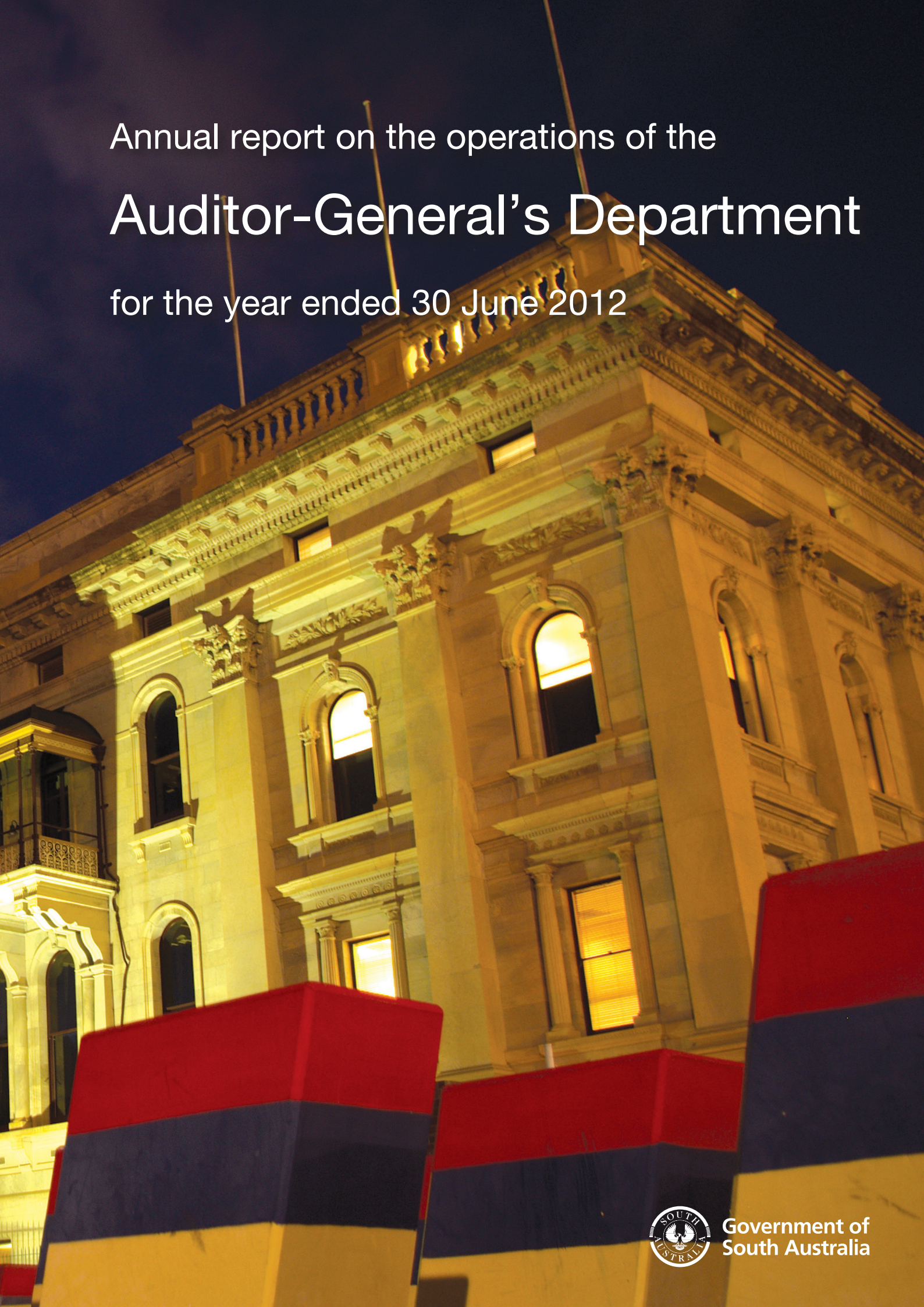


Annual report on the operations of the

Auditor-General's Department

for the year ended 30 June 2012



Government of
South Australia

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2011-12 highlights

Governance

We completed our Corporate and Human Resources Strategic Plans for the 2009-12 planning period and substantially completed development of our corporate plan for the next triennium (*see page 16*)

We surveyed our staff and their responses helped us to develop our new corporate plan (*see page 15*)

We commenced a major project to address areas of our audit practice and corporate governance over the next three years (*see page 9*)

We finished developing new policies for contract audit procurement and administration (*see page 16*)

We continued to update policies under our new framework for the consistent development and management of our corporate and operational policies

Reports

The Annual Report of the Auditor-General for the year ended 30 June 2011 was presented to Parliament

We presented three special reports to Parliament, two on major contract probity and one on the costs of the Adelaide Oval Redevelopment project

(*See page 3*)

Audits

172 independent auditor's reports were issued, 41 of them qualified (*see page 7*)

Audit methodology

We completed the first full audit cycle using our new audit methodology: IPSAM (*see page 7*)

Quality control

15 audit files were subject to peer review to ensure the audits met our quality standards. The results were communicated to staff (*see page 9*)

We developed a suite of policies that provide a quality assurance framework for our audit work (*see page 9*)

Public interest reviews

We focused on reviewing matters of public interest (*see page 9*)

We started to trial a public interest review methodology developed for the public sector (*see page 9*)

Recruitment

We redeveloped our graduate marketing and promotional material (*see page 14*)

We recruited 15 graduates (*see page 14*)

Retention

Employee turnover fell to 8% (*see page 14*)

Developing our people

We implemented our new framework for professional development and delivered a comprehensive, revamped professional development program to our staff (*see page 12*)

Our most significant achievements this year were completing the first full year cycle of IPSAM, our new audit methodology, and developing our next corporate plan

Auditor-General's report

'In 2011-12 we put down strong foundations for the future'

This annual report on the operations of the Auditor-General's Department summarises our performance, achievements and corporate governance in 2011-12.

The past year has been a period of consolidation and developing strong foundations for the future.

We completed the first full year audit cycle using our new audit methodology, IPSAM, rounding out a successful implementation project that had an impact on nearly every area of our operations. IPSAM is now being used for all financial compliance audits, and an integrated controls opinion methodology ensures that it also satisfies our controls mandate. Our IT infrastructure, which required major redesign to support the methodology's software, proved reliable and capable of supporting a significantly increased number of networked users.

The changeover to the new audit methodology can be considered a success not possible without commitment from all staff. I acknowledge the good leadership shown by the senior management group and the positive attitudes of our staff in coming to terms with the significant change. We are now focused on capitalising on potential efficiencies in the audit process, and on the possible adoption of the public interest review module of the methodology, which we will thoroughly trial in 2012-13.

With IPSAM implementation in hand we were able to focus on our vision to increase the review and reporting of matters of public interest. We have provided capacity within field audit teams to undertake public interest review work, which our staff have told us they want to do. We have also increased the capacity of our dedicated public interest review team to undertake reviews and maintain a watching brief on several major government initiatives.

We also directed resources within our technical research team this year to the development of a quality assurance framework for application under IPSAM, as part of a major project for improved practice management.

Internally, staff turnover fell to a new record low of 8% this year, and we received excellent feedback from our staff about working in this Department. We maintained the investment in learning and development that has underpinned our reputation within the local accounting and auditing industry as an employer of choice. We are also developing a new corporate plan for the next three years, which although now an embedded part of our strategic management cycle is nevertheless a major project to undertake, and I thank my Executive and senior management for their commitment to this process.

Looking ahead we understand that legislation is before the Parliament proposing a new model for public sector integrity in this State. Such a fundamental review of the public integrity structure of government may have a significant impact on this Office. We may need to respond appropriately to any changes, both in our structure and our approach, and our new corporate plan is being developed in consideration of potential changes. We are certainly committed to working effectively within a strengthened public integrity system.

As always I express sincere thanks to my dedicated staff, who are responsible for the results presented in this report. It is a privilege to work with committed and supportive people, and it is only through their continued hard work that we achieve as much as we do.



Simon O'Neill
Auditor-General

Key operational statistics

Activity indicators

Employees (FTEs) at 30 June 2012	116
Number of audits at 30 June 2012	157
Independent Auditor's Reports issued in 2011-12	172

Financial indicators

	2011-12	2010-11	2009-10
	\$000	\$000	\$000
Total audit fees raised	13 971	12 549	12 072
Net cost of providing services	15 468	13 678	13 401
Total assets	3 263	3 122	3 164
Total liabilities	4 366	3 856	3 788

Reports presented to Parliament in the last three years

Date presented	Report title
5 April 2012	Report of the Auditor-General – Supplementary Report: Agency audit report: Department of Health and associated health service activities: April 2012
29 February 2012	Report of the Auditor-General – Report on the Adelaide Oval redevelopment pursuant to section 9 of the <i>Adelaide Oval Redevelopment and Management Act 2011</i> for the designated period 1 July 2011 to 31 December 2011
14 February 2012	Report of the Auditor-General – Probity of the processes leading up to the awarding of three service contracts in 2011 for the provision of regular passenger bus services for Metropolitan Adelaide
22 November 2011	Report of the Auditor-General – Supplementary report: Agency audit reports: November 2011
8 November 2011	Report of the Auditor-General – Probity of the processes leading up to the awarding of a service contract: Regular passenger transport services in Mount Gambier
18 October 2011	Annual report on the operations of the Auditor-General's Department for the year ended 30 June 2011
18 October 2011	Report of the Auditor-General – Annual report for the year ended 30 June 2011 – Part A: Audit overview, Part B: Agency audit reports and Part C: State finances and related matters: some audit observations
8 February 2011	Report of the Auditor-General – Supplementary report: Agency audit reports: February 2011
24 November 2010	Report of the Auditor-General – Supplementary report: Part C State finances and related matters: November 2010
11 November 2010	Annual report on the operations of the Auditor-General's Department for the year ended 30 June 2010
30 September 2010	Report of the Auditor-General – Annual report for the year ended 30 June 2010 - Part A: Audit overview and Part B: Agency audit reports
2 December 2009	Report of the Auditor-General – Supplementary report: Agency audit report and a matter of specific audit comment
1 December 2009	Annual report on the operations of the Auditor-General's Department for the year ended 30 June 2009
13 October 2009	Report of the Auditor-General – Annual report for the year ended 30 June 2009 - Part A: Audit overview, Part B: Agency audit reports and Part C: State finances and related matters – Some audit observations

What we do

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

The Auditor-General

The Auditor-General makes an important contribution to public sector accountability by providing independent assurance to the Parliament that government activities are conducted and accounted for properly and in accordance with the law.

The Auditor-General’s responsibilities are to:

- conduct and report on financial report and controls audits of the accounts and operations of the Treasurer and public sector agencies
- conduct and report on special audits relating to matters of accountability and probity
- examine issues referred by whistleblowers and other members of the community
- examine publicly funded bodies at the request of the Treasurer
- review and report on summaries of confidential government contracts at the request of a Minister
- lead the Auditor-General’s Department as its chief executive.

The agencies we audit

The Auditor-General is the prescribed auditor of 157 public sector agencies. They are listed in Appendix D.

The legislation

Principal legislation

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

Other legislation

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

Our Annual Report

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

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

The Department

The Auditor-General’s Department is an administrative unit established under the *Public Sector Act 2009* to support the work of the Auditor-General.

The Department’s two main operational areas are auditing services and corporate services, shown in our organisation charts in Appendix A.

Our vision, mission and values

‘Our vision, mission and values underpin what we do’

Our vision

Effectively change our audit practice to increase and improve reporting to the Parliament on matters of public interest

Our mission

Improving public sector accountability through our annual audits of government agencies covering financial reporting, controls and matters of public interest

Corporate objectives

Corporate objective 1

Conducting and reporting on audits, public interest reviews and investigations

Corporate objective 2

Contributing to public sector developments and improving professional relationships

Corporate objective 3

Attracting and keeping highly skilled and committed people

Corporate objective 4

Running an effective business

Our values

Our values shape and influence the way we work and manage our business.

