

# Annual report on the operations of the Auditor-General's Department

for the year ended 30 June 2014



Government of  
South Australia



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## 2013-14 highlights

### Governance

We implemented a new organisation structure in response to public integrity reforms (*see page 9*)

We developed terms of reference for all of our governance groups (*see page 15*)

### Reports

The Annual Report of the Auditor-General for the year ended 30 June 2013 was presented to Parliament

We presented two special reports to Parliament on the Adelaide Oval redevelopment project

We presented two supplementary reports to Parliament on matters of public interest

*(See page 3 for details of the Reports)*

### Audits

161 independent auditor's reports were issued, 25 of them qualified (*see page 7*)

We digitised our manual working papers (*see page 9*)

### Public interest reviews

We continued to focus on reviewing and reporting to the Parliament on matters of public interest (*see page 8*)

### Community engagement

We remained active in our professional community (*see page 11*)

### Recruitment

We recruited 11 graduates (*see page 13*)

### Retention

Employee turnover decreased to 10% (*see page 14*)

### Developing our people

We delivered a comprehensive professional development program to our staff (*see page 12*)

We reviewed our existing performance review and development process to identify improvements (*see page 13*)

### Work health and safety

We met all five compliance standards for self-insurers and maintained a high standard of workplace safety (*see page 16*)

### Financial management

We operated within our approved budget (*see page 19*)

## Auditor-General's report

*'I am pleased to present this annual report on the operations of the Auditor-General's Department for the year ended 30 June 2014'*

This report summarises our performance, achievements and corporate governance in 2013-14.

This was the second year of our current corporate plan, which would usually cover a planning period of three years but has been extended to a fourth year because of the long-term nature of the strategic goals we set this time around. The current plan will now take us through until 2015-16, which will give us the time we need to do everything we have planned. The plan has an emphasis on supporting our staff, reviewing matters that are considered to be in the public interest and responding to State and Commonwealth Government reforms.

As always this Report provides an overview of what we have achieved in the four key result areas of our corporate plan, and what we need to do more work on.

It has been a year of significant strategic change for us, with the retirement of two long serving executives, to whom I pay special tribute. John Tate retired from the role of Deputy Auditor-General in January 2014 after thirty nine years of dedicated public service. Simon Marsh retired from the role of Director of Audits (Field Operations) in October 2013 after thirty two years of diligent public service. Both officers made an outstanding contribution to the Auditor-General's Department and for the betterment of the public service during their careers and it was a privilege to work alongside them.

This year we implemented a new executive management structure to meet the new examination responsibilities arising from the implementation of the *Independent Commissioner Against Corruption Act 2012* and the expanded examination remit of the Auditor-General for the local government sector. It has taken time to do this properly, but now I believe that we have the right structure in place to lead the organisation through this new and interesting phase of our development.

I have great pleasure in recognising and thanking my professional and dedicated Executive and staff for their complete commitment and efforts in 2013-14. It has been a challenging year of change and I am inspired by their resilience and their ability to achieve results while responding to the changes. For this I commend them.

I also acknowledge the cooperation of all public authorities with my staff during the year. An independent objective and productive audit involves a joint effort between auditor and auditee and I am grateful that agency chief executives and their staff throughout the public sector share this same view and willingly give their time and effort to the audit process.



Simon O'Neill  
**Auditor-General**

## Key operational statistics

### Activity indicators

Employees (FTEs) at 30 June 2014	122.1
Number of audits as 30 June 2014	155
Independent Auditor's Reports issued in 2013-14	161

### Financial indicators

	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000
Total audit fees raised	13 778	13 616	13 971
Net cost of providing services	14 811	14 454	15 468
Total assets	4 404	4 562	3 263
Total liabilities	4 664	4 462	4 366

### Reports presented to Parliament in the past two years

3 March 2014	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 2013 to 31 December 2013
27 November 2013	Report of the Auditor-General – Supplementary report: Government advertising: November 2013
27 November 2013	Report of the Auditor-General – Supplementary report: Appointment and administration of authorised officers: November 2013
12 November 2013	Annual report on the operations of the Auditor-General's Department for the year ended 30 June 2013
29 October 2013	Report of the Auditor-General – Supplementary report: Agency audit reports: October 2013
15 October 2013	Report of the Auditor-General – Annual report for the year ended 30 June 2013 – Part A: Audit overview, Part B: Agency audit reports and Part C: State finances and related matters
2 September 2013	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 January 2013 to 30 June 2013
1 March 2013	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 2012 to 31 December 2012
27 November 2012	Report of the Auditor-General – Supplementary report: Agency audit reports: November 2012
30 October 2012	Annual report on the operations of the Auditor-General's Department for the year ended 30 June 2012
16 October 2012	Report of the Auditor-General – Annual report for the year ended 30 June 2012 – Part A: Audit overview, Part B: Agency audit reports and Part C: State finances and related matters
31 August 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 January 2012 to 30 June 2012

## What we do

‘Contributing to public sector accountability through audit and examination activity of state and local government agencies covering financial operations and reporting, controls and matters of public interest’

### 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 publicly funded bodies at the request Parliament, Treasurer, Minister or the Independent Commissioner Against Corruption
- undertake examinations of the local government sector
- examine issues referred by whistleblowers and other members of the community
- 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 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, Independent Commissioner Against Corruption Act and the Whistleblowers Protection Act.

### The 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 agencies we audit

The Auditor-General is the prescribed auditor of 155 public sector agencies. They are listed in Appendix D.

