables are raised for all goods and services for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and prepayments are non-interest bearing and it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

10. Computer and Office Facilities	2006	2005
	\$'000	\$'000
10.1 Classes of Computer and Office Facilities		
Equipment - At cost	762	764
Accumulated depreciation	(477)	(458)
	<u>285</u>	<u>306</u>
Leasehold improvements - At cost	150	150
Accumulated depreciation	(147)	(123)
	<u>3</u>	<u>27</u>
	<u>288</u>	<u>333</u>

10.2 Reconciliation of Carrying Amount

	Carrying Amount				Carrying Amount
	1 July	Additions	Disposals	Depreciation	30 June
	\$'000	\$'000	\$'000	\$'000	\$'000
Equipment	306	155	12	164	285
Leasehold improvements	27	-	-	24	3
Total Computer and Office Facilities	<u>333</u>	<u>155</u>	<u>12</u>	<u>188</u>	<u>288</u>

11. Intangible Assets

11.1 Classes of Intangible Assets	2006	2005
	\$'000	\$'000
Computer software - At cost	512	364
Accumulated amortisation	378	(311)
	<u>134</u>	<u>53</u>

11.2 Reconciliation of Carrying Amount

	Carrying Amount				Carrying Amount
	1 July	Additions	Disposals	Amortisation	30 June
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer software	53	148	-	67	134
Total Intangible Assets	<u>53</u>	<u>148</u>	<u>-</u>	<u>67</u>	<u>134</u>

12. Payables	2006	2005
Current	\$'000	\$'000
Employee On-costs	188	147
Creditors	28	17
Accrued expenses	28	15
Total Current	244	179
Non-Current:		
Employee On-costs	175	205
Total Non-Current	175	205
Total Payables	419	384
Payables to entities within the SA Government	189	167
Payables to entities external to the SA Government	230	217
Total Payables	419	384

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 net fair value due to the amounts being payable on demand.

13. Employee Benefits	2006	2005
Current:	\$'000	\$'000
Salaries	120	104
Annual leave provision	532	480
Long service leave provision	160	141
Total Current	812	725
Non-Current:		
Long service leave provision	1 835	1 626
Total Non-Current	1 835	1 626
Total Employee Benefits	2 647	2 351

14. Commitments

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

Office Accommodation

Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The lease expires on 30 June 2010. The rental amount is based on floor space, with the rental rate reviewable by Real Estate Management every two years.

Motor Vehicles

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

Operating Leases	2006	2005
At the reporting date the Department had the following obligations under non- cancellable operating leases (these obligations have not been recognised as liabilities):	\$'000	\$'000
Not later than one year	509	515
Later than one year and not later than five years	1 357	1 806
Later than five years	-	-
Total Operating Lease Commitments	1 866	2 321

15. Cash Flow Reconciliations

15.1 Reconciliation of Cash

Cash at year end per:		
Balance Sheet	2 652	2 157
Cash Flow Statement	2 652	2 157

15.2 Reconciliation of Net Cost of providing Services to Net Cash provided by Operating Activities

Net cost of services	(10 339)	(10 278)
Cash flows from government	10 551	10 205
Depreciation	255	215
Decrease in receivables*	1	5
Increase in employee benefits	296	380
Increase in provision for workers compensation	4	1
Increase in payables	35	30
(Profit) Loss on disposal of assets	(5)	13
Net Cash provided by Operating Activities	798	571

* Movement in receivable excludes a capital receivable of \$17 000

16. Remuneration of Employees	2006	2006	2005	2005
The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:	Number of Executives*	Number of Employees	Number of Executives*	Number of Employees
\$100 000 - \$109 999	-	3	-	-
\$130 000 - \$139 999	-	-	2	-
\$140 000 - \$149 999	4	-	3	-
\$150 000 - \$159 999	1	-	1	-
\$160 000 - \$169 999	1	-	-	-
Total Number of Executives/Employees	6	3	6	-

* Based on the Department's Executive Organisation Structure.

Total remuneration received or receivable by Departmental executives was \$896 000 (\$861 000). Total remuneration received or receivable by the non-executive employees listed above was \$308 000.

17. Remuneration of Auditor	2006	2005
	\$'000	\$'000
Remuneration for audit of financial reports	7	7
Remuneration for other services	-	-
	<u>7</u>	<u>7</u>

18. **Financial Risk Management**
The Department has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (Deposits with the Treasurer and Imprest Account). The Department's exposure to market risk and cash flow interest risk is minimal.