Integrity

Honest, ethical and professional behaviour

Independence

Being independent, impartial and fair

Innovation

Encouraging new ideas and thinking

Respect

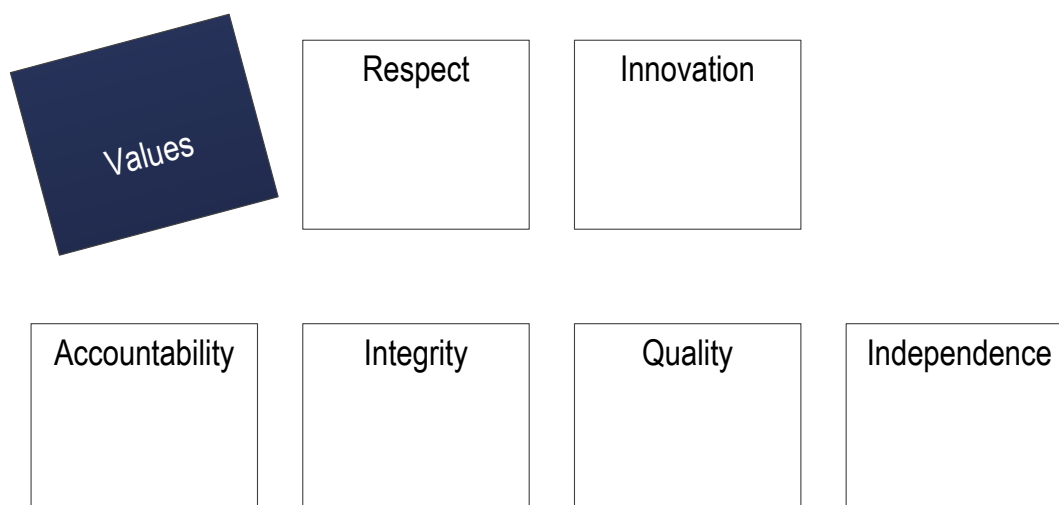
Valuing diversity, open communication and collaboration

Quality

Being relevant and using sound methods, good judgment and diligence

Accountability

Transparent decision making and taking responsibility



Our challenges in 2011-12

‘Our planning and our work must address the challenges we face and take advantage of new opportunities as they arise’

During the year we met our major challenges by:

- completing the first full audit cycle using IPSAM, our new auditing methodology and associated software, and developing a new quality assurance framework for improved audit practice
- focusing on public interest reviews and providing as much opportunity as possible for staff to be exposed to this type of work, as well as undertaking an initial trial of some aspects of a public sector documentation methodology for this type of work
- managing the audit impact of new and ongoing major policy, administrative and service delivery reforms in Government including:
 - machinery of government changes
 - major infrastructure procurement and contract processes
 - information technology developments
 - the shared services delivery model
- keeping staff turnover low
- developing our corporate plan for the next three years

And looking ahead

While not all of the challenges we will face can be predicted, next year we expect to be challenged to:

- keep our focus on the increased review and reporting of public interest matters
- respond to the anticipated impact of significant reforms in public sector integrity in South Australia
- improve our corporate governance in a number of targeted areas
- ensure that our staff feel connected to and interested in their work
- meet the targets we have set ourselves in our new corporate plan

Corporate objective 1

‘Conducting and reporting on audits, public interest reviews and investigations’

Key targets

- completing the first full audit cycle using IPSAM
- issuing independent audit and controls opinions for all public sector agencies, whilst managing the audit impact of machinery of government changes
- developing a new quality assurance framework
- focussing on public interest reviews
- improving the way we report

Our performance in 2011-12

Consolidating our new auditing methodology

This year we completed the first full audit cycle using IPSAM – the Integrated Public Sector Audit Methodology developed by the Victorian and Queensland state audit offices. Our carefully planned approach to implementation, intensive training programs and impact management strategies paid off. The first full year of implementation was free of major issues, and overall this project can be considered one of the most successful we have undertaken.

Technical benefits of the new audit software in terms of improved backup and file access have been realised, and now that new audit documentation has been established we expect to achieve efficiencies in the planning and testing phases of audit in subsequent years.

Issuing independent audit and controls opinions

Five audit directorates are directly engaged in work to discharge the Auditor-General’s audit mandate. They are made up of 16 field audit teams, an information technology audit (ITA) section and a public interest review team.

We issued **172** independent auditor’s reports in 2011-12, **41** of them qualified. Most of the opinions were issued for agencies with financial years ending on 30 June 2011 or 31 December 2011. **16** related to an earlier year, accounting for most of the increase in opinions issued between this year and last. As most of these latter opinions were qualified, they also account for the rise in the number of qualifications issued this year.

One measure of audit performance we use is the time it takes us to issue an audit opinion to our clients, although delays can occur for many reasons that are outside of our control. The table below shows a fall in our timeliness in 2011-12. This is primarily due to the higher than usual number of opinions issued for prior years. Also a factor was the significantly delayed finalisation of the audits of the Department of Health and the associated health regions and health services, which were the subject of a Supplementary Report to Parliament in April 2012. Without the impact of these late opinions, the average time it took us to issue an opinion in 2011-12 would have been **90** working days, on par with the last two years. More than half of the opinions we issued for 30 June 2011 were finalised within three months.

Audit activity output measures for the three years to 30 June 2012

	2011-12	2010-11	2009-10
Number of independent auditor's reports issued	172	147	170
Number of qualified audit opinions issued	41	11	24
Average working days between an agency's end of financial year and issuing an Independent Auditor's Report	114	84	91

Also relevant to understanding how we have performed is the number of hours we commit to audits and the fees we pay to contract auditors. This is best measured by audit year rather than financial year. An audit year generally runs from 1 November to 31 October, because an audit finishes when an opinion is issued for financial reports usually prepared as at 30 June.

The actual hours charged and fees paid to contract auditors for financial report and controls opinion audits for the past three audit years are shown in the table below. These hours and fees are generally recovered from public sector agencies and provide a measure of the resources we commit to undertaking audits.

Hours charged to audits and fees paid to contract auditors for the past three completed audit years

	2010-11 audits	2009-10 audits	2008-09 audits
Conduct of audits	92 400	87 300	84 500
Management of audits	12 000	10 000	10 400
Total hours charged	104 400	97 300	94 900
Contract audit fees	\$2 877 000	\$1 783 000	\$1 907 000

The increase in hours charged to 2010-11 audits is mainly due to the increased time taken to establish audit documentation and plans under IPSAM. This is time that would ordinarily be directed to other aspects of our work, including public interest reviews, and is reflected in a 4000 hour decrease in the hours we charged to public interest reviews over the same period (refer further commentary under 'Maintaining capacity to conduct public interest reviews').

Another factor contributing to increased audit hours was the sustained higher level of FTEs over the period in which our 2010-11 audits were being done.

Machinery of government changes

From time to time governments make administrative rearrangements aimed at providing the best administrative structures to support government priorities and service delivery. In late 2011 Cabinet approved administrative rearrangements that resulted in restructures including functional transfers between agencies, name changes, abolishments and establishments. Most changes were effected in 2011-12.

Dealing with machinery of government changes impacts on financial management structures and processes. Appropriations and budgets must be transferred so that agencies have capacity to cover expenditure for transferred functions. Agencies must establish new delegations and financial authorities, ledgers need to be transferred and the movement of staff, assets and liabilities requires specific accounting treatment.

All of this impacts on the audit process, placing significant additional review requirements on those auditing the affected agencies. This year the progress of the changes needed to be monitored through communication with agencies and Shared Services SA, timing and impacts understood, new control environments identified and reviewed and specific control activities and accounting treatments for transferred, new and abolished functions audited. Commentary on how these changes were managed by agencies will be included in the Auditor-General's Annual Report to Parliament for the year ended 30 June 2012.

A framework for quality assurance

Ensuring that effective quality control policies and procedures are in place is a professional audit requirement and something we think is critical to our aim of constantly challenging ourselves to do things better. In 2011-12 we developed a suite of audit practice management policies designed to ensure that audits are conducted to the highest possible quality and comply with professional, legal and regulatory requirements. The policies cover such areas as audit engagement letters, auditor rotation, independence declarations and engagement quality review. Together they provide a framework for quality assurance that will be fully implemented in 2012-13.

This was the first phase of a long-term project we have started to review and improve targeted areas of audit practice and corporate governance. An extensive program of review was developed, and the development of our quality control policy framework completed phase one of the project. Over the next three years we will work through the rest of the program, which covers aspects of our strategic management, public interest review planning and performance, performance assessment and financial management and ICT management.

Peer reviews

The Department's peer review program is a 'post-event' review of audit files to ensure that audits meet quality standards and consistently apply the principles of our audit methodology. This year the review process had the added objective of establishing the status of IPSAM implementation and identifying opportunities to achieve efficiencies in the audit process.

15 audit files were peer reviewed in 2011-12. Acknowledging that these files were the first to follow the IPSAM methodology, the overall standard was good. The results were communicated to senior managers. Some gaps in documentation and some compliance issues were identified, and are to be addressed in 2012-13. Consideration will also be given to a number of recommendations regarding potential efficiencies in the audit process.

Conducting public interest reviews

Public interest review (PIR) work is directed by the Auditor-General. It is undertaken by staff working in the PIR team, the ITA team or field audit depending on the nature and scope of the review. Our PIR strategy requires careful consideration of strategic factors like staffing structure, audit product mix and the competing demands of our statutory audit mandate in order to determine the extent of PIR work we do.

One of the challenges of implementing IPSAM last year was the increased time and effort it took in the first year it was applied. This was expected, and we accommodated it by removing public interest review responsibilities from field audit portfolios. This was a necessary detour away from our vision of increased and improved PIR reporting to Parliament.

This year we focused on our vision, in part by being able to again give field audit teams dedicated time for PIR work. We also increased the internal capacity of the PIR team.

The initial trial of aspects of a performance audit documentation methodology developed for public sector auditors began in late 2011-12. A decision will be made about further trialling and implementation in 2012-13.

Some of the areas of government activity that were subject to either ongoing or new review focus this year were:

- ICT system project developments
- whole-of-government telecommunications management
- goods and services procurement and contract management
- infrastructure procurement, including public private partnerships
- appointment and management of government agency authorised officers
- site contamination.

Review outcomes will be provided to Parliament through the Annual or Supplementary reporting processes of the Auditor-General.

Improving the way we report

In 2010-11 the Executive approved a range of changes aimed at improving the readability of our reports to Parliament. They related to page layout, fonts and formatting. Some were recommendations made by the Plain English Foundation in an earlier consultancy, and others were initiated by our internal Report Production Group.

All of the approved changes were implemented in 2011-12. It is a significant undertaking to make global changes to a report of the size of the Auditor-General's Annual Report to Parliament, particularly in a year when we also had to migrate the report production process to a new version of Microsoft Office. All of the usual elements of good project management were needed to ensure a smooth transition to the new format. We think the result is a much better looking report, and improved readability.

Corporate objective 2

‘Contributing to public sector developments and improving professional relationships’

Key targets

- engaging with our community on contemporary issues in accounting and auditing
- participating in Australasian Council of Auditors-General (ACAG) committees and forums

Our performance in 2011-12

Engaging with our community

We are active in our professional community and participate in debate on emerging issues in accounting, auditing and the public sector. We dedicate resources to participate in this area and keep our staff up to date with developments in accounting and auditing.

We also maintain our statutory relationship with the Parliament, and the Auditor-General met with the Economic and Finance Committee of Parliament on three occasions this year, and with the Budget and Finance Committee once. We provided feedback on the 2012 model financial statements to the Government Accounting and Reporting branch (GAR) of the Department of Treasury and Finance and liaised with them on emerging issues in accounting, auditing and the public sector.