## Our vision, mission and values

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

### Our vision

Our audit practice regularly reports on matters of public interest and contributes to the enhancement of public sector integrity

### Our mission

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

### Our people

Our people are responsive and committed to audit outcomes through respect, teamwork and collaboration

### Key result areas

#### Key result area 1

Conduct and report on audits, public interest reviews and investigations

#### Key result area 2

Contribute to public sector developments and improve professional relationships

#### Key result area 3

Maintain a high performing, capable workforce responsive to changing needs

#### Key result area 4

Run an effective business

### What we value

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 2013-14

'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:

- implementing a new organisation structure (including executive management structure), revised accommodation arrangements and strategy to meet new legislative examination responsibilities, associated with the Independent Commissioner Against Corruption and the extended remit of the Auditor-General into the local government sector.
- focusing on public interest reviews and providing as much opportunity as possible for staff to do this type of work
- reviewing our existing performance review and development process to identify improvements in the way performance assessments are documented
- keeping staff turnover at low levels by focussing on job satisfaction

## And looking ahead

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

- implement a structured framework for the identification, review and reporting of public interest matters
- develop and implement a performance audit methodology for planning, executing and reporting on public interest reviews
- design and implement a revised performance management system based on the performance review and development review recommendations
- maintain our reputation as a professional finance and audit practice to attract, retain and develop finance, accounting and IT professionals
- meet the targets we have set ourselves in our corporate plan

## Key result area 1

‘Conduct and report on audits, public interest reviews and investigations’

### Key strategic actions

- Issuing independent audit and controls opinions
- Involving managers in staffing changes and resource allocation decisions
- Conducting public interest reviews
- Responding to developments in public integrity reforms
- Digitising our manual working papers

### Our performance in 2013-14

Issuing independent audit and controls opinions

Five audit directorates are directly engaged in work to discharge the Auditor-General’s audit and examination mandate. They are made up of 17 field audit teams, an information technology audit (ITA) section, a public interest review team and a local government review team.

We issued 161 independent auditor’s reports in 2013-14, 25 of them qualified. Most of the opinions were issued for agencies with financial years ending on 30 June 2013 or 31 December 2013.

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 small improvement in our timeliness in 2013-14.

#### Audit activity output measures (financial years)

	2013-14	2012-13	2011-12
Number of independent auditor’s reports issued	161	158	172
Number of qualified audit opinions issued	25	25	41
Average working days between an agency’s end of financial year and issuing an Independent Auditor’s Report	86	89	*114

\* In 2011-12 there were significant delays in finalising the audits of the Department for Health and Ageing and the associated health regions as a result of significant strategic, administrative and financial changes in the health sector. We also issued a much higher than usual number of opinions for earlier years. Without these impacts the average time it took to issue an opinion in 2011-12 would have been 90 working days.

Also relevant to understanding how we have performed is the number of hours we commit to audits and the fees we pay to subcontract 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 agency financial reports usually prepared as at 30 June.

The actual hours charged and fees paid to subcontract auditors for financial report and controls opinion audits for the past three audit years are shown in the next table. These hours and fees are generally recovered from public sector agencies and provide a measure of the resources we commit to undertaking audits. The hours charged to 2012-13 audits increased by 4.7% from 2011-12 audits. This was largely due to the increase in average FTEs for the year, and a corresponding reduction in turnover – keeping experienced staff has a positive impact on productivity. It is also in part due to a reduction in our use of subcontract auditors. The use of subcontractors is regularly reviewed against changing audit strategies and work priorities.

## OUR PERFORMANCE

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### Hours charged to audits and fees paid to subcontract auditors (by audit year)

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	2012-13	2011-12	2010-11
Conduct of audits (hours)	96 300	90 700	92 400
Management of audits (hours)	9 900	10 700	12 000
<b>Total hours charged</b>	<b>106 200</b>	<b>101 400</b>	<b>104 400</b>
Subcontract audit fees (\$)	\$1 280 000	\$1 810 000	\$2 877 000

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Involving managers in staffing changes and resource allocation decisions

Ensuring that audit teams have the resources they need to conduct their audits within reasonable timeframes is critical to our performance, and the Executive regularly reviews the progress of audit programs and the structure and resourcing of audit teams to identify any issues they need to address immediately. Resources are shared between teams at peak times.

For the most part, the movement of staff between teams and the matching of resources to audit requirements works smoothly. During 2012-13 innovation workshops were held. Managers told us that they want to be more involved in staff resourcing decisions. Getting them to work out how this could happen to everyone's advantage was something we planned to do in 2013-14 but could not achieve given other strategic priorities. It is on our plan for 2104-15.

Conducting public interest reviews (PIRs)

PIR work is directed by the Executive Director of Audits (Public Interest and Information Technology Review). It is undertaken by staff working in the PIR team, the ITA team or field audit depending on the nature and scope of the reviews. Our PIR strategy requires careful consideration of strategic factors like staffing structure and the competing demands of our statutory audit mandate in order to determine the extent of PIR work we do.

All PIR work is identified on the annual plan. Budgets are set, resources allocated and project briefs approved. As well as the PIR work undertaken by our dedicated PIR team and out ITA specialists, work is undertaken by field audit teams when PIR topics have an across-government scope. This adds an interesting dimension to the work a field auditor does and is an important part of our staff retention strategy.

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

- government advertising expenditure
- appointment and administration of authorised officers
- major ICT system project developments
- government website management and security
- creditor account payment performance
- aspects of goods and services and capital works procurement
- Natural Resources Management Board administrative arrangements.

Review outcomes have been or will be reported to Parliament through the Auditor-General's annual and supplementary reporting processes.