In relation to liquidity/funding risk, the continued existence of the Department in its present form is subject to Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

Statement of Administered Expenses and Income for the year ended 30 June 2006

	Note	2006	2005
ADMINISTERED EXPENSES:		\$'000	\$'000
Employee expenses	2.17	248	268
Amounts paid/payable to consolidated account		8 955	8 832
Goods and Services Tax paid/payable	A2	176	803
Total Administered Expenses		<u>9 379</u>	<u>9 903</u>
ADMINISTERED INCOME:			
Fees for audit services	A4.1	8 778	8 029
Goods and services tax received/receivable on audit fees	A2	176	803
Appropriation - Special Acts	A4.2, A5	234	224
Appropriation - Goods and Services Tax	A2, A5	460	896
Total Administered Income		<u>9 648</u>	<u>9 952</u>
NET OPERATING SURPLUS	A6.2	<u>269</u>	<u>49</u>

THE OPERATING SURPLUS IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER

**Statement of Administered Assets and Liabilities
as at 30 June 2006**

ADMINISTERED ASSETS:		2006	2005
CURRENT ASSETS:	Note	\$'000	\$'000
Cash and cash equivalents		318	-
Receivables	18, A4.1	380	476
Total Assets		698	476
ADMINISTERED LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	2.17, A3	329	118
Amounts payable to consolidated account	A4.1	346	476
Goods and Services Tax payable		152	83
Total Current Liabilities		827	677
NON-CURRENT LIABILITIES:			
Employee benefits	2.17, A3	-	197
Total Non-Current Liabilities		-	197
Total Liabilities		827	874
NET ADMINISTERED ASSETS		(129)	(398)
ADMINISTERED EQUITY:			
Opening balance		(398)	(447)
Increase in net assets		269	49
TOTAL ADMINISTERED EQUITY		(129)	(398)
THE TOTAL ADMINISTERED EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER			

**Statement of Changes in Administered Equity
for the year ended 30 June 2006**

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2004	(447)	(447)
Restated Balance at 30 June 2004	(447)	(447)
Net Expenses/Income recognised directly in equity for 2004-05	49	49
Balance at 30 June 2005	(398)	(398)
Restated Balance at 30 June 2005	(398)	(398)
Net Expenses Income/ recognised directly in equity for 2005-06	269	269
Balance at 30 June 2006	(129)	(129)
THE TOTAL ADMINISTERED EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		

**Statement of Administered Cash Flows
for the year ended 30 June 2006**

		2006 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefits		(234)	(224)
Amounts paid to consolidated account		(9 085)	(8 761)
Goods and Services Tax paid to ATO		(809)	(896)
CASH INFLOWS:			
Fees for audit services		9 752	8 761
Goods and Services Tax on receipts			
CASH FLOWS FROM GOVERNMENT:			
Appropriations	A5	694	1 120
Net Cash Inflows provided by Operating Activities	A6.2	318	-
NET INCREASE IN CASH HELD		318	-
CASH AT 1 JULY		-	-
CASH AT 30 JUNE	A6.1	318	-

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Statement of Significant Accounting Policies

All Auditor-General's Department accounting policies are contained in Note 2 'Statement of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and the Administered Financial Statements with the exception of the treatment of Goods and Services Tax (GST) raised on audit fees and subsequently paid to the Australian Taxation Office (ATO). For prior periods and for the period 1 July 2005 to 31 December 2005 the GST raised and collected on all audit fees was recognised as revenue and the corresponding payment to the ATO was recognised as an expense. This situation changed during 2005-06 and this change is detailed in Note A2.

A2. Change in GST Arrangements During 2005-06

During 2005-06 the Department changed its treatment of GST received on audit fees. Until 31 December 2005 all GST collected on audit fees raised was paid to the Consolidated Account. When payment of the GST collected was required to be made to the ATO the Department received a specific appropriation for this payment. As an appropriation was received a corresponding expense was recognised for the payment made. The GST received from clients was also recognised as revenue. With the agreement of the Department of Treasury and Finance as at 31 December 2005 all GST yet to be collected from clients and all subsequent GST received as a result of audit fee raisings has been retained by the Department for payment of GST to the ATO. The Department therefore received no appropriations for its GST payments subsequent to the appropriation it received for the December 2005 Quarterly Business Activity Statement, with the exception of a \$200 000 appropriation float. The appropriation float was received to ensure that the Department always had enough funds to make its quarterly GST payment to the ATO. From 1 January 2006 as GST collected on audit fees was no longer paid to the Consolidated Account and no corresponding appropriation was received, the GST expense and GST revenue were no longer recognised. The result of these changes has been a significant decrease in 2005-06 in the Goods and Services Tax paid/payable, Goods and services tax received/receivable on audit fees and Appropriation - Goods and Services Tax in the Statement of Administered Expenses and Income. The only impact on the Statement of Administered Cash Flows has been a significant decrease in appropriations and the existence of a cash balance for Administered Items as a result of the retention of GST receipts and the establishment of the \$200 000 float detailed previously.