In addition members of the Executive gave presentations at the Government Accounting Information Forum and Senior Finance Officers meetings arranged by GAR.

Participating in ACAG committees and forums

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

In addition to participating in ACAG business meetings, the Auditor-General chairs ACAG's Financial Reporting and Auditing Committee (FRAC). FRAC provides Auditors-General and ACAG with strategic and technical advice on developments in accounting, financial reporting and financial auditing and develops and coordinates Auditors-General's responses to Australian and international financial auditing and accounting exposure drafts/discussion papers. During the year FRAC developed and coordinated 14 responses to Australian and international financial auditing and accounting exposure drafts/discussion papers.

In addition members of the Department have actively participated in the following ACAG committees/forums :

- practice management group
- audit quality assurance panel
- universities audit workgroup.

Corporate objective 3

‘Attracting and keeping highly skilled and committed people’

Key targets

- meeting the development needs of our staff
- improving performance management processes
- redeveloping our graduate marketing material and promotional branding

Our performance in 2011-12

Meeting the development needs of our staff

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

We invest in continuing professional development to help our staff maintain their technical knowledge and improve their performance, abilities and skills. Most training is planned and conducted through the Department's annual professional development program.

A major project was undertaken last year to redevelop the framework for professional development. It now aligns the training we provide our staff with their core position competencies, providing the learning and development activities needed to meet the development objectives for each stage of career. For an auditor this means they now receive a program of technical, personal and management skills training that is tailored to support them through the transition from roles at the base audit analyst level into middle and senior management.

The 2011-12 annual professional development program was the first to be delivered under the new framework. It provided:

- compulsory induction and professional and personal skills training for new graduates
- technical accounting and auditing training for all audit staff
- software and occupational health safety and welfare courses for new staff and as refresher training
- personal skills courses linked to competencies for all staff
- management short courses linked to competencies.

This program provided 3-4 days (21-28 hours) of professional development for personal and management skills for staff in each career stage. This level of training meets the minimum level of formal continuing professional development required to satisfy our CPA Recognised Employer program obligations. Course content is tailored to meet identified departmental development priorities outlined in the corporate plan and particular development needs identified through the performance review and development process.

Training has always been important to our staff. In a 2012 staff survey there was a significant upward swing in how satisfied people were with the amount of training they received. There were also increases in how satisfied people were with:

- the Department's commitment to developing knowledge and skills and to external development (up 15%)

- access to external professional development (up 10%)
- the training received being directly relevant to their work (up 7%).

These significant trends reflect the general positivity around the launch of the new framework for professional development, which was identified as one of the most significant HR achievements over the past three years.

Our training and development expenditure for all employees was 4% of salaries and 3% of total employee expenses, lower than last year when extensive training was required for the implementation of our new audit methodology, IPSAM. Having completed IPSAM implementation we were able to put much more emphasis on the leadership and management development component this year.

Training and development costs in 2011-12

Training and development	Total cost	% of total employee expenses
Total training and development expenditure	\$336 000	3.2%
Leadership and management development expenditure	\$55 000	0.5%

Courses delivered through the 2011-12 program covered topics including:

- employee induction
- time management
- ethics and fairness
- building client relationships
- coaching and supervising others
- critical thinking and problem solving.

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

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

Performance review and development

Our performance review and development (PRD) process is integral to developing the capabilities of our people. It gives everyone the opportunity for feedback about the quality of their work and their development needs.

PRD review status

Employees who have had:	Percentage of total workforce
A review within the last 12 months	64%
A review older than 12 months	31%
No review	5%

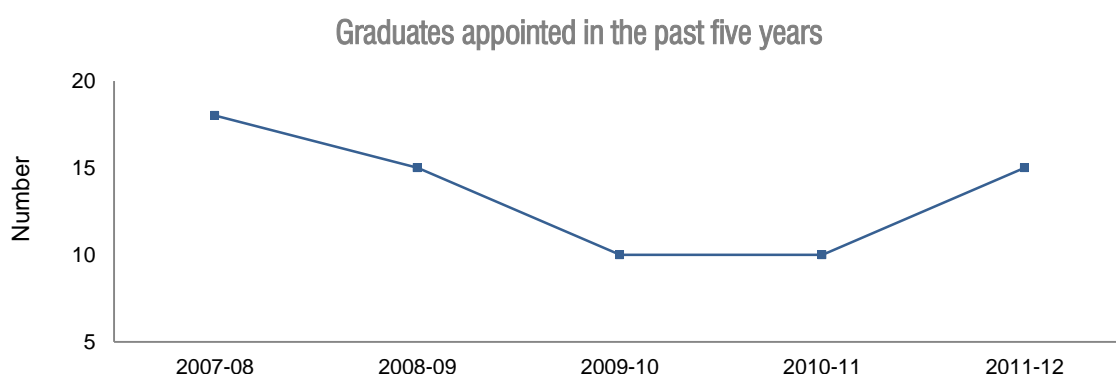
Feedback we received last year indicated that we should improve the way our reviews are documented and tailor the review process for staff who have held their roles for some time. Time and resources did not permit the redevelopment of the PRD system in 2012, but it has been given a high priority in our new corporate plan. Our aim is for all staff to participate in the review process in 2012-13.

Staff recruitment

We maintain close links with Universities and professional accounting organisations, and consider all options to increase the potential pool of applicants for audit positions. Being conscious of the competitive nature of the market for quality staff, this year we redesigned our recruitment marketing material and received good feedback about its attractiveness and the first impression it gives of the Department as a potential employer.

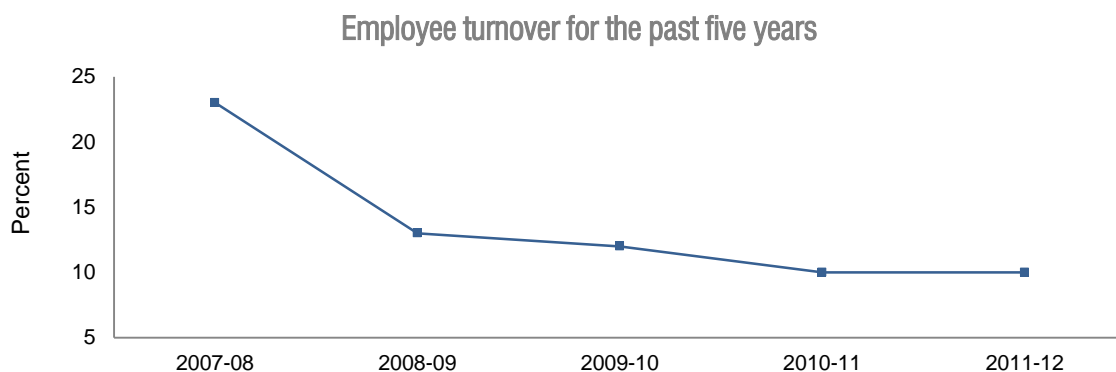
Lower turnover in recent years has meant that there are not as many positions to fill each year. Extra recruitment was necessary this year to fill vacancies left by a number of staff on extended leave without pay, and we maintained a strong pool of field audit graduates with an increase in the numbers recruited to supplement our staffing numbers.

Temporary and casual staff are brought in during periods of peak demand.



Staff turnover

Staff turnover fell to a low of 8% in 2011-12. Continued slow growth in the administrative and finance sectors in South Australia over the past year is likely to have had an impact, but the high staff satisfaction levels measured in our most recent staff survey is considered a factor in people staying.



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

Corporate objective 4

‘Running an effective business’

Key targets

- maintaining a culture of open communication and consultation with staff
- developing the next corporate plan
- finalising our new subcontract audit procurement protocols
- meeting our OHSW targets

Our performance in 2011-12

Open communication and consultation with staff

We seek regular feedback from our staff because we know how important their input is to strategic management and the achievement of our goals.

This year we conducted a planning survey, an internal environmental scan designed to gauge staff needs and satisfaction, and to obtain specific input into the future challenges we face and the direction we should take in our next corporate plan. Trends measured over four successive surveys show where we are getting better and where we most need to improve.

As always staff participation was high with 74% of the eligible staff responding to the survey, which is both voluntary and anonymous. Such a high response rate ensures that the responses given statistically represent the way staff feel.

Overall staff satisfaction was rated at 71%, and 80% of our staff would recommend the Department as a good place to work. Standing out were the very positive swings in attitudes towards training and development, leadership, communication, quality and service, culture and future aspirations. When compared with the results of the last full survey conducted in 2009 more people:

- see themselves staying in the Department for the foreseeable future or having a career here
- are satisfied with the Department’s commitment to providing training and development
- think the corporate planning process is driving our operations
- think their direct leader is doing a good job, with improvements in how staff feel about the way their direct leader establishes commitment in the team, communicates, models acceptable behaviour and provides support, coaching and feedback
- feel valued.

These results are very pleasing, particularly given that many of these areas were targeted for improvement after the last survey, and specific strategies were implemented to better our performance. It shows that we have understood and responded to what our staff want. In some areas, however, there were issues that will warrant specific action in the next corporate plan. They include:

- a fall in the number of people who like the work they do and feel that it makes good use of their knowledge and skills
- dissatisfaction with the way we evaluate performance, with less than half of audit staff believing that their reviews are done on a timely basis
- a feeling that there is inconsistency in the way staff are managed across teams
- a view that opportunities for advancement won’t occur in a reasonable timeframe

- only half of our staff feeling encouraged to be innovative.

Whilst none of these issues appear to have had a negative impact on people's overall views about working in the Department, they will be targeted for specific improvement measures over the next three years. The PRD process, discussed under Corporate Objective 3, has been given the highest priority.

A comprehensive report on the survey results was released to all staff.

Developing the next corporate plan

2011-12 saw the end of our current three year Corporate and Human Resources Strategic plans, and we have achieved most of what we set out to do over that period. Our most significant achievements and commentary on the areas where we did not do as well as we hoped in the past year are discussed under each corporate objective in this section of our yearly Report on Operations. All staff were provided with a report prepared by the Executive summarising the outcomes of the current corporate plan.

During the year we undertook the important task of developing a new corporate plan to meet the challenges of the next triennium. Data collated from the staff survey, demographic studies and an extensive self-assessment of our corporate governance, as well as up to date information about developments in public sector integrity, informed the development process.

Currently in final draft and due for release in the latter part of 2012, the corporate plan introduces our new vision to be an audit practice that regularly reports on matters of public interest and contributes to the enhancement of public sector integrity.

Developing new protocols for contract audit negotiation and administration

The Auditor-General contracts a number of audits to the private sector where audit resources or specialist skills are not available internally. \$2.9 million was paid to contract auditors in 2011-12. In 2010-11 we started developing a new strategic framework for managing our contracting out strategy, covering:

- the procurement planning cycle
- needs analysis and developing a procurement strategy
- procurement documentation and standard contracts
- criteria for contractor evaluation and selection
- contract deliverables
- contract management and administration
- integration with internal budget processes
- professional and government requirements.

The procurement strategy, documentation, contractual and evaluation/selection elements of this significant strategy were successfully finalised and implemented in 2011-12. Work will continue on the remaining elements in 2012-13.

Meeting our Occupational Health Safety and Welfare (OHSW) targets

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

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

On-site influenza vaccinations, ergonomic assessments and confidential counselling with external professionals through the Employee Assistance Program are available to staff. Correct seating is critical for our staff, who work almost exclusively with computers and often work in off-site locations. A new protocol for providing seating tailored to specific needs was developed and implemented in 2011-12.

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

Our high standard of workplace safety and low level of incidents continued through 2011-12. Specific data on this is provided in Appendix F.

Disability action plan

This year we formalised our disability action plan to meet the SA Government's commitment for promoting independence. The plan is aimed at ensuring that people with disabilities can access our information, workplace and services and that we meet legislative requirements for equal opportunity. The action plan has been endorsed and its implementation will continue in 2012-13.