We are seeking a software package for the effective working paper documentation of our PIR and investigation work. Work will continue on this in 2014-15, and on the project to develop a methodology for planning, executing and reporting on PIRs.

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## Responding to developments in public integrity reforms

Last year legislation was passed by Parliament introducing a new model for public sector integrity in South Australia.

- In September 2013 the first Independent Commissioner Against Corruption (ICAC) took up office. The Commissioner's role is to identify and investigate corruption in public administration, and prevent or minimise corruption, misconduct and maladministration in public administration. The Commissioner can refer matters to the Auditor-General for investigation and action.
- Amendments to the PFAA gave the Auditor-General wider discretionary review powers to examine the accounts, economy and efficiency of a publicly funded body or project or local government indemnity scheme. In effect this extends the statutory remit of the Auditor-General into the local government sector.

We needed to position ourselves to be able to respond to any referrals of examinations from ICAC and to undertake examination work in the local government sector. Our staffing level and composition – both relatively stable for many years – were adjusted to supplement our existing establishment. This enabled the establishment of new directorate for ICAC examination referrals, local government reviews, PIR and information technology audit. With this new structure implemented late in 2013-14, we now turn to the important job of establishing frameworks and methodologies to formalise the way this directorate will operate into the future. This is our priority for 2014-15.

## Digitising manual working papers (MWP)

In the past, electronic audit working papers have been supported by MWPs (often copies of client documents supporting audit findings and conclusions) held in physical files. This meant that an audit file was a hybrid of physical and electronic documents, and storage (both on and offsite) was needed to house the physical records.

During the year the Executive made the decision to digitise all MWPs by 2014-15. A key driver was the need to create additional office space for our newly created directorate by reducing our onsite records storage needs, but there were many additional benefits to the digitisation process including:

- having a single format, comprehensive audit file, making it easier for authors and reviewers of the audit working papers to navigate the audit evidence
- improved search capability
- improved security (access) and backup processes
- reduced manual handling costs and physical impacts
- reduced offsite storage costs and archival overheads.

The initiative also supported the Government's 'Greening of Government operations' strategy by reducing our paper usage.

## OUR PERFORMANCE

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A cross-functional workgroup comprising senior managers developed a policy and procedures for digitisation, and importantly identified and addressed the implementation issues, which included:

- limitations of client scanning facilities and the poor performance of our existing portable scanners, addressed by purchasing better quality scanners, requesting client information in electronic form and critically evaluating the need to keep some documentation on file
- securing the electronic transfer of confidential data, addressed by providing guidance on secure transfer options in the procedures that support the policy.

The new policy and procedures were partially implemented in 2013-14 and a post-implementation review will be undertaken in early 2014-15. Full implementation is expected for the 2014-15 audit year.



## Key result area 2

‘Contributing to public sector developments and improving professional relationships’

### Key strategic actions

- 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 2013-14

#### 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. The Auditor-General met with the Economic and Finance Committee on two occasions and with the Budget and Finance Committee on one occasion this year. We provided feedback on the 2014 model financial statements to the Government Accounting and Reporting branch 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 delivered presentations at the 2014 Government Accounting Information Forum and the Auditor-General made presentations to the Information Systems Audit and Control Associations 2013 OCEANIA CACS conference and the CPA Congress held in Adelaide.

#### Participating in ACAG committees and forums

This year we continued to collaborate with our partners in public sector auditing through ACAG. 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 their 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. FRAC is also responsible for coordinating and developing responses to financial auditing, accounting and public sector governance exposure drafts/discussion papers which are issued for comment by the Australian and international financial auditing and accounting bodies. During the year FRAC submitted 12 responses covering a range of financial auditing, accounting and public sector governance issues.

Members of the Department have also actively participated in the following ACAG committees/forums:

- practice management group
- audit quality assurance panel
- information systems audit group.

## Key result area 3

'Attracting and keeping highly skilled and committed people'

### Key strategic actions

- Meeting the development needs of our staff
- Improving performance management processes

### Our performance in 2013-14

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.

Our professional development program aligns the training we provide our staff with their core role competencies, providing the learning and development activities needed to meet the development objectives for each stage of their career. For an auditor this means they 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 2013-14 annual professional development program again provided:

- induction and professional and personal skills training for all new employees
- technical accounting and auditing training for all audit staff
- health and safety courses
- personal skills courses for all staff
- management short courses.

The program provided 3-4 days of professional development for personal and management skills for staff in each career stage, which meets the minimum level of formal professional development required to satisfy our CPA Recognised Employer program obligations. 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.

Our training and development expenditure for all employees increased slightly to 3.4% of total employee expenses. The expenditure on leadership and management training decreased slightly this year.

### Training and development costs in 2013-14

	Total cost	% of total employee expenses
Total training and development expenditure	\$397 500	3.4%
Leadership and management development expenditure	\$ 43 000	0.4%

### Performance review and development (PRD)

Our 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.

The percentage of staff who have a current PRD fell in 2013-14. During the year we engaged a consultant to review our existing processes and make suggestions for improvement, particularly for staff who have been in their roles for some time. Drawing on data collected from surveys, focus groups and interviews with Executive and staff, the consultant found that overwhelmingly our staff want feedback on their performance and goals set for their future development, but that the process needs to be streamlined to make it more efficient and timely. The consultant's report was considered and accepted by the Executive, and improvement strategies have been developed for inclusion in the 2014-15 annual plan. We expect that these changes will ensure that all staff will engage fully with the PRD process, and the Executive will give special focus to improving participation rates in 2014-15.