A3. Employee Benefits

	2006 \$'000	2005 \$'000
Current		
Salaries	5	4
Annual leave provision	125	114
Long service leave provision	199	-
Total Current	329	118
Non-Current:		
Long service leave provision	-	197
Total Non-Current	-	197
Total Employee Benefits	329	315

A4. Administered Items

A4.1 Auditing Fees

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

Fees outstanding at 1 July	476	405
Billings (including Goods and Services Tax)	9 656	8 832
	<u>10 132</u>	<u>9 237</u>
Receipts (including Goods and Services Tax)	9 752	8 761
Fees outstanding at 30 June	<u><u>380</u></u>	<u><u>476</u></u>

At 30 June, the value of audit work in progress was \$5 190 000 (\$5 128 000). The Department is of the opinion that this amount is recoverable.

A4.2 Special Acts

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

A5. Funding of the Administered Items

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

Appropriations:	2006	2005
	\$'000	\$'000
Special Acts	234	224
Goods and Services Tax	460	896
	<u>694</u>	<u>1 120</u>

A6. Notes to the Administered Statement of Cash Flows

A6.1 Reconciliation of Cash

Cash at year end per:		
Balance Sheet	318	-
Cash Flow Statement	318	-

A6.2 Reconciliation of Net Operating Surplus to Net Cash provided by Operating Activities

Net surplus	269	49
Decrease (Increase) in receivables	96	(71)
Increase in employee benefits	14	44
(Decrease) Increase in amounts payable to the Consolidated Account	(130)	71
Increase (Decrease) in Goods and Services Tax payable	69	(93)
Net Cash provided by Operating Activities	<u>318</u>	<u>-</u>

A7. Remuneration of Employees

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

\$290 000 - \$299 999	-	1
\$310 000 - \$319 999	1	-

Total remuneration received or receivable by this employee was \$311 000 (\$293 000).

A8. Specific Disclosure

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

	SA Government		Non-SA Government	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Revenues excluding appropriations	8 429	7 791	525	1 041
Expenses	8 955	8 832	424	1 071
Financial assets	672	-	26	476
Financial liabilities	346	476	152	83

Certification of the Financial Report

We certify that:

- the attached General Purpose Financial Report for the Auditor-General's Department presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Auditor-General's Department as at 30 June 2006, the results of its operation and its cash flows for the year then ended;
- the attached financial statements are in accordance with the accounts and records of the authority and give an accurate indication of the financial transactions of the authority for the year then ended; and
- internal controls over the financial reporting have been effective throughout the reporting period.



K I MacPherson
AUDITOR-GENERAL



M Stint
ACTING MANAGER, FINANCE

Independent Audit Report

INDEPENDENT AUDIT REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT

SCOPE

The financial report and Auditor General's responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, statement of administered expenses and revenues, statement of administered assets and liabilities, statement of changes in administered equity, statement of administered cash flows, accompanying notes to the financial statements, and the certification of financial report of the Auditor-General's Department ("the Department"), for the year ended 30 June 2006.

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

Audit approach

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

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

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

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report presents fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements in Australia, the Public Finance and Audit Act 1987 and the Treasurer's Instructions promulgated under the Act, the financial position of the Auditor-General's Department as at 30 June 2006, and its financial performance and its cash flows for the year then ended.



Edwards Marshall
Chartered Accountants



Jamie Dreckow
(Partner)

Adelaide, South Australia Dated 13/9/06



EdwardsMarshall

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Steven M Wild FCA
Noel W Clifford FCA
Jamie T Dreckow CA
Geoffrey R Kay FCA
Benjamin L T Miels CA
Angelo R Piantadosi FCA
Grantley W Stevens CA