Our strategic management framework

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

Our strategic management framework provides the structure for planning and managing our audit and corporate responsibilities. It drives how we:

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

The key outputs of this cycle are our planning documents:

Corporate and Human Resources Strategic Plans

Establish our vision, mission and values and our intended corporate direction over the longer term – usually three years – expressed as corporate objectives and key strategic actions.

Annual Plans

Translate the broad direction of the Corporate and Human Resources Strategic Plans into specific actions and responsibilities for each year.

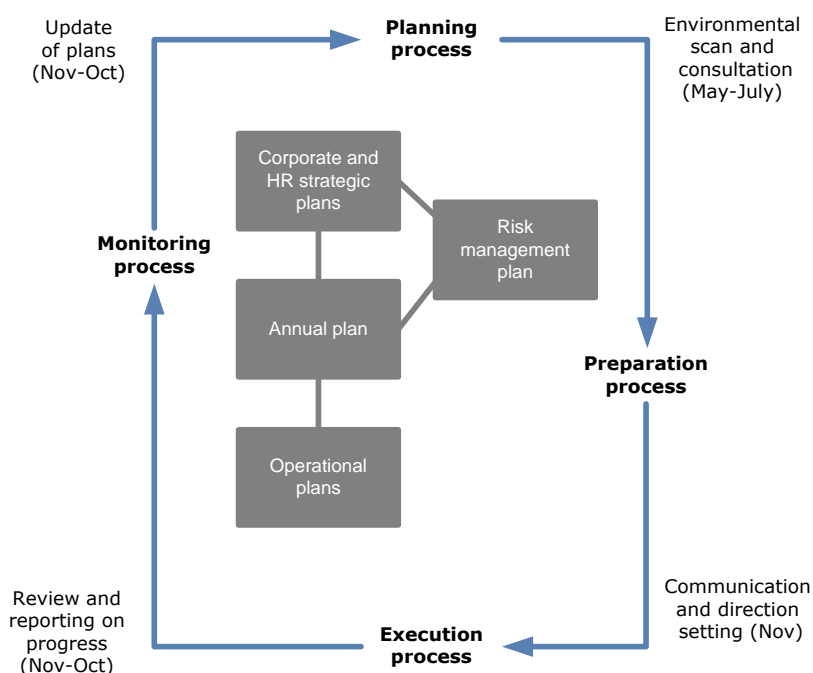
Risk Management Policy and Plan

Identifies risks that may block the achievement of our plans, and opportunities for us to do things better. Describes existing risk control approaches and proposed actions to improve current controls or mitigate emerging risks.

Operational Plans

Prepared by each work team, these detailed work programs translate strategies and actions in the Annual Plan into specific accountabilities and outcomes for each team.

Together these documents are the accountability statements we use to monitor our performance as an organisation. Monthly reports on the status of our planned activities are prepared and communicated to all staff.



Our governance and communication structures

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

Executive

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

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

Senior Management Group

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

Departmental information forums

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

Directorate/Section meetings

Each year managers translate strategies in the Corporate Plan into specific accountabilities, actions and outcomes for their work teams. Regular meetings are held between Directors and managers to monitor these plans and discuss local management issues.

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

Appendix G explains our important external relationships

Our financial report

Funding

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

Budget performance

The Department administers one budget program: Auditing services. This covers all audit responsibilities prescribed under the PFAA under two sub-programs:

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

Financial performance for the three years to 30 June 2012

	Budget 2011-12	Actual		
		2011-12	2010-11	2009-10
	\$000	\$000	\$000	\$000
Net cost of providing services	15 347	15 468	13 678	13 401
Total audit fees raised	14 058	13 971	12 549	12 072
Total assets	2 942	3 263	3 122	3 164
Total liabilities	3 924	4 366	3 856	3 788

The increase in liabilities primarily reflects the movement in the long-term Commonwealth Government bond rate used to revalue the long service leave liability. The yield on long-term bonds, which is used as the rate to discount future long service leave cash flows, decreased from 5.4% at 30 June 2011 to 3.4% at 30 June 2012. This significant decrease resulted in an increase in the reported long service leave liability (refer note 12 to the financial statements).

Net cost of providing services

Contractual arrangements

The Department has not entered into any contractual arrangements where the value of the contract exceeds \$4 million.

Contract audit fees

\$2.88 million was paid to contract auditors in 2011-12, compared to \$1.81 million last year. The increase is primarily a result of the additional work done by contractors to assist in the performance of our extensive audit responsibilities in the health sector.

Consultants

Consultants are sometimes used to provide expert advice on matters associated with an audit, special investigation or a particular aspect of the Department's operations. Consultancy expenses were \$165 000 in 2011-12 (\$87 000 in 2010-11).

Consultancies in 2011-12

Consultancies	Details	\$'000
Under \$10 000	1 consultancy	4
\$10 000 - \$50 000:	2 consultancies:	
KPMG	<i>Taxation services for the audit of WorkCoverSA</i>	19
Hamheath Services Pty Ltd	<i>Review of bus contracts</i>	38
Above \$50 000:	1 consultancy:	
KPMG	<i>Actuarial services for the audit of WorkCoverSA</i>	104
Total	4 consultancies	165

Payment performance

Treasurer's Instruction 11 'Payment of creditors' accounts' requires undisputed accounts to be paid within 30 days of receiving an invoice unless a specific due date applies. We report monthly to the Department of Treasury and Finance on our payment performance. Our payment performance remained high with 98% of invoices paid by the due date, again exceeding the Department of Treasury and Finance's benchmark of 90%.

Payment performance in 2011-12

Timing of payments	Number	Percentage	Value \$'000	Percentage
Paid by the due date	912	98%	5 755	97%
Paid late, within 30 days of due date	14	2%	204	3%
Paid more than 30 days after due date	1	-	1	-
Total	927	100%	5 960	100%

Audit fees

Audit fees are charged to agencies on a cost recovery basis. This revenue is paid into Consolidated Account and treated as an administered in the Department's financial report.

Fraud management

We aim for a workplace that is free of fraud. Internal controls are in place to either prevent or detect fraud.

Our staff are bound by the Employee Conduct Standards of the *Public Sector Act 2009* and the Code of Ethics for the South Australian public sector. We have a policies on ethical conduct in the workplace and fraud management policy.

We are not aware of any actual, suspected or alleged incidents of internal fraud affecting the Department in 2011-12.

In recent years the Department has identified instances of suspected and proven fraud by external parties in the taxi industry. In some cases legal action was taken by the service provider on the basis of evidence provided by our staff. Despite reverting to the use of manual taxi vouchers last year, which carry a much lower risk of fraud, there were still some instances of suspected fraud. All have been referred to the service provider for investigation. We continue to provide staff with procedural documents and emailed reminders regarding the use of cab charge vouchers and steps to prevent possible fraud.

Whistleblowers Protection Act 1993

We have nominated six responsible officers to receive and action disclosures under the *Whistleblowers Protection Act 1993*. All complaints pursuant to this Act are investigated in accordance with the Department's whistleblower policy.

All instances of disclosure of public interest information to a responsible officer of the Department under the *Whistleblowers Protection Act 1993* were either referred to the appropriate agency or reviewed as part of the audit process.

Financial management compliance

Treasurer's Instruction 28 'Financial Management Compliance Program' requires Chief Executives to implement effective financial management for accountability and good governance. Last year the Department developed a new financial management compliance program to assess the adequacy of its policies, procedures and controls over:

- income
- expenditure
- assets and liabilities
- budgeting and reporting
- risks and internal controls

The program requires regular assessments using a financial management compliance checklist to assign performance ratings to each area. A rating system of 1 (not effective) to 5 (highly effective) was used, and all areas received a rating of 3 or above. At level 3 appropriate processes are in place but overarching plans or policies to support these functions are in draft format. Matters identified for improvement will be actioned in 2012-13.

Auditor-General's Department

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Expenses:			
Employee expenses	3	10 479	9 863
Supplies and services:	4		
Contractors		2 883	1 805
Office accommodation and service costs		663	668
Computing and network processing costs		262	231
Consultancies		165	87
Other expenses		158	147
Motor vehicle		145	154
Staff development and training		138	174
Fringe benefits tax		60	57
Shared Services SA charges		53	49
Staff travel and accommodation		48	53
Temporary staff		47	25
Report printing		9	33
		4 631	3 483
Depreciation and amortisation		349	333
Net loss from the disposal of non-current assets	5	10	-
Total expenses		15 469	13 679
Income:			
Other income		1	1
Total income		1	1
Net cost of providing services		15 468	13 678
Revenues from (Payments to) SA Government:			
Appropriations and contingency provision grant	6	15 099	13 568
Net result		(369)	(110)
Total comprehensive result		(369)	(110)

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

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Current assets:			
Cash and cash equivalents	7	2 664	2 354
Receivables	8	160	191
Total current assets		<u>2 824</u>	<u>2 545</u>
Non-current assets:			
Computing and office facilities	9	337	395
Intangible assets	10	102	182
Total non-current assets		<u>439</u>	<u>577</u>
Total assets		<u>3 263</u>	<u>3 122</u>
Current liabilities:			
Payables	11	270	455
Cash advance - imprest account		3	3
Employee benefits	12	947	852
Provision for workers compensation	13	7	5
Total current liabilities		<u>1 227</u>	<u>1 315</u>
Non-current liabilities:			
Payables	11	300	232
Employee benefits	12	2 816	2 292
Provision for workers compensation	13	23	17
Total non-current liabilities		<u>3 139</u>	<u>2 541</u>
Total liabilities		<u>4 366</u>	<u>3 856</u>
Net assets		<u>(1 103)</u>	<u>(734)</u>
Equity:			
Opening balance - deficit		(734)	(624)
Increase (Decrease) in net assets		(369)	(110)
Total equity		<u>(1 103)</u>	<u>(734)</u>

Total equity is attributable to the SA Government as owner

Commitments 14

Statement of Changes in Equity for the year ended 30 June 2012

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	(624)	(624)
Total comprehensive result for the year 2010-11	(110)	(110)
Balance at 30 June 2011	(734)	(734)
Total comprehensive result for the year 2011-12	(369)	(369)
Balance at 30 June 2012	(1 103)	(1 103)

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

Statement of Cash Flows for the year ended 30 June 2012

		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee expenses		(9 732)	(9 946)
Supplies and services		(5 304)	(3 735)
Cash inflows:			
Other income		1	1
GST refunds from Australian Taxation Office		467	385
Cash flows from SA Government:			
Appropriations and contingency provision grant	6	15 099	13 568
Net cash provided by (used in) operating activities	15.2	531	273
Cash flows from investing activities:			
Cash outflows:			
Purchase of computing and office facilities	9.2	(217)	(257)
Purchase of intangible assets	10.2	(4)	(157)
Cash provided by (used in) investing activities		(221)	(414)
Net increase (decrease) in cash and cash equivalents held		310	(141)
Cash and cash equivalents at 1 July		2 354	2 495
Cash and cash equivalents at 30 June	7,15.1	2 664	2 354

Notes to and forming part of the financial statements

1. Objectives of the Auditor-General's Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the *Public Finance and Audit Act 1987* (PFAA).

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

Prescribed audits

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the PFAA. During the year the Department spent \$15.361 million (\$13.679 million) on this activity.

Special investigations

Includes all work defined in the PFAA that is specifically requested by the Parliament, Treasurer or Minister to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on special investigations when requested by the Parliament or Treasurer
- reviewing summary documents of confidential government contracts and reporting on the adequacy of each document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific terms of reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. In 2011-12 the Auditor-General was required to examine and report to the Parliament on the:

- probity of the processes leading up to the awarding of bus service contracts
- progress of construction of the Adelaide Oval Redevelopment and other matters.