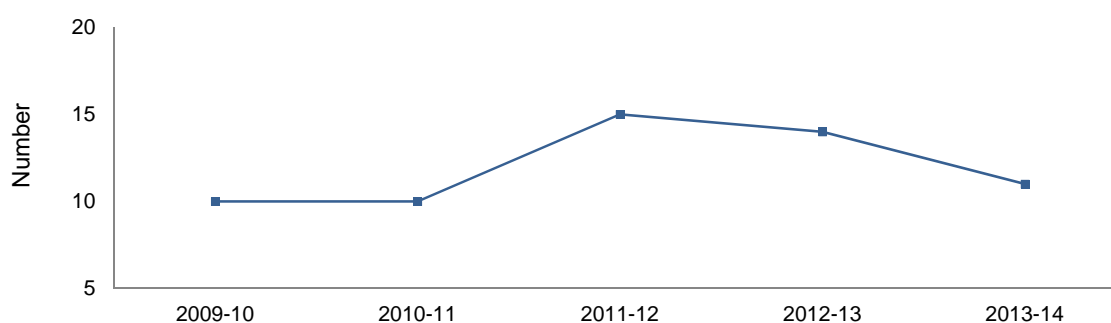
### Documented performance review and development completed in 2013-14

Employees who have had:	% of workforce
A review within the last 12 months	55.9%
A review older than 12 months	39.4%
No review	4.7%

### Staff recruitment

The market for quality audit staff is very competitive, yet we continue to attract high numbers of applications for our positions, particularly those for graduate accountants. We maintain close links with Universities and professional accounting organisations, and employ a range of options to increase the potential pool of applicants for audit positions. Extra recruitment was again necessary this year to fill vacancies as a result of turnover and staff on extended leave without pay, and we recruited 11 graduates. Temporary and contract staff are brought in during periods of peak demand.

### Graduates appointed in the past five years

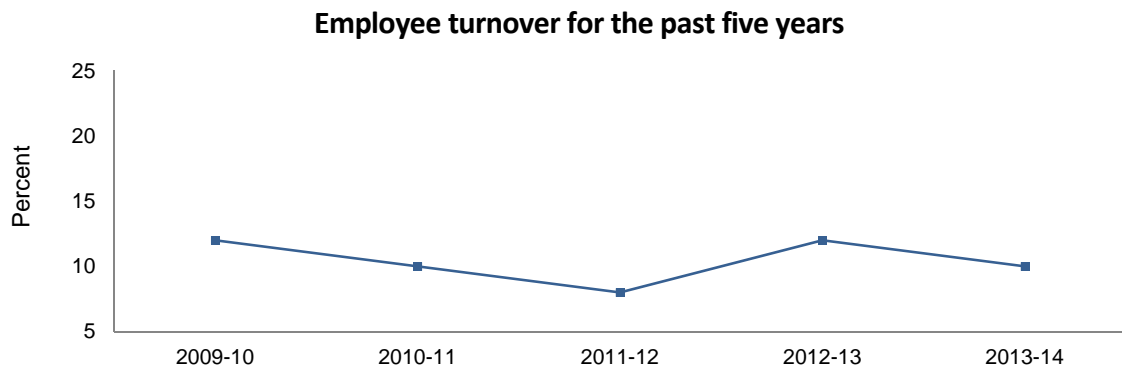


## OUR PERFORMANCE

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### Staff turnover

Staff turnover decreased by 2 percentage points to 10 percent in 2013-14 and remains relatively low.



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

## Key result area 4

‘Running an effective business’

### Key targets

- implementation of our corporate plan
- revising our accommodation arrangements for the new organisation structure
- developing terms of reference for all governance groups
- meeting our OHSW targets

### Our performance in 2013-14

#### 2013 to 2015 corporate plan

We continued with the implementation of our corporate plan, and extended it out by one year to give us time to achieve all that we planned to do in this corporate planning period. Our most significant achievements this year and commentary on the areas where we did not do as well as we hoped are discussed under each key result area in this section of this Report.

We develop an annual plan to translate strategic aims into yearly action plans. The Executive regularly monitors the implementation of our planned actions, but in 2014-15 we plan to implement a new formal system to monitor our strategic initiatives.

#### *A word about innovation*

Innovation, or encouraging new ideas and thinking, is one of this Department's corporate values. Last year we sought to actively building innovation into our culture. As part of the annual planning process we ran a series of innovation meetings with our senior managers to identify one or two short-term projects for change that our managers could take a lead role in undertaking.

In 2013-14 the ideas our managers generated were considered by the Executive and the best of them were selected to pursue further. We also ran training for our managers on leading innovation and continuous improvement. Our focus on implementing the new Executive structure and responding to public integrity reforms this year limited progress in this area, but we intend to recommit to building a culture of innovation in 2014-15. To this end we will establish a dedicated workgroup to help us identify opportunities for innovative (and lean) thinking and ensure that we complete our identified initiatives.

#### State Administration Centre accommodation changes

As a consequence of implementing a new executive management structure and increasing our staff establishment in response to the new ICAC and amendments to the PFAA expanding the Auditor-General's statutory remit into the local government sector, we revised our State Administration Centre tenancy accommodation arrangements.

The new floorplan provides dedicated secure work areas for both the local government review and public interest review teams. No additional office space was leased by the Department to accommodate these changes. In 2014-15 we will conduct a survey of our field audit staff to ensure that the requirements of our mobile workforce are still being met when they need to use our head office facilities.