Senior Employees

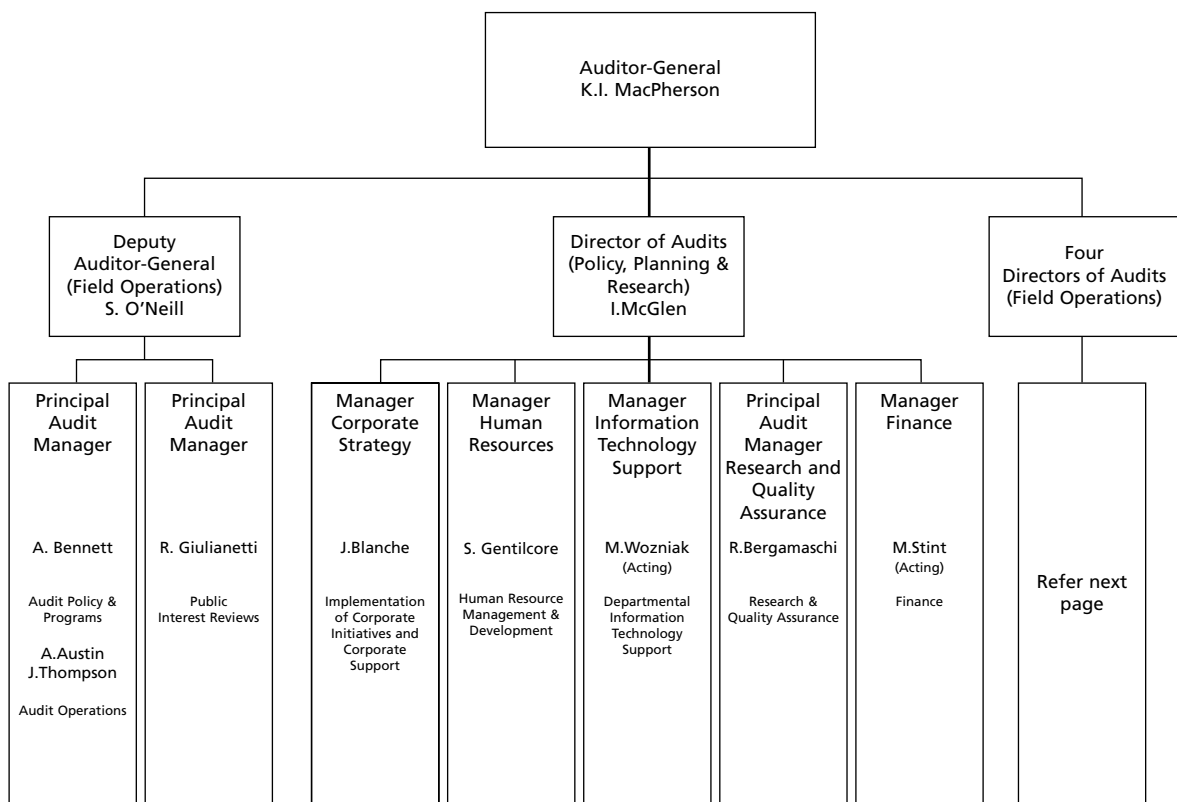
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Karina L McLauchlan CA
Leanne E Thomas CA
Carly Thornton CA
Nicholas K Wilkins FCA