During 2011-12 the Department spent \$100 000 (\$nil) on these activities.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions (TIs) and Accounting Policy Statements (APSs) issued pursuant to the PFAA.

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

The financial statements have been prepared based on a 12 month operating cycle and are presented in Australian currency.

AASs and Australian Accounting Standards Board (AASB) interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2012.

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

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

(c) Reporting entity

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

(d) Comparative information

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

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

(e) Rounding

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

(f) Taxation

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

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

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

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

(g) Income and expenses

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

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

The loss on the disposal of non-current assets is recognised when control of the asset has passed to the recipient.

(h) Revenues from (Payments to) SA Government

Parliament approved funding appropriations are received for the full accrual cost of services. The appropriation is paid into a special deposit account titled 'Auditor-General's Department Operating Account'. Appropriations for accrued expenses are deposited in a special deposit account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to TI 3, paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

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

(i) 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.

(j) Cash and cash equivalents

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

(k) Receivables

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

Prepaid salaries are recognised, and are measured as the amount paid for employee service periods passed the reporting date.

(l) Inventories

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

(m) Non-current asset acquisition and recognition

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

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

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

(n) Revaluation of non-current assets

The revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years in accordance with APF III, APS 3.3.

All non-current assets with a limited useful life are systematically depreciated over their useful lives.

(o) Depreciation/Amortisation of non-current assets

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

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

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Computing and office equipment	Straight-line	3
Laptop computer equipment	Straight-line	2
Leasehold improvements	Straight-line	3
Computer software	Straight-line	3

(p) Payables

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

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

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

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

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

(q) Employee benefits

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

Salaries

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

Annual leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date. Annual leave is expected to be paid within 12 months.

Sick leave

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

Long service leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. An actuarial assessment of long service leave liability undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments. Based on this actuarial assessment, the short hand method was used to measure the long service leave liability for 2012. Refer note 12.

The long service leave to be taken in the 12 months to 30 June 2012 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Superannuation

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

(r) Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2012 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

(s) Leases

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

Operating leases

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

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

(t) Events after the end of the reporting period

There have been no events subsequent to 30 June 2012 that have had a material impact on the information disclosed in these financial statements.

3. Employee expenses	2012	2011
Employee benefits:	\$'000	\$'000
Salaries	7 663	7 464
Annual leave	698	703
Long service leave	652	331
Total employee benefits	9 013	8 498

FINANCIAL SUMMARY

3. Employee expenses (continued)	2012	2011
Employee on costs:	\$'000	\$'000
Superannuation	936	877
Payroll tax	519	482
Total employee on-costs	1 455	1 359
Workers compensation	11	6
Total employee expenses	10 479	9 863
4. Supplies and services provided by entities within SA Government		
Office accommodation and service costs	660	661
Staff development and training	2	1
Other expenses	23	49
Motor vehicle	98	111
Shared Services SA charges	53	50
Total supplies and services provided by entities within SA Government	836	872
5. Net loss from the disposal of non-current assets		
Net book value of non-current assets disposed	10	-
Total net loss from disposal of non-current assets	10	-
No proceeds were received from the disposal of non-current assets.		
6. Funding of the Department		
Appropriations to the Department in 2011-12 amounted to \$15.094 million (\$13.561 million) and there was a contingency provision grant of \$5000 (\$7000).		
Appropriations under Special Acts are reported under administered items.		
7. Cash and cash equivalents		
Deposits with the Treasurer	2 661	2 351
Imprest account and cash on hand	3	3
Total cash and cash equivalents	2 664	2 354

Deposits with the Treasurer

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

Interest rate risk

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

The weighted average interest rate for the imprest account was 4.37% (4.55%).

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

8. Receivables	2012	2011
Current:	\$'000	\$'000
GST input tax recoverable	153	151
Prepayments - salaries	-	30
Other	7	10
Total current	160	191

The current receivable amounts are with non-SA Government entities.

Interest rate and credit risk

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

9. Computing and office facilities	2012	2011
9.1 Classes of computing and office facilities	\$'000	\$'000
Computing and office equipment - at cost	632	593
Accumulated depreciation	(486)	(459)
	<u>146</u>	<u>134</u>
Laptop computer equipment - at cost	344	442
Accumulated depreciation	(201)	(269)
	<u>143</u>	<u>173</u>
Leasehold improvements - at cost	563	562
Accumulated depreciation	(515)	(474)
	<u>48</u>	<u>88</u>
	<u>337</u>	<u>395</u>

There were no indications of impairment of non-current assets at 30 June 2012.

9.2 Reconciliation of carrying amount	Carrying amount				Carrying amount
	01.07.11	Additions	Disposals	Depreciation	30.06.12
	\$'000	\$'000	\$'000	\$'000	\$'000
Computing and office equipment	134	94	-	82	146
Laptop computer equipment	173	122	10	143	142
Leasehold improvements	88	1	-	40	49
Total computing and office facilities	<u>395</u>	<u>217</u>	<u>10</u>	<u>265</u>	<u>337</u>
	Carrying amount				Carrying amount
	01.07.10	Additions	Disposals	Depreciation	30.06.11
	\$'000	\$'000	\$'000	\$'000	\$'000
Computing and office equipment	119	84	-	69	134
Laptop computer equipment	197	108	-	132	173
Leasehold improvements	97	65	-	74	88
Total computing and office facilities	<u>413</u>	<u>257</u>	<u>-</u>	<u>275</u>	<u>395</u>

10. Intangible assets	2012	2011
10.1 Classes of intangible assets	\$'000	\$'000
Computer software - at cost	503	698
Accumulated amortisation	(401)	(516)
	<u>102</u>	<u>182</u>

There were no indications of impairment of non-current assets at 30 June 2012.

10.2 Reconciliation of carrying amount	Carrying amount				Carrying amount
	01.07.11	Additions	Disposals	Amortisation	30.06.12
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer software	182	4	-	84	102
Total intangible assets	<u>182</u>	<u>4</u>	<u>-</u>	<u>84</u>	<u>102</u>
	Carrying amount				Carrying amount
	01.07.10	Additions	Disposals	Amortisation	30.06.11
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer software	83	157	-	58	182
Total intangible assets	<u>83</u>	<u>157</u>	<u>-</u>	<u>58</u>	<u>182</u>

11. Payables	2012	2011
Current:	\$'000	\$'000
Employee on-costs	231	207
Creditors	28	246
Accrued expenses	11	2
Total current	<u>270</u>	<u>455</u>

FINANCIAL SUMMARY

11. Payables	2012	2011
Non-current:	\$'000	\$'000
Employee on-costs	300	232
Total non-current	300	232
Total payables	570	687
Payables to entities within the SA Government	307	269

Interest rate and credit risk

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

12. Employee benefits	2012	2011
Current:	\$'000	\$'000
Salaries	-	-
Annual leave	634	598
Long service leave	313	254
Total current	947	852
Non-current:		
Long service leave	2 816	2 292
Total non-current	2 816	2 292
Total employee benefits	3 763	3 144

AASB 119 contains the calculation methodology for long service leave liability. It is accepted practice to estimate the present value of future cash outflows associated with the long service leave liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 5.4% at 30 June 2011 to 3.4% at 30 June 2012. This significant decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a significant increase in the reported long service leave liability.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$448 000 and employee expenses of \$493 000. The net financial effect of the changes on administered items in the current financial year is an increase in both the long service leave liability and employee expenses of \$38 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

13. Provision for workers compensation	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	7	5
Total current	7	5
Non-current:		
Provision for workers compensation	23	17
Total non-current	23	17
Total provision	30	22
Carrying amount at 1 July	22	18
Workers compensation payments	-	-
Increase (Decrease) in provision	8	4
Carrying amount at 30 June	30	22

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

14. Commitments***Operating lease commitments***

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

Office accommodation

Office accommodation is leased from the Building Management Division of the Department of Planning, Transport and Infrastructure. The lease expires on 30 June 2015. The rental amount is based on floor space, with the rental rate reviewable by Department of Planning, Transport and Infrastructure every two years.

Motor vehicles

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

At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	2012 \$'000	2011 \$'000
Not later than one year	692	699
Later than one year but not later than five years	1 268	1 884
Total operating lease commitments as lessee	1 960	2 583

Remuneration commitments

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

Not later than one year	984	703
Later than one year but not later than five years	2 300	509
Total remuneration commitments	3 284	1 212

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

15. Cash flow reconciliations***15.1 Reconciliation of cash and cash equivalents***

Cash and cash equivalents at 30 June per:

Statement of Financial Position	2 664	2 354
Statement of Cash Flows	2 664	2 354

15.2 Reconciliation of net cost of providing services to net cash provided by (used in) operating activities

Net cost of providing services	(15 468)	(13 678)
Net cash flows from government	15 099	13 568
Depreciation and amortisation	349	333
Loss on disposal of non-current assets	10	-
Movements in assets/liabilities:		
Receivables	31	(18)
Employee benefits	619	(24)
Provision for workers compensation	8	4
Payables	(117)	88
Net cash provided by (used in) operating activities	531	273

16. Remuneration of employees

The number of employees whose normal remuneration is equal to or greater than the base executive remuneration level during the year are grouped within the following bands:

\$184 000 - \$193 999	2	3
\$194 000 - \$203 999	1	1
\$204 000 - \$213 999	1	1
\$214 000 - \$223 999	1	-
\$384 000 - \$393 999	1	1
Total number of employees	6	6

FINANCIAL SUMMARY

16. Remuneration of employees (continued)

The table includes all employees whose normal remuneration is equal to or greater than the base executive remuneration level during the year. Total remuneration received or receivable by these employees was \$1.402 million (\$1.372 million).

The employee remuneration figures detailed above include employee remuneration recorded in both the Department's financial statements and in the administered financial statements of the Department.

17. Remuneration of auditor

	2012	2011
	\$'000	\$'000
Remuneration for audit of financial statements	15*	10
Remuneration for other services	-	-
	<u>15</u>	<u>10</u>

* Remuneration for audit of financial statements in 2011-12 includes the payment for the cost of auditing the 2010-11 financial statements and payment of an interim bill for work performed as part of the audit of financial statements for 2011-12.

18. Financial instruments

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

	Carrying amount	
	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	2 664	2 354
Receivables*	2	-
Financial liabilities		
Payables	553	687
Cash advance - imprest account	3	3

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

**Statement of Administered Comprehensive Income
for the year ended 30 June 2012**

		2012	2011
	Note	\$'000	\$'000
Expenses:			
Employee expenses		343	318
Amounts paid/payable to Consolidated Account		13 971	12 549
Total expenses		<u>14 314</u>	<u>12 867</u>
Income:			
Fees for audit services		13 971	12 549
Appropriation - Special Acts	A2.2	288	280
Total income		<u>14 259</u>	<u>12 829</u>
Net result		<u>(55)</u>	<u>(38)</u>
Total comprehensive result		<u>(55)</u>	<u>(38)</u>

**Statement of Administered Financial Position
as at 30 June 2012**

		2012	2011
	Note	\$'000	\$'000
Current assets:			
Cash and cash equivalents	A4.1	817	558
Receivables		1 932	1 149
Total assets		<u>2 749</u>	<u>1 707</u>
Current liabilities:			
Employee benefits	A3	131	131
Amounts payable to Consolidated Account		1 795	1 101
GST payable		787	438
Total current liabilities		<u>2 713</u>	<u>1 670</u>
Non-current liabilities:			
Employee benefits	A3	418	364
Total non-current liabilities		<u>418</u>	<u>364</u>
Total liabilities		<u>3 131</u>	<u>2 034</u>
Net assets		<u>(382)</u>	<u>(327)</u>
Equity:			
Opening balance - deficit		(327)	(289)
Increase (Decrease) in net assets		(55)	(38)
Total equity		<u>(382)</u>	<u>(327)</u>

Statement of Administered Changes in Equity for the year ended 30 June 2012

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	(289)	(289)
Total comprehensive result for the year 2010-11	(38)	(38)
Balance at 30 June 2011	(327)	(327)
Total comprehensive result for the year 2011-12	(55)	(55)
Balance at 30 June 2012	(382)	(382)

Statement of Administered Cash Flows for the year ended 30 June 2012

		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee expenses		(289)	(292)
Amounts paid to Consolidated Account		(13 277)	(11 656)
GST paid to Australian Taxation Office		(1 048)	(1 123)
Cash inflows:			
Fees for audit services	A2.1	14 585	12 849
Cash flows from SA Government:			
Appropriations - Special Acts		288	280
Net cash provided by (used in) operating activities	A4.2	259	58
Net increase (decrease) in cash and cash equivalents held		259	58
Cash and cash equivalents at 1 July		558	500
Cash and cash equivalents at 30 June	A4.1	817	558

Notes to and forming part of the administered financial statements

A1. Statement of significant accounting policies

The summary of all significant accounting policies for the Auditor-General's Department are contained in note 2. The policies outlined in note 2 apply to both the Department and the administered financial statements.