#### Terms of reference for all governance groups

It is important for governance groups and committees to have terms of reference that clearly define their purpose, scope and authority.



## OUR PERFORMANCE

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To reflect our new executive management structure, we developed new terms of reference for all of our corporate governance groups. These important documents specify how each group is organised, the interrelationship with other groups, what it is trying to achieve, who the members are, and when and how they meet.

### Meeting our Work Health and Safety (WHS) 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 WHS committee develops and monitors compliance with policies and procedures, and drives new initiatives in WHS. The committee also develops and coordinates delivery of the annual WHS training program. Membership of the committee comprises management and employee representatives and the Department's WHS coordinator.

On-site influenza vaccinations, ergonomic assessments and confidential counselling with external professionals through the Employee Assistance Program are available to staff.

Our WHS and Injury Management Action Plan sets objectives and actions for each performance standard and the WHS 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 2013-14. Specific data on this is provided in Appendix G.

## 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 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 plan into specific actions and responsibilities for each year.

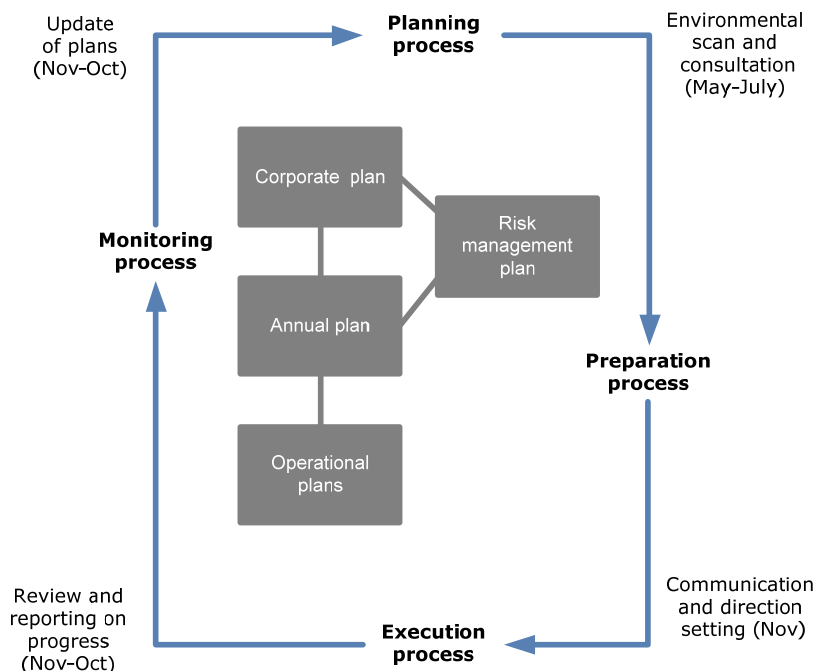
### *Risk management policy and plan*

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'

### 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 organisation chart is shown in Appendix A.

### Executive Management Group

The Executive Management Group comprises the Auditor-General, the Deputy Auditor-General and Executive Directors of Audits.

It is the principal governance body established by the Auditor-General to direct and manage the affairs of the Auditor-General's Department.

The Executive Management Group meets fortnightly and the minutes of these meetings are communicated to all staff.

### Field Directors Group

The Field Directors Group comprises the Deputy Auditor-General and the Directors of Audits. The group meets weekly and coordinates the activities of the field audit teams and assists the Executive Management Group in directing and managing the affairs of the Auditor-General's Department.

Minutes of these meetings are formally communicated to the Executive Management Group.

### Strategic Leadership Group

The Strategic Leadership Group supports the Executive Management Group in developing and implementing corporate and annual plans.

The group comprises the Auditor-General, Deputy Auditor-General, Executive Directors of Audits, Directors of Audits, Manager Corporate Strategy, Manager Human Resources and the Principal Audit Manager Research and Quality Assurance.

The Group meets quarterly and additional meetings are convened to develop Corporate and Annual Plans.

### 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 Management Group.

*Appendix H 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** – All audit and examination work for state and local government agencies initiated and undertaken by the Auditor-General under the PFAA. The main component of the work relates to annual statutory audits of state public sector agencies.
- **Special investigations** – All examination work that is specifically requested by the Parliament, Treasurer, minister or the Independent Commissioner Against Corruption to be undertaken and reported to the Parliament.

#### Financial performance for the three years to 30 June 2014

	Budget	Actual		
	2013-14 \$'000	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000
Net cost of providing services	15 445	14 811	14 454	15 468
Total audit fees raised	13 702	13 778	13 616	13 971
Total assets	4 674	4 404	4 562	3 263
Total liabilities	4 568	4 664	4 462	4 366

### 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.

#### Subcontract audit fees

\$1.28 million was paid to subcontract auditors in 2013-14, compared to \$1.81 million last year. The reduction was due to the decrease in the use and cost of subcontract audit services.

#### 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 \$145 000 in 2013-14 (\$80 000 in 2012-13).

## FINANCIAL SUMMARY

<b>Consultancies in 2013-14</b>	<b>Number</b>	<b>\$'000</b>
Under \$10 000	2	1
\$10 000 - \$50 000	2	32
Above \$50 000: <i>KPMG actuarial services for the audit of WorkCoverSA</i>	1	112
<b>Total</b>	<b>5</b>	<b>145</b>

### Creditor account 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 Premier on our payment performance.

### Payment performance in 2013-14

	Number	%	Value (\$'000)	%
Timing of payments:				
Paid by the due date	857	97.9	4 104	99.1
Paid late, within 30 days of the due date	14	1.6	10	0.2
Paid more than 30 days after the due date	4	0.5	29	0.7
<b>Total</b>	<b>875</b>	<b>100.0</b>	<b>4 143</b>	<b>100.0</b>

### 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 item 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 policies on ethical conduct in the workplace and a fraud management policy.