APPENDICES

APPENDIX A

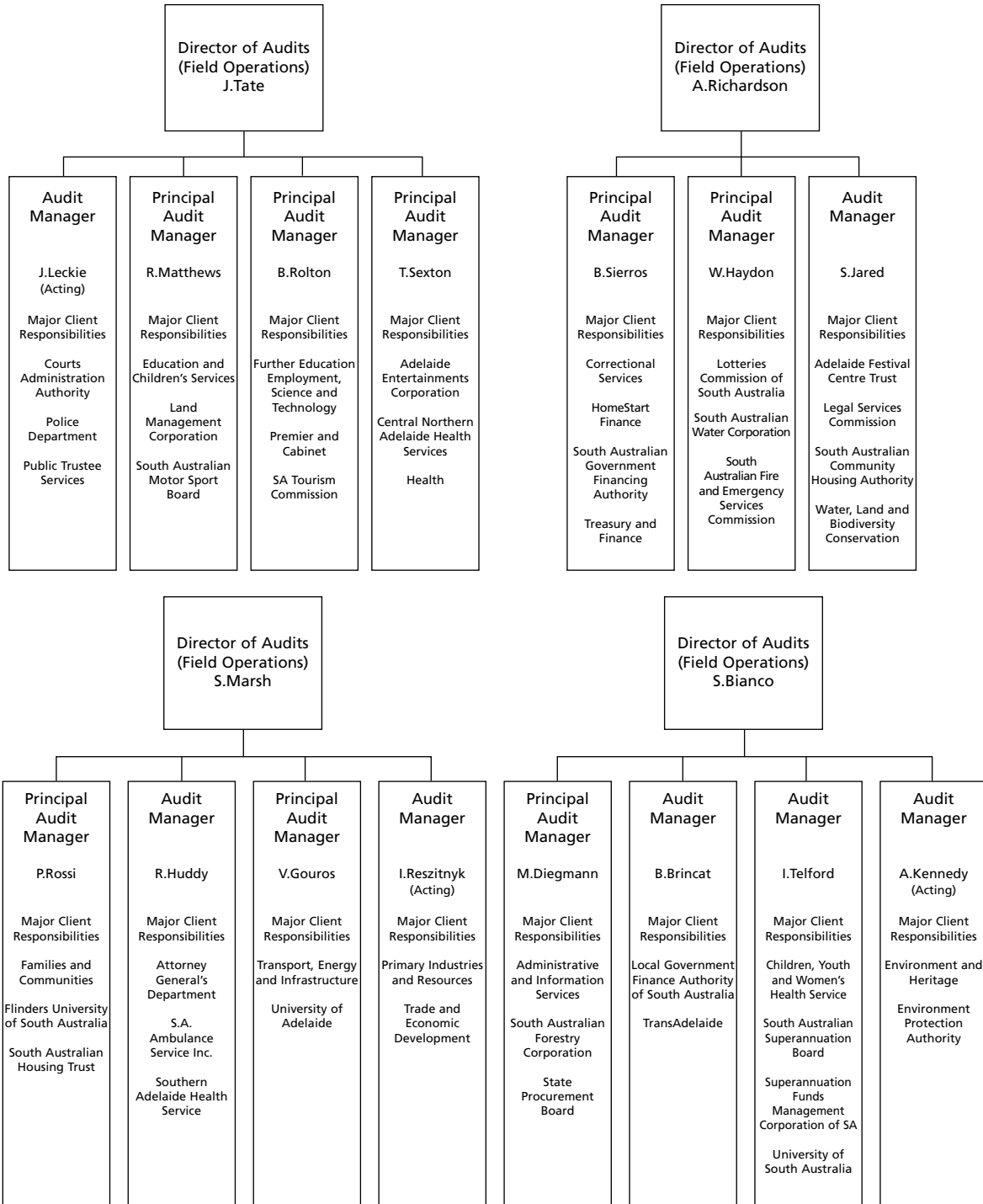
DEPARTMENT ORGANISATION CHART

as at 30 June 2006



DEPARTMENT ORGANISATION CHART

as at 30 June 2006



APPENDIX B

PROFESSIONAL DEVELOPMENT COURSES ATTENDED 2005-06

COURSE TITLE	HOURS
AGeS Information Technical Seminar	705
AGeS Methodology	506
AIFRS and the Public Sector	548
AIFRS for Senior Management	56
AS/2 Document Manager	323
Behavioural Interviewing	75
Corroborative Inquiry	134
Ergonomics and Manual Handling	99
Ethics and Public Sector Responsibilities	60
Eye Strain and Care	36
Fixed Assets Business Cycle	60
Get That Job	98
Graduate Development Module 1	64
Graduate Development Module 2	52
Graduate Development Module 3	4
Graduate Development Module 4	147
Graduate Development Module 5	4
Graduate Development Module 6	4
Graduate Development Module 7	4
Graduate Development Module 8	4
Graduate Development Module 9	4
Graduate Development Module 10	4
Graduate Development Module 11	4
Graduate Development Module 12	4
Graduate Development Module 13	4
Graduate Development Module 14	4
Graduate Development Module 15	4
Graduate Development Module 16	4
Graduate Development Module 17	4
Graduate Development Module 18	4
Graduate Development Module 19	4
Graduate Development Module 20	4
Graduate Development Module 21	4
Graduate Induction	188
Graduate Module	64
IGrafX Professional Flowcharter	71
Induction Follow-Up	68
In's and Out's of Recruitment and Selection	120
Introduction to ACL	236
Introduction to Performance Review and Development	32
Leadership Development	354
OHS&W Committee Training	12
Payroll and Personnel Business Cycle	63
Performance Review and Development Update	37
Revenue Business Cycle	64
Staff Information Session (OHS&W)	76
Team Development Activity	728
Trial Balance	98
Update of Department of Treasury and Finance Accounting Policies	162
Use of OHS&W forms and checklists	15
Total	5 423