A2. Administered items

A2.1 Auditing fees

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

	2012 \$'000	2011 \$'000
Fees outstanding at 1 July	1 148	193
Billings (including GST)	15 369	13 804
	16 517	13 997
Receipts (including GST)	14 585	12 849
Fees outstanding at 30 June	1 932	1 148

At 30 June, the value of audit work in progress was \$5.991 million (\$6.328 million). The Department is of the opinion that this amount is recoverable.

Interest rate and credit risk

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

A2.2 Special Acts

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

A3. Employee benefits	2012	2011
Current:	\$'000	\$'000
Salaries	-	-
Annual leave	131	131
Total current	131	131
Non-current:		
Long service leave	418	364
Total non-current	418	364
Total employee benefits	549	495

A4. Notes to the Administered Statement of Cash Flows**A4.1 Reconciliation of cash and cash equivalents**

Cash and cash equivalents at 30 June per:

Statement of Administered Financial Position	817	558
Statement of Administered Cash Flows	817	558

A4.2 Reconciliation of net result to net cash provided by (used in) operating activities

Net result	(55)	(38)
Movements in assets/liabilities:		
Receivables	(783)	(956)
Employee benefits	54	27
Amounts payable to the Consolidated Account	694	893
GST payable	349	132
Net cash provided by (used in) operating activities	259	58

A5. Specific disclosure - SA Government

The following discloses revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Income excluding appropriations	12 278	11 144
Expenses	13 971	12 549
Financial assets	2 177	1 173
Financial liabilities	1 795	1 101

Certification of the Financial Report

We certify that the:

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



S O'Neill
AUDITOR-GENERAL
16 August 2012



M Stint
MANAGER, FINANCE
16 August 2012



EdwardsMarshall

AUDITOR-GENERAL'S DEPARTMENT**INDEPENDENT AUDITOR'S REPORT
TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT****Report on the Financial Report**

We have audited the accompanying financial report of the Auditor-General's Department ('the Department'), which comprises the Statement of Financial Position and Statement of Administered Financial Position as at 30 June 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, Statement of Administered Comprehensive Income, Statement of Administered Changes in Equity and Statement of Administered Cash Flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the Certification of the Financial Report by Auditor-General and the Manager, Finance.

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

The Auditor-General and the Manager, Finance, of the Department are responsible for the preparation and fair presentation of the financial report in accordance with Section 35 of the Public Finance and Audit Act 1987 (including the Treasurers Instructions promulgated under the provisions of that Act) and Australian Accounting Standards (including Australian Accounting Interpretations) and for such internal control as the Auditor-General and Manager, Finance determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General and Manager, Finance, as well as evaluating the overall presentation of the financial report.

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

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AUDITOR-GENERAL'S DEPARTMENT

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

Independence

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

Opinion

In our opinion:

- a) the financial report presents fairly, in all material respects, the financial position of the Department, as at 30 June 2012, and of its financial performance and cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and the Australian Accounting Standards (including the Australian Accounting Interpretations); and
- b) the financial report also complies with accounts and records of the Department; and
- c) the internal controls employed by the Department for the financial year ended 30 June 2012 over its financial reporting and the preparation of the financial statements are effective.

We have obtained all of the information and explanations required from the Department.