We are not aware of any actual, suspected or alleged fraudulent activity affecting the Department in 2013-14.

### Whistleblowers Protection Act 1993

We have nominated seven 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. The Department has a 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

Annual assessments are undertaken using a financial management compliance checklist that assigns performance ratings to each area. Matters identified for improvement in this year's review will be actioned in 2014-15.

## Auditor-General's Department

### Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee expenses	3	11 353	10 599
Supplies and services:	4		
Contractors		1 275	1 811
Office accommodation and service costs		667	667
Computing and network processing costs		430	337
Staff recruitment, development and training		214	190
Consultancies		145	80
Motor vehicles		144	160
Other expenses		125	108
Staff travel, accommodation and allowances		67	65
Government Services Group - Shared Services SA charges		65	60
Fringe benefits tax		56	61
Temporary staff		17	17
Report printing		9	8
		<u>3 214</u>	<u>3 564</u>
Depreciation and amortisation		245	292
<b>Total expenses</b>		<u>14 812</u>	<u>14 455</u>
<b>Income:</b>			
Other income		1	1
<b>Total income</b>		<u>1</u>	<u>1</u>
<b>Net cost of providing services</b>	14.2	<u>14 811</u>	<u>14 454</u>
<b>Revenues from (Payments to) SA Government:</b>			
Appropriations and contingency provision grant	5	15 451	15 657
Return of surplus cash pursuant to cash alignment policy	5	(1 000)	-
<b>Total Revenues from (Payments to) SA Government</b>		<u>14 451</u>	<u>15 657</u>
<b>Net result</b>		<u>(360)</u>	<u>1 203</u>
<b>Total comprehensive result</b>		<u>(360)</u>	<u>1 203</u>

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

**Statement of Financial Position  
as at 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	6,14.1	3 953	4 062
Receivables	7	124	126
<b>Total current assets</b>		<b>4 077</b>	<b>4 188</b>
<b>Non-current assets:</b>			
Computing and office facilities	8	303	307
Intangible assets	9	24	67
<b>Total non-current assets</b>		<b>327</b>	<b>374</b>
<b>Total assets</b>		<b>4 404</b>	<b>4 562</b>
<b>Current liabilities:</b>			
Payables	10	380	344
Cash advance - imprest account	6	-	3
Employee benefits	11	1 278	1 467
Provision for workers compensation	12	8	7
<b>Total current liabilities</b>		<b>1 666</b>	<b>1 821</b>
<b>Non-current liabilities:</b>			
Payables	10	291	258
Employee benefits	11	2 683	2 359
Provision for workers compensation	12	24	24
<b>Total non-current liabilities</b>		<b>2 998</b>	<b>2 641</b>
<b>Total liabilities</b>		<b>4 664</b>	<b>4 462</b>
<b>Net assets</b>		<b>(260)</b>	<b>100</b>
<b>Equity:</b>			
Opening balance - surplus (deficit)		100	(1 103)
Increase (Decrease) in net assets		(360)	1 203
<b>Total equity</b>		<b>(260)</b>	<b>100</b>

Total equity is attributable to the SA Government as owner

Commitments 13

### Statement of Changes in Equity for the year ended 30 June 2014

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	(1 103)	(1 103)
Total comprehensive result for the year 2012-13	1 203	1 203
Balance at 30 June 2013	100	100
Total comprehensive result for the year 2013-14	(360)	(360)
<b>Balance at 30 June 2014</b>	<b>(260)</b>	<b>(260)</b>

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

### Statement of Cash Flows for the year ended 30 June 2014

		2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee expenses		(11 185)	(10 543)
Supplies and services		(3 524)	(3 887)
Payments for Paid Parental Leave Scheme		(24)	(24)
Cash inflows:			
Other income		1	1
GST refunds from Australian Taxation Office		328	395
Receipts for Paid Parental Leave Scheme		26	26
Cash flows from (to) SA Government:			
Appropriations and contingency provision grant	5	15 451	15 657
Return of surplus cash pursuant to cash alignment policy	5	(1 000)	-
<b>Net cash provided by (used in) operating activities</b>	<b>14.2</b>	<b>73</b>	<b>1 625</b>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of computing and office facilities		(182)	(190)
Purchase of intangible assets		-	(37)
<b>Net cash provided by (used in) investing activities</b>		<b>(182)</b>	<b>(227)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(109)</b>	<b>1 398</b>
<b>Cash and cash equivalents at 1 July</b>		<b>4 062</b>	<b>2 664</b>
<b>Cash and cash equivalents at 30 June</b>	<b>6,14.1</b>	<b>3 953</b>	<b>4 062</b>

## Notes to and forming part of the financial statements

### 1. Objectives of the Auditor-General's Department (the Department)

The Department's main statutory responsibilities are to audit and examine the activities of State and Local Government agencies 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 the various audit and examination responsibilities prescribed under the PFAA. Within this activity class there are two subactivities:

#### *Prescribed audits*

Includes all audit and examination work for State and Local Government agencies initiated and undertaken by the Auditor-General under the PFAA. The main component of work relates to the annual statutory audit of State public sector agencies. During the year the Department spent \$14.763 million (\$14.403 million) on this activity.