APPENDIX C

EXTERNAL TRAINING COURSES ATTENDED 2005-06

COURSE TITLE	TRAINING HOURS
15th Annual Medico Legal Congress 2006	28
5th Annual HR Conference	15
A Guide to Accounting for Income Taxes (AASB112)	4
Brave New World - EmR IR update	8
CHRIS Client User Conference	19
CPA Congress	118
Discrimination and Harassment	7
Government Accounting Information Forum	15
Government Taxation Information Forum	23
Professional Management Program	135
Senior First Aid Certificate Course	23
Supporting users running the Microsoft XP Operating System	23
The Gartner Viewpoint (in connection with the Government of SA)	4
Time Management	8
Women in Management	14
Total	444

APPENDIX D

STAFF LIST AS AT JUNE 2006

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Abbott	D M	BSc (Math & CompSc)	ASA
Allen	J	Cert III in Clerical & Admin Trainship	
Anderson	K	BComm, BArts	CPA
Atkins	A	BComm (Acc)	
Austin	A	AssocDip Comp Stud, Cert in Softw QA & Mgt	
Balendra	R	BComm (Acc)	
Bennett	A F	DipAcc	CPA, MACS
Bergamaschi	R C	B Ec, GradDip (Acc), Cert IV Assessment Workplace Training	CPA
Bianco	S	BArts (Acc)	CPA
Blanche	J	BEc (Acc)	CPA
Blowes	L	BAcc, BIntBus	
Borgman	B J	BAcc, BBus (MIS)	ASA
Boyle	C V	Cert First Line Mgt, Cert Bus Proc, DipGov (Mgt)	
Brent	W	Cert Off Sk, Cert Comp/Off Sk, Cert Adv Com Sk, Cert Gam Lic	
Brincat	B P	BArts (Acc)	CPA
Burton	T M	BBus (Acc)	
Cameron	N C	BComm (Acc), BArts (Chinese)	
Chan	D	BComm, BBus (Mgt Info Sys)	ASA
Chou	K	MBusAdmin (Acc)	ASA
Churches	S L	BEc (Acc)	CPA
Ciplys	A	AdvDip Acc	
Cowling	T	BComm (Acc)	ASA
Cvetanovic	L	BAcc	
De Guglielmo	L	BComm (Acc)	ASA
Deegan	P A		
Diegmann	M	BArts (Acc)	CPA
Eustace	L C	BComm, Cert IV Assessment Workplace Training	CPA

STAFF LIST AS AT JUNE 2006

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Fitzgerald	J	BAcc	CPA
Fogal	A	BComm (Acc)	CPA
Furze	K A	DipSec	
Gallomarino	R	BEC (Acc)	CPA
Gardiner	A	BArts, Dip Teach, MEd (HR Studies)	AHRI
Gentilcore	S	BBus, HRD	AHRI
Giannopoulos	G	BArts (Acc)	CPA
Gichuhi	L M	BComm	CPA
Giulianetti	R	BEC (Acc)	FCPA
Gladigau	S M	BComm	
Gouros	V	BEC, DipAcc	CPA
Grace	A J	BComm	
Gu	S	MBA (Acc), BArts (Multimedia Studies)	ASA
Harvey	P	AssocDipBus (Ind Relations & Pers Mgt)	AHRI
Haydon	W M	BEC (Acc)	CPA
Heaven	R	BComm (Acc)	
Huddy	R W	BBusProp (Val), BBus (Acc)	CPA
Jared	S P	BArts (Acc)	CPA
Joyner	S	BComm (Acc & Fin)	ASA
Kelly	C A		
Kelly	C L	BArts (Acc)	ASA
Kennedy	A M	BBus (Acc)	CPA
King	R	Cert Arts	
Knight	T N	BComm & Admin (BCA)	
Koh	E	BComm (Acc)	
Kolecki	C	Cert Off Sk, Cert Off Proc, Cert Clerical Proc (Gen Off)	

STAFF LIST AS AT JUNE 2006

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Laity	A	BComm (Acc)	
Lam	E	BComm (Acc)	CPA
Larkin	L		
Leach	J	BComm (Acc & Fin)	ASA
Leckie	J	BBus (Acc)	CPA
Li	G X	BEc, MBus (Acc)	
Loizi	S		
Mack	J	BComm (Acc)	
MacPherson	K I	LLB	FCPA
Marsh	S W	BEc, DipAcc	CPA
Matthews	R J	BArts (Acc)	CPA
Mazel	A	BComm (Acc)	
McGlen	I C	BArts (Acc)	CPA
McGowan	C	BComm (Acc & Fin)	CPA
Migliore	F	BArts (Acc)	CPA
Noujaim	M	BComm (Acc), BBus (Admin Mgt)	
Nugent	S M	BEc (Acc), DipGov (Mgt)	CPA
O'Donohue	D	BComm	CPA
O'Neill	S	BArts (Acc)	CPA
Olds	M	BComm	
Olman	V	BComm (Acc), BMgt (Mktg)	
Pascoe	G J	Bus Cert (Acc)	
Pineda	J	BChem Eng, BAcc	ASA
Poulos	G	BBus (Acc)	
Reed	K	BComm (Acc)	ASA
Reszitaryk	I M	BArts (Acc)	CPA
Richardson	A J	BEc (Acc)	CPA
Richardson	L C	BComm	CPA
Roberts	S	BComm (Acc & Fin)	
Rolton	B W	DipAcc	CPA
Romeo	C	BComm (Acc)	ASA
Rossi	P A	BArts (Acc)	CPA