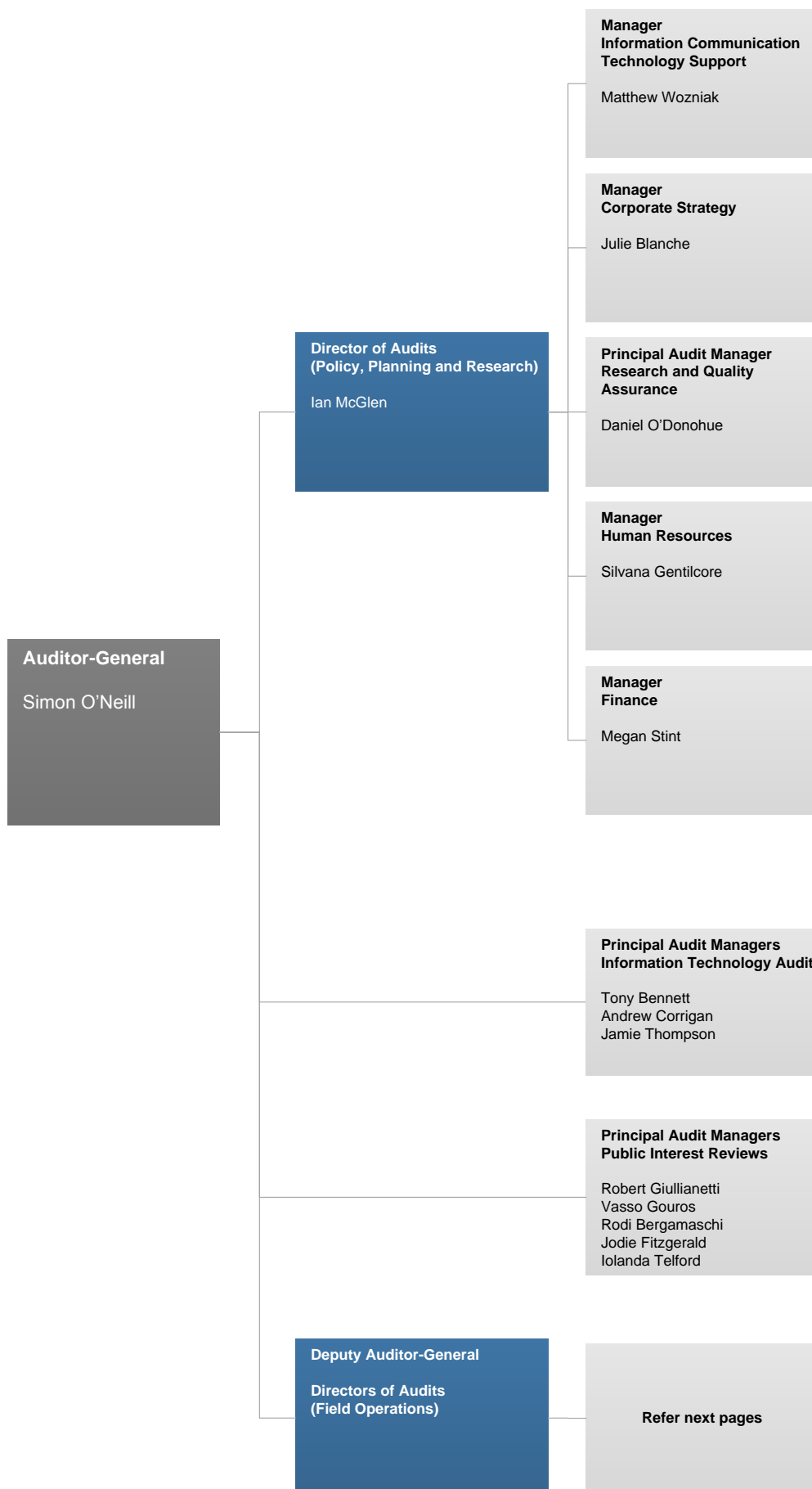
Edwards Marshall
Chartered Accountants

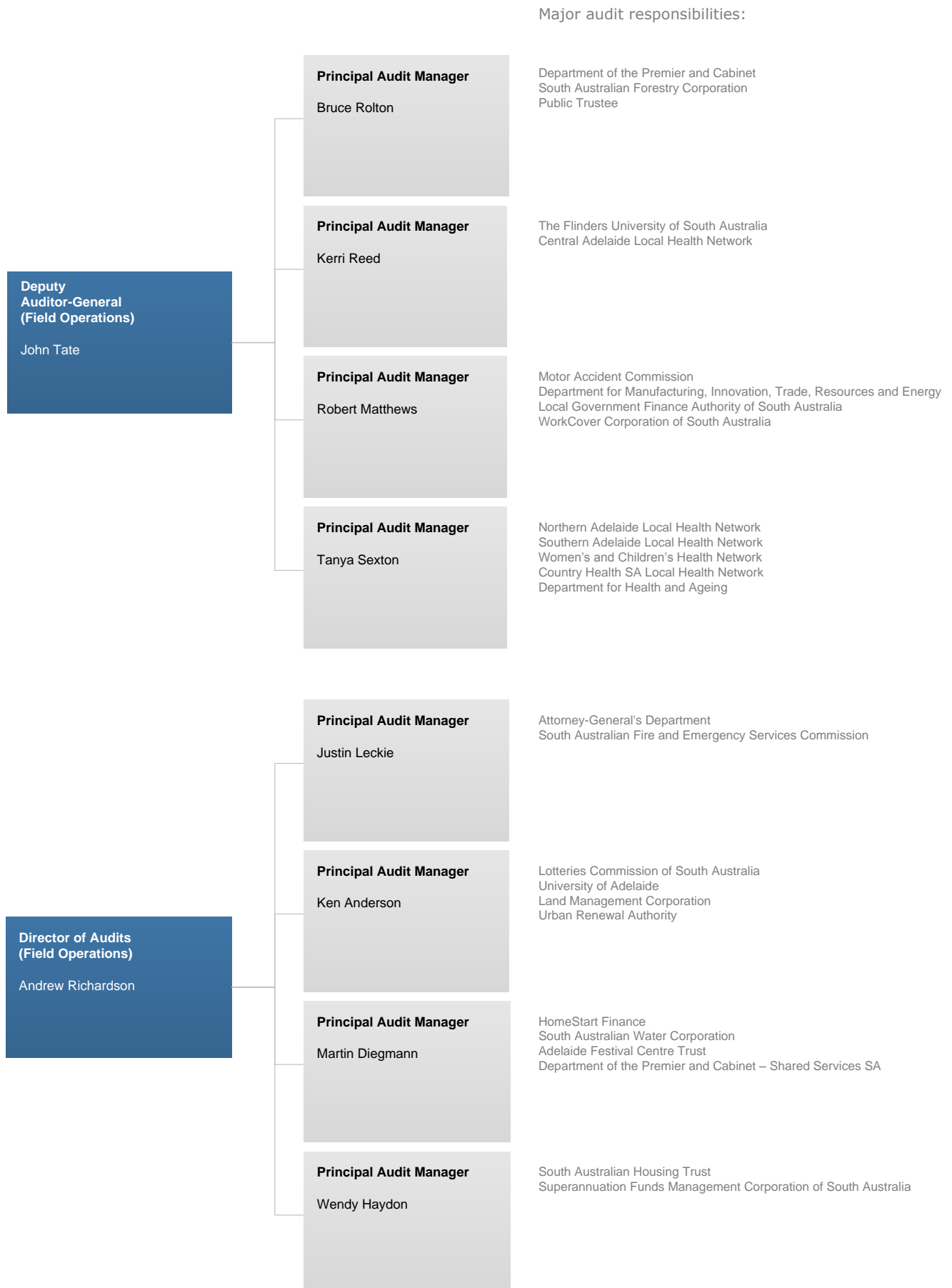
Noel Clifford
Partner

Adelaide
South Australia

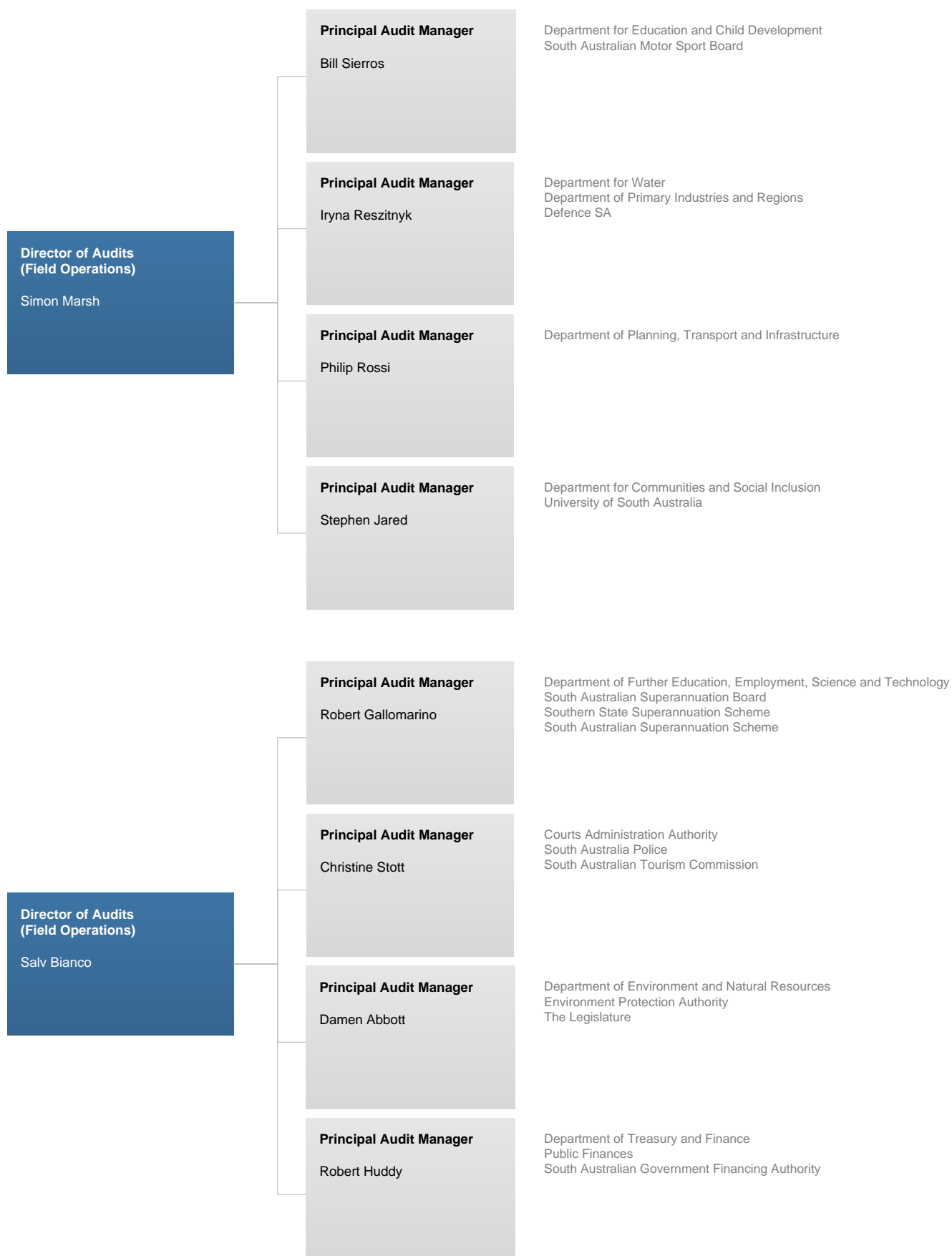
16 August 2012

Our organisation structure





Major audit responsibilities:



Our workforce profile

The Department has an approved staffing establishment of **113** full time equivalents (FTEs) including the Auditor-General's position. On 30 June 2012 the Department employed **121 people**, representing **116.2 FTEs** (112 FTEs at 30 June 2011).

The following tables profile our workforce.

Employee numbers, gender and status

Breakdown of workforce by gender

Gender	Proportion of people	Proportion of FTEs
Male	45%	47%
Female	55%	53%

Number of employees by salary bracket

Salary bracket	Number		Total
	Male	Female	
\$0 - \$51 599	10	15	25
\$51 600 - \$65 699	11	26	37
\$65 700 - \$84 099	11	15	26
\$84 100 - \$106 199	17	10	27
\$106 200 +	6	0	6
TOTAL	55	66	121

Status of employees in their positions at 30 June 2012 (FTEs)

Gender	FTE's				Total
	Ongoing	Short-term contract	Long-term contract	Other (casual)	
Male	39.0	9.8	6	0	54.8
Female	49.6	11.8	0	0	61.4
TOTAL	88.6	21.6	6	0	116.2

Status of employees in their positions at 30 June 2012 (people)

Gender	People				Total
	Ongoing	Short-term contract	Long-term contract	Other (casual)	
Male	39	10	6	0	55
Female	54	12	0	0	66
TOTAL	93	22	6	0	121

Executives

Executives by gender, classification and status

Classification	Ongoing		Term tenured		Term untenured		Other (Casual)		Total				
	M	F	M	F	M	F	M	F	M	% ¹	F	% ¹	Total
CEO	1	0	0	0	0	0	0	0	1	16.7	0	0	16.7
EXEC B	0	0	0	0	5	0	0	0	5	83.3	0	0	83.3
Total	1	0	0	0	5	0	0	0	6	100.0	0	0	100.0

¹ Percentage of all executives

Work experience

At 30 June 2012 the average work experience of employees in the Department was **10 years and 3 months** (compared to 10 years as at 30 June 2011).

Employees with work experience in:	Years of service						TOTAL
	0 <3	3 <6	6 <11	11 <16	16 <21	21+	
Auditor-General's Department	42	23	14	12	7	23	121
Public sector	39	22	15	10	9	26	121

Employee movements

Number of people in 2011-12 who have:

Separated from the Department	10
Been recruited to the Department	18

The average FTE level for 2011-12 was **111.3**, compared with 112.8 last year.

Leave management

Leave type	Days per employee			
	2011-12	2010-11	2009-10	2008-09
Sick leave	5.89	5.88	6.30	5.14
Family carer's leave	1.19	1.13	0.74	0.72
Miscellaneous special leave	*1.27	*1.77	0.43	0.69

* Includes study leave (previously not included in data)

Five people were on leave without pay from the Department on 30 June 2012.

Workforce diversity

Age profile of employees

At 30 June 2012 the average age of the Department's employees was 36 years (37 years as at 30 June 2011). More than half our staff (56%) are under 35 years of age, compared with the South Australian workforce statistics benchmark of 38%.

Workforce age bracket	Male	Female	Total	Percentage of total	2012 workforce benchmark*
15-19	0	0	0	0.0	6.4
20-24	4	9	13	10.7	10.4
25-29	11	17	28	23.1	11.0
30-34	10	17	27	22.3	10.1
35-39	2	5	7	5.8	10.3
40-44	7	5	12	9.9	11.0
45-49	10	8	18	14.9	11.5
50-54	4	2	6	5.0	11.4
55-59	5	2	7	5.8	9.4
60-64	1	1	2	1.7	5.5
65+	1	0	1	0.8	3.0
TOTAL	55	66	121	100.0	100.0

* Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at May 2010

Voluntary flexible working arrangements

	Male	Female	Total
Purchased leave	0	1	1
Flexitime	49	66	115
Compressed weeks	0	0	0
Part-time	1	14	15
Job share	0	0	0
Working from home	0	0	0

Aboriginal and Torres Strait Islander employees

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

Salary bracket	Aboriginal staff	Total staff	Percentage of total	Target*
\$0 - \$51 999	1	25	4%	2%
\$51 600 - \$65 699	0	37	0	2%
\$65 700 - \$84 099	0	26	0	2%
\$84 100 - \$106 199	0	27	0	2%
\$106 200 +	0	6	0	2%
TOTAL	1	121	0.8%	2%

* Target from the State Strategic Plan

Cultural and linguistic diversity

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

	Male	Female	Total	% of agency	% of SA community*
Number of employees born overseas	11	20	31	25.6	20.3
Number of employees who speak language(s) other than English at home	12	21	33	27.3	16.6

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

Disability

Where possible the Department has actively participated in programs such as the Disability Employment Strategy and provides a supportive work environment for anyone with a disability. At 30 June 2012, we employed one person with a disability that meets the Commonwealth DDA definition. No workplace adaptation has been necessary.

A disability action plan has been developed against the six outcomes for the whole-of government strategy '*Promoting independence – Disability action plans for South Australia*'. Implementation of the plan is being monitored by the Executive.

Our audit approach

Financial report audits

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

The Department's auditing methodology meets professional standards set by the Auditing and Assurance Standards Board. It is a risk based audit approach using an audit software package developed specifically for public sector audit.

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

- understanding the agency's business activities and any associated audit risks
- selecting audit procedures that reduce audit risk to an acceptable level.

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

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

For procedural fairness audit findings are discussed with agency management and communicated in a management letter.

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

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

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

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

Reviewing the adequacy of agency controls

Public sector agencies are mandated to maintain control over financial management by the Treasurer's Instructions issued pursuant to the PFAA. Chief Executives must ensure that policies, procedures, systems and controls are developed and implemented in order to meet their financial management responsibilities.

Section 36 of the PFAA requires the Auditor-General to express an opinion as to whether: *'the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.'*

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

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

Public interest reviews

These audits are also known as value-for-money or performance audits. They can be diverse in the types of issues reviewed. A review may be large, complex and involve more than one agency, or relatively small and cover only one aspect of an agency's operations.

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

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

Examining the accounts of a publicly funded body

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

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

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

Reviewing summaries of confidential Government contracts

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

The report of the Auditor-General expressing an opinion on the adequacy of the summary must be tabled in both Houses of Parliament.