#### *Special investigations*

Includes all examination work defined within the PFAA that is specifically requested by the Parliament, Treasurer, Minister or the Independent Commissioner Against Corruption to be undertaken and reported by the Auditor-General to the Parliament.

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 2013-14 the Auditor-General was required to examine and report to the Parliament on the progress of construction of the Adelaide Oval redevelopment and other matters.

During 2013-14 the Department spent \$49 000 (\$52 000) on this activity.

### 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 (AASs) 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 (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 2014. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

The Department'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 except for certain items which have been recognised at fair value.

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 (FBT) and Goods and services tax (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 II 'General Purpose Financial Statements 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 Department of Treasury and Finance (DTF) titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to Treasurer's Instruction 3 'Appropriation' (TI 3), paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

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

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.

**(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 Accounting Policy Framework III 'Asset Accounting Framework' (APF III), APSs 2.15 and 2.16.

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

**(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/Amortisation 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, accrued expenses and Paid Parental Leave Scheme amounts payable.

Employee on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries, long service leave (LSL), annual leave and skills and experience retention leave (SERL).

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.

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward on to eligible employees via the Department's standard payroll processes.

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' (AASB 119). Employee benefits comprise salaries, annual leave, LSL and SERL.



*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 and SERL*

The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

*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.

*LSL*

LSL is recognised on a pro-rata basis for the employee service periods up to the reporting date. An actuarial assessment of LSL liability is undertaken by DTF. The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data for SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash flows.

The LSL expected to be taken in the 12 months to 30 June 2015 has been estimated by adding the estimated termination payments in this period to the estimated LSL 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 2014 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of Department of the Premier and Cabinet (DPC). 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 operating leases 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 2014 that have had a material impact on the information disclosed in these financial statements.

<b>3. Employee expenses</b>	2014	2013
Employee benefits:	\$'000	\$'000
Salaries	8 442	8 087
Annual leave	827	740
LSL	462	243
SERL	38	56
Total employee benefits	<u>9 769</u>	<u>9 126</u>

<b>3. Employee expenses (continued)</b>	2014	2013
Employee on-costs:	\$'000	\$'000
Superannuation	1 021	949
Payroll tax	559	522
Total employee on-costs	1 580	1 471
Workers compensation	4	2
Total employee expenses	11 353	10 599

<b>4. Supplies and services provided by entities within SA Government</b>		
Office accommodation and service costs	662	663
Staff recruitment, development and training	4	2
Other expenses	25	22
Motor vehicles	90	108
SSSA charges	65	60
Total supplies and services provided by entities within SA Government	846	855

**5. Funding of the Department**

Appropriations to the Department in 2013-14 amounted to \$15.427 million (\$15.444 million) and there was a contingency provision grant of \$24 000 (\$213 000).

In 2013-14 the Department sought approval from DTF to return surplus cash totalling \$1 million to the Consolidated Account in accordance with the principles of the cash alignment policy.

Appropriations under Special Acts are reported under administered items.

<b>6. Cash and cash equivalents</b>	2014	2013
	\$'000	\$'000
Deposits with the Treasurer	3 953	4 059
Imprest account and cash on hand	-	3
Total cash and cash equivalents	3 953	4 062

***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. These 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 was an imprest account and the exposure to interest rate risk is insignificant.

In December 2013 the Department closed its imprest account and returned these funds to DTF.

The weighted average interest rate for the imprest account was 2.45% (3.04%).

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

<b>7. Receivables</b>	2014	2013
Current:	\$'000	\$'000
GST input tax recoverable	121	123
Other	3	3
Total current	124	126

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 other receivables there is no interest rate risk and the carrying amount represents fair value. The credit risk associated with other receivables is insignificant.

## FINANCIAL SUMMARY

8. Computing and office facilities	2014	2013
<b>8.1 Classes of computing and office facilities</b>	\$'000	\$'000
Computing and office equipment - at cost	586	612
Accumulated depreciation	(537)	(520)
	<u>49</u>	<u>92</u>
Laptop computer equipment - at cost	305	466
Accumulated depreciation	(235)	(285)
	<u>70</u>	<u>181</u>
Leasehold improvements - at cost	758	579
Accumulated depreciation	(574)	(545)
	<u>184</u>	<u>34</u>
	<u>303</u>	<u>307</u>

8.2 Reconciliation of carrying amount	Carrying amount 01.07.13 \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Carrying amount 30.06.14 \$'000
Computing and office equipment	92	19	-	62	49
Laptop computer equipment	181	-	-	111	70
Leasehold improvements	34	179	-	29	184
Total computing and office facilities	<u>307</u>	<u>198</u>	<u>-</u>	<u>202</u>	<u>303</u>
	Carrying amount 01.07.12 \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Carrying amount 30.06.13 \$'000
Computing and office equipment	146	20	-	74	92
Laptop computer equipment	142	154	-	115	181
Leasehold improvements	49	16	-	31	34
Total computing and office facilities	<u>337</u>	<u>190</u>	<u>-</u>	<u>220</u>	<u>307</u>

All items of computing and office equipment had a fair value at the time of acquisition of less than \$1 million and have not been revalued in accordance with APF III. The carrying value of these items is deemed to approximate fair value.

These assets are classified as level 3 as the valuation is based on management's assessment of the useful life and condition. The significant input to the valuation is useful life which is 2-3 years. There have been no movements in the fair value of assets apart from the additions and the current year depreciation shown above.

There were no indications of impairment of non-current assets at 30 June 2014.