STAFF LIST AS AT JUNE 2006

EMPLOYEE		QUALIFICATIONS	MEMBERSHIP OF PROFESSIONAL BODIES
Scalzi	D	Cert III FinSvcs, Cert III Bus, Cert II Gov	
Sexton	T	BArts (Acc)	CPA
Sierros	B	BEc, DipAcc	CPA
Slaytor	K M	BArts (Jur), LLB, GDLP, BAcc	CPA
Sorell	M	BComm (Acc)	CPA
Spirat	A	BComm, BAppFin	ASA
Stephens	R	IntBus, BComm	
Stint	M J	AdvDipAcc, Cert Bus Prac, Cert First Line Mgt	ANIA
Symons	T	BComm	
Tanner	N	BBus (Com Law)	
Tasker	C	BArts (Ec), GradDipAcc, Cert IV Assessment Workplace Training	CPA
Tate	W J	BArts (Acc)	CPA
Tauriello	A	BComm (Acc)	CPA , IPA
Telford	I	BArts (Acc)	CPA
Thiele	D	BTax	
Thompson	G P	BComm (Acc)	CPA
Thompson	J D	BArts, GradDipSysAnal, MProfAcc	
Tran	L	BComm (Acc), BFin (Int)	ASA
Tran	T-T	BComm (Acc), BBus (Com Law)	
Vasilikiotis	S	BComm (Acc)	ASA
Wagley	A	BComm	ASA
Walter	C	BComm (Acc & Fin)	
Weaver	M	BComm (Acc)	
Westlake	S	BComm	
Wozniak	M M	CertVocEd (IT),Cert Microcomp Sup	
Yang	Xu	MComm	
Zhao	C	BComm (Acc)	
Zimmermann	M	BArts, BAcc	

APPENDIX E

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT
(AS AT 30 JUNE 2006)**

2007 World Police and Fire Games Corporation
 Aboriginal Lands Trust
 Adelaide and Mount Lofty Ranges Natural Resources Management Board*
 Adelaide Cemeteries Authority
 Adelaide Convention Centre Corporation
 Adelaide Dolphin Sanctuary
 Adelaide Entertainments Corporation
 Adelaide Festival Centre Trust
 Adelaide Festival Corporation
 Adelaide Hills Wine Industry Fund
 Adelaide International Film Festival
 Administrative and Information Services, Department for
 Agents Indemnity Fund
 Alinytjara Wilurara Natural Resources Management Board*
 Art Gallery Board
 Attorney-General's Department
 Austraining International Pty Ltd
 Australian Children's Performing Arts Company
 Australian Energy Market Commission
 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
 Chiropractors Board of South Australia
 Citrus Growers Fund
 Coast Protection Board
 Commissioners of Charitable Funds
 Commonwealth State Housing Agreement
 Construction Industry Training Board
 Correctional Services, Department for
 Courts Administration Authority
 Dairy Authority of South Australia
 Distribution Lessor Corporation
 Dog and Cat Management Board
 Dog Fence Board
 Education Adelaide
 Education and Children's Services, Department of
 Electoral Districts Boundaries Commission
 Electricity Supply Industry Planning Council
 Elliston LeHunte Animal and Plant Control Board
 Environment and Heritage, Department for
 Environment Protection Authority
 Essential Services Commission of South Australia
 Eyre Peninsula Natural Resources Management Board*
 Families and Communities, Department for
 Farm Business Improvement Program Mark III

AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT (AS AT 30 JUNE 2006)