Public sector agencies audited at 30 June 2012

Aboriginal Lands Trust
Adelaide and Mount Lofty Ranges Natural Resources Management Board
Adelaide Cemeteries Authority
Adelaide Convention Centre Corporation
Adelaide Dolphin Sanctuary Fund
Adelaide Entertainments Corporation
Adelaide Festival Centre Trust
Adelaide Festival Corporation
Adelaide Film Festival
Adelaide Health Service
Adelaide Hills Wine Industry Fund
Agents Indemnity Fund
Alinytjara Wilurara Natural Resources Management Board
ANZAC Day Commemoration Fund
Art Gallery Board
Attorney-General's Department
Austraining International Pty Ltd
Australian Children's Performing Arts Company
Australian Energy Market Commission
Barossa Wine Industry Fund
Bio Innovation SA
Board of the Botanic Gardens and State Herbarium
Caring for our Country Program (South Australia)
Carrick Hill Trust
Children, Youth and Women's Health Service
Citrus Growers Fund
Clare Valley Wine Industry Fund
Coast Protection Board
Commissioners of Charitable Funds
Construction Industry Training Board
Correctional Services - Department for
Country Health SA Hospital Inc.
Courts Administration Authority
Dairy Authority of South Australia

Public sector agencies audited at 30 June 2012

Defence SA
 Distribution Lessor Corporation
 Dog and Cat Management Board
 Dog Fence Board
 Economic Development Board (Project Coordination Board)
 Education Adelaide
 Education and Children's Services - Department of
 Electoral Commission of South Australia
 Electricity Industry Superannuation Scheme
 Environment and Natural Resources - Department of
 Environment Protection Authority
 Essential Services Commission of South Australia
 Eyre Peninsula Grain Growers Rail Fund
 Eyre Peninsula Natural Resources Management Board
 Families and Communities - Department for
 Further Education, Employment, Science and Technology - Department of
 General Reserves Trust
 Generation Lessor Corporation
 Governors Pensions Scheme
 Health - Department of
 Health, Ageing, Community and Disability Services Ministerial Advisory Council
 History Trust of South Australia
 HomeStart Finance
 Independent Gambling Authority
 Independent Gaming Corporation Ltd
 Judges Pensions Scheme
 Kangaroo Island Natural Resources Management Board
 Land Management Corporation
 Langhorne Creek Wine Industry Fund
 Legal Services Commission of South Australia
 Legislature – The – House of Assembly
 Legislature – The – Legislative Council
 Legislature – The – Joint Parliamentary Service
 Libraries Board of South Australia

Public sector agencies audited at 30 June 2012

Local Government Finance Authority of South Australia
Lotteries Commission of South Australia
Maralinga Lands Unnamed Conservation Park Board
McLaren Vale Wine Industry Fund
Medvet Science Pty Ltd
Motor Accident Commission
Museum Board
National Action Plan for Salinity and Water Quality (South Australia)
National Landcare Program Community Support (South Australia)
Native Vegetation Fund
Natural Heritage Trust - Extension
Northern and Yorke Natural Resources Management Board
Olive Industry Fund
Olympic Dam Taskforce
Outback Communities Authority
Parliamentary Superannuation Scheme
Planning and Development Fund
Planning and Local Government - Department of
Playford Capital Pty Ltd
Playford Centre
Police Superannuation Scheme
Premier and Cabinet - Department of the
Primary Industries and Resources - Department of
Professional Standards Council
Public Trustee
Rail Commissioner
RESI Corporation
Residential Tenancies Fund
Retail Shop Leases Fund
Riverland Wine Industry Fund
Rock Lobster Fishing Industry Fund
Rural Industry Adjustment and Development Fund
SA Ambulance Service Inc
SA Metropolitan Fire Service Superannuation Scheme

Public sector agencies audited at 30 June 2012

SACE Board of South Australia
Second-hand Vehicles Compensation Fund
South Australia Police
South Australian Ambulance Superannuation Scheme
South Australian Apiary Industry Fund
South Australian Arid Lands Natural Resources Management Board
South Australian Asset Management Corporation
South Australian Cattle Industry Fund
South Australian Citrus Industry Development Board
South Australian Country Arts Trust
South Australian Country Fire Service
South Australian Deer Industry Fund
South Australian Film Corporation
South Australian Fire and Emergency Services Commission
South Australian Forestry Corporation
South Australian Government Financing Authority
South Australian Grape Growers Industry Fund
South Australian Housing Trust
South Australian Local Government Grants Commission
South Australian Metropolitan Fire Service
South Australian 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 Board
South Australian Superannuation Scheme
South Australian Tertiary Admissions Centre
South Australian Tourism Commission
South Australian Water Corporation
South Australian Water Corporation - Hydro Joint Venture
South East Natural Resources Management Board
South Eastern Water Conservation and Drainage Board

Public sector agencies audited at 30 June 2012

Southern State Superannuation Scheme
State Opera of South Australia
State Procurement Board
State Theatre Company of South Australia
Stormwater Management Authority
Superannuation Funds Management Corporation of South Australia
Super SA Retirement Investment Fund
Supported Residential Facilities Indemnity Fund
Teachers Registration Board of South Australia
The Flinders University of South Australia
Trade and Economic Development - Department of
TransAdelaide
Transmission Leasing Pty Ltd
Transport, Energy and Infrastructure - Department for
Treasury and Finance - Department of
University of Adelaide
University of South Australia
Water - Department for
West Beach Trust
WorkCover Corporation of South Australia
Zero Waste SA

Total number of agencies audited at 30 June 2012: 157

Internal training courses attended by our staff

Course title	Hours
ACL training	255.00
Advanced skills for working with clients	165.00
Advanced time management and self-management techniques	225.50
Applying ethics and fairness	135.00
Building client relationships	210.00
Cash flow training	42.00
Coaching and supervising others	180.00
Communication	49.00
Conflict	52.50
Auditing controls	112.50
Critical thinking and problem solving	210.00
Cycle training - payroll	45.00
Cycle training - property, plant & equipment	45.00
Cycle training - revenue	45.00
Ethics and public sector responsibilities	60.00
Graduate Induction	112.00
Graduate Induction - follow up	39.00
How government works	30.00
iGrafix professional flowcharter - self learning module	30.00
Introduction to Performance Review and Development (PRD)	32.00
IPSAM audit methodology training and expenditure business cycle	330.00
IPSAM software and audit methodology graduate training (1 day course)	7.50
IPSAM software graduate training	225.00
IPSAM trial balance - self learning module	15.00
Managing time and work priorities	225.00
OHS&W ergonomics and manual handling	50.25
OHS&W manager and supervisor training	32.50
OHS&W staff information session	65.00
Performance management	202.50
Planning your way	217.50
Report writing	165.00
Teams	52.50
TRIM end user training	16.00
Total hours of attendance - internal	3 678.25

External training courses attended by our staff

Course title	Hours
Professional management program	60.00
Smart Series: ' How to deal with grumpy, moody people!'	2.00
CPA congress	90.50
General tax information session	12.00
Government accounting information forum	27.00
Government tax information forum	19.00
GAAP 2012 financial reporting and audit assurance congress	7.50
Government at a cross roads - High performance framework	6.00
Computer audit control security	15.00
FOI officers process modules 1 and 2	7.50
FBT simplifier refresher	4.00
Graduate Diploma (Cyber Security & Forensic Computing)	37.50
Total hours of attendance - external	288.00

Total hours training attendance: 3966.25 hours

Providing a safe and environmentally friendly workplace

Greening of Government operations (GoGO)

Energy management (GoGO priority area 1)

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

Energy saving measures

We encourage our staff to be energy efficient. Energy ratings are considered when purchasing appliances. Office equipment such as faxes, printers and photocopiers are fitted with energy saving modes and auto-off timers to reduce power when not in frequent use. We use low energy LCD computer monitors, and all non-essential computers are shut down at the close of business each day. We have recently rationalised printers so that staff working in the office use one of several networked printers rather than less energy efficient portable printers, which should translate into future energy savings. Our office layout maximises natural light in most offices and workstation areas. All work spaces and kitchens have movement sensors to control artificial lighting, reducing energy demand.

Energy consumption

As tenants of leased premises there are limited opportunities to make significant energy savings. Despite our efforts to save energy whenever possible, this year there was a marginal increase in our energy use. We attribute this to the full year effect of boosting our ICT infrastructure in 2011 to support the implementation of the new IPSAM audit methodology. In addition a critical server was upgraded in late 2012, requiring parallel running of the old and new units for a two month transition period. This caused a spike in energy consumption for May and June 2012.

Our overall energy use remains below the 2000-01 baseline, but short of the Government's 25% reduction target. In 2012-13 we will do more to raise awareness of the need to conserve energy, and may seek expert advice to identify opportunities to reduce our usage.

	Energy use (GJ)	Greenhouse gas (CO ₂) emissions (tonnes)	Business measures (MJ/m ²)*
Base year 2000-01	450	148	290
2008-09	433	93	279
2009-10**	430	86	278
2010-11	429	81	277
2011-12	441	78	284

* We have used the floor space we occupy (1550 m²) as the business measure for our light and power energy use.

** 2009-10 figures were adjusted for estimated consumption of electricity used by a server room as we were not fully billed for the electricity used in that area of the building.

Paper consumption

We are conscious of the need to reduce paper wastage, and have digitised many of our internal processes to reduce costs, increase efficiency and reduce our impact on the environment. We have continued to publish all reports to Parliament electronically, saving paper usage in the print production process (although this does not have a direct impact on our internal paper usage).

The photocopiers and printers we use have duplex functions for double-sided printing and staff are encouraged to use this as their default setting. Posters displayed near these machines raise awareness of the impact of printing on paper. Maximum use is made of electronic mailing facilities to reduce the need to print agendas, minutes, reports and general office communications.

In 2011-12 we used 1200 reams of paper for standard office printing and photocopying, the same amount we have used for the past two years. A recent change to our internal production processes for major reports to Parliament should translate into a paper consumption reduction in 2012-13.

Water use (GoGO priority area 2)

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

Waste management (GoGO priority area 3)

Waste management services are provided to the Department as part of our occupancy of Government premises. All waste is recycled and the State Administration Centre maintained a zero waste to landfill status in 2011-12.

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

OHSW Statistics

OHS notices and corrective action taken

Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	Nil
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	Nil
Number of notices served pursuant to OHS&W Act ss 35, 39 and 40 (default, improvement and prohibition notices)	Nil

Agency gross worker's compensation expenditure for 2011-12 compared with 2010-11

Expenditure	2011-12	2010-11	Variation
Income maintenance	Nil	Nil	Nil
Lump sum settlements - redemptions (sec 42)	Nil	Nil	Nil
Lump sum settlements - permanent disability (sec 43)	Nil	Nil	Nil
Medical/hospital costs combined	Nil	Nil	Nil
Other	Nil	Nil	Nil
Total claims expenditure	Nil	Nil	Nil

Meeting safety performance targets

	Base: 2009-10	Performance: 12 months to 30 June 2012*			Final target
	Numbers or %	Actual	Notional quarterly target**	Variation	Numbers or %
1. Workplace fatalities	Nil	Nil	Nil	Nil	Nil
2. New workplace injury claims	Nil	Nil	n/a	Nil	n/a
3. New workplace injury claims frequency rate	Nil	Nil	n/a	Nil	n/a
4. Lost time injury frequency rate***	Nil	Nil	n/a	n/a	n/a
5. New psychological injury claims	Nil	Nil	n/a	Nil	n/a

	Base: 2009-10	Performance: 12 months to 30 June 2012*			Final target
	Numbers or %	Actual	Notional quarterly target**	Variation	Numbers or %
6. Rehabilitation and return to work:					
6a. Early assessment within 2 days	n/a	n/a	n/a	n/a	80%
6b. Early intervention within 5 days	n/a	n/a	n/a	n/a	90%
6c. RTW within 5 business days	n/a	n/a	n/a	n/a	60%
7. Claim determination:					
7a. New claims not yet determined, assessed for provisional liability in 7 days	n/a	Nil	n/a	Nil	100%
7b. Claims determined in 10 business days	Nil	Nil	n/a	Nil	75%
7c. Claims still to be determined after 3 months	Nil	Nil	n/a	Nil	3%
8. Income maintenance payments for recent injuries:					
2009-10 injuries (at 24 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average
2010-11 injuries (at 12 months development)	Nil	Nil	n/a	n/a	Below previous 2 yr average

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

** A reduction in injury claims is difficult given the Department's low incidence of claims. The Department's targets for safety management are to maintain existing levels of performance and provide a workplace culture and expectation that if an employee is injured at, or arising from work, injury management activities will assist the employee to return to work in the shortest possible timeframe.

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

Our important external relationships

Parliament

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

There is a high level of accountability to the Parliament, met mainly through the Auditor-General's annual report to Parliament and meeting with the Economic and Finance Committee of Parliament.

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

The Department monitors and regularly revisits the extent of audit work that is sub-contracted each year, in the context of how best to achieve our annual statutory audit work program.

Public sector agencies

We have effective professional working relationships with chief executives and managers in the public sector. We contribute to their management outcomes by:

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

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

Contract auditors

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

For more information

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