Flinders University of South Australia, The
 Further Education, Employment, Science and Technology, Department of
 General Reserves Trust
 Generation Lessor Corporation
 Government Workers Rehabilitation and Compensation Fund
 Governors Pensions Scheme
 Grant Animal and Plant Control Board
 Health, Community and Disability Services Ministerial Council
 Health, Department of
 History Trust of South Australia
 HomeStart Finance
 Independent Gambling Authority
 Independent Gaming Corporation Ltd
 Institute of Medical and Veterinary Science
 Intellectual Disability Services Council
 Judges' Pensions Scheme
 Julia Farr Services
 Justice, Department of
 Kangaroo Island Natural Resources Management Board*
 Kantilla Pty Ltd
 Land Management Corporation
 Langhorne Creek Wine Industry Fund
 Legal Services Commission of South Australia
 Legislature, The
 Libraries Board of South Australia
 Local Government Finance Authority of South Australia
 Local Government Superannuation Board
 Lotteries Commission of South Australia
 Lucindale Naracoorte Animal and Plant Control Board
 Maralinga Lands Unnamed Conservation Park Board
 Marine Scalefish Industry Fund
 McLaren Vale Wine Industry Fund
 Medvet Science Pty Ltd
 Motor Accident Commission
 Museum Board
 Narana Pty Ltd
 National Centre for Vocational Education Research Ltd
 Native Vegetation Fund
 Natural Resources Management Fund
 Northern and Yorke Natural Resources Management Board*
 Northern Yorke Animal and Plant Control Board
 Occupational Therapists Registration Board of South Australia
 Optometrists Board of South Australia
 Outback Areas Community Development Trust

**AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT
(AS AT 30 JUNE 2006)**

Parliamentary Superannuation Scheme
Planning and Development Fund
Playford Capital Pty Ltd
Playford Centre
Police Department
Police Superannuation Scheme
Port Adelaide Maritime Corporation
Premier and Cabinet, Department of the
Primary Industries and Resources, Department of
Public Employment, Office of
Public Trustee
Repatriation General Hospital Incorporated
RESI Corporation
Residential Tenancies Fund
Retail Shop Leases Fund
Riverland Wine Industry Fund
Rural Industry Adjustment and Development Fund
SA Ambulance Service Inc
SABT Pty Ltd
Second Hand Vehicles Compensation Fund
Senior Secondary Assessment Board of South Australia
South Australian Aboriginal Housing Authority
South Australian Apiary Industry Fund
South Australian Arid Lands Natural Resources Management Board*
South Australian Asset Management Corporation
South Australian Cattle Industry Fund
South Australian Centre for Trauma and Injury Recovery Inc
South Australian Citrus Industry Development Board
South Australian Community Housing Authority
South Australian Country Arts Trust
South Australian Country Fire Services
South Australian Deer Industry Fund
South Australian Film Corporation
South Australian Finance Trust Limited
South Australian Fire and Emergency Service Commission
South Australian Forestry Corporation
South Australian Government Captive Insurance Corporation
South Australian Government Financing Authority
South Australian Government Insurance and Risk Management Fund - Section 2
South Australian Health Commission
South Australian Housing Trust
South Australian Infrastructure Corporation
South Australian Local Government Grants Commission

AGENCIES AND STATUTORY FUNDS AUDITED BY THE DEPARTMENT (AS AT 30 JUNE 2006)

South Australian Metropolitan Fire Service
 South Australian Motor Sport Board
 South Australian Murray Darling Basin Natural Resources Management Board*
 South Australian Pig Industry Fund
 South Australian Psychological Board
 South Australian Sheep Industry Fund
 South Australian State Emergency Service
 South Australian Superannuation Scheme
 South Australian Tertiary Admissions Centre
 South Australian Tourism Commission
 South Australian Trade and Investment Corporation
 South Australian Water Corporation
 South Australian Water Corporation - Hydro Joint Venture
 South East Natural Resources Management Board*
 South Eastern Water Conservation and Drainage Board
 Southern Adelaide Health Service
 Southern State Superannuation Scheme
 State Disaster Relief Fund
 State Electoral Office
 State Governor's Establishment
 State Opera of South Australia
 State Procurement Board
 State Theatre Company of South Australia
 Superannuation Funds Management Corporation of South Australia
 Supported Residential Facilities Indemnity Fund
 Targeted Voluntary Separation Package Schemes
 Teachers Registration Board
 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
 University of South Australia Foundation Incorporated
 Venture Capital Board, Office of the
 Venue Management, Office of
 Water, Land and Biodiversity Conservation, Department of
 Wattle Range Animal and Plant Control Board
 West Beach Trust
 Wildlife Conservation Fund
 Zero Waste SA

Total number of audits for 2005-06

178*

* In addition as part of the transitional arrangements associated with changes in the environmental area, the Department was required to audit an additional 32 Animal and Plant Control Boards, 8 Catchment Water Management Boards and 42 Soil Conservation Boards.

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