9. Intangible assets	2014	2013			
<b>9.1 Classes of intangible assets</b>	\$'000	\$'000			
Computer software - at cost	528	540			
Accumulated amortisation	(504)	(473)			
	<u>24</u>	<u>67</u>			
<b>9.2 Reconciliation of carrying amount</b>	Carrying amount 01.07.13 \$'000	Additions \$'000	Disposals \$'000	Amortisation \$'000	Carrying amount 30.06.14 \$'000
Computer software	67	-	-	43	24
Total intangible assets	<u>67</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>24</u>
	Carrying amount 01.07.12 \$'000	Additions \$'000	Disposals \$'000	Amortisation \$'000	Carrying amount 30.06.13 \$'000
Computer software	102	37	-	72	67
Total intangible assets	<u>102</u>	<u>37</u>	<u>-</u>	<u>72</u>	<u>67</u>

**9.2 Reconciliation of carrying amount (continued)**

All items of computing software had a fair value at the time of acquisition of less than \$1 million and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value.

These assets are classified as level 3 as the valuation is based on management's assessment of the useful life and condition. The significant input to the valuation is useful life which is three years. There have been no movements in the fair value of assets apart from the additions and the current year depreciation shown above.

There were no indications of impairment of non-current assets at 30 June 2014.

<b>10. Payables</b>	2014	2013
Current:	\$'000	\$'000
Employee on-costs	269	268
Creditors	102	61
Accrued expenses	5	13
Paid Parental Leave Scheme payable	4	2
Total current	380	344
Non-current:		
Employee on-costs	291	258
Total non-current	291	258
Total payables	671	602
Payables to entities within the SA Government	325	299

**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.

<b>11. Employee benefits</b>	2014	2013
Current:	\$'000	\$'000
Salaries	37	-
Annual leave	821	666
LSL	366	745
SERL	54	56
Total current	1 278	1 467
Non-current:		
LSL	2 683	2 359
Total non-current	2 683	2 359
Total employee benefits	3 961	3 826

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has been used to calculate the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 3.75% at 30 June 2013 to 3.5% at 30 June 2014. This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

The net financial effect of the changes in the current financial year is an increase in the LSL liability. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment by DTF left the salary inflation rate at 4%. As a result there is no net financial effect resulting from changes in the salary inflation rate.

## FINANCIAL SUMMARY

12. Provision for workers compensation	2014	2013
Current:	\$'000	\$'000
Provision for workers compensation	8	7
Total current	8	7
Non-current:		
Provision for workers compensation	24	24
Total non-current	24	24
Total provision	32	31
Carrying amount at 1 July	31	30
Workers compensation payments	-	-
Increase (Decrease) in provision	1	1
Carrying amount at 30 June	32	31

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

## 13. 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 the Department of Planning, Transport and Infrastructure every two years.

#### *Motor vehicles*

Motor vehicles are leased from South Australian Government Financing Authority through their agent LeasePlan Australia. 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, and are reviewed annually.

At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	2014	2013
	\$'000	\$'000
Not later than one year	704	667
Later than one year but not later than five years	79	635
Total operating lease commitments as lessee	783	1 302

### *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	1 085	1 046
Later than one year but not later than five years	2 492	2 434
Total remuneration commitments	3 577	3 480

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

### *Other contractual commitments*

At the reporting date the Department had the following obligations under non-cancellable contracts for audit services (these obligations have not been recognised as liabilities):	2014	2013
	\$'000	\$'000
Not later than one year	811	1 217
Later than one year but not later than five years	210	540
Total operating lease commitments as lessee	1 021	1 757

<b>14. Cash flow reconciliations</b>		2014	2013
<b>14.1 Reconciliation of cash and cash equivalents</b>		\$'000	\$'000
Cash and cash equivalents at 30 June per:			
Statement of Financial Position		3 953	4 062
Statement of Cash Flows		3 953	4 062
<b>14.2 Reconciliation of net cost of providing services to net cash provided by (used in) operating activities</b>			
Net cost of providing services		(14 811)	(14 454)
Net cash flows from SA Government		14 451	15 657
Depreciation and amortisation		245	292
Movements in assets/liabilities:			
Receivables		2	34
Employee benefits		135	63
Provision for workers compensation		1	1
Payables*		53	32
Cash advance - imprest account		(3)	-
Net cash provided by (used in) operating activities		73	1 625
* Movement in payables excludes a capital payable of \$16 000.			

<b>15. Remuneration of employees</b>		2014	2013
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:		Number	Number
\$141 500 - \$151 499		1	-
\$191 500 - \$201 499		-	1
\$201 500 - \$211 499		1	1
\$211 500 - \$221 499		1	2
\$221 500 - \$231 499		2	-
\$231 500 - \$241 499		-	1
\$391 500 - \$401 499		-	1
\$401 500 - \$411 499*		2	-
Total		7	6

\* This bandwidth includes the leave entitlement payments made to an executive employee on termination of service.

The table includes all employees whose normal remuneration is equal to or greater than the base executive remuneration level of \$141 484. Total remuneration received or receivable by these employees was \$1.83 million (\$1.476 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.

<b>16. Remuneration of auditor</b>		2014	2013
		\$'000	\$'000
Remuneration for audit of financial statements		9	10
Remuneration for other services		-	-
		9	10

**17. 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	
	2014	2013
<b>Financial assets</b>	\$'000	\$'000
Cash and cash equivalents	3 953	4 062
Receivables*	3	3
<b>Financial liabilities</b>		
Payables	107	74
Cash advance - imprest account	-	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 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee expenses		343	322
Amounts paid/payable to Consolidated Account		13 778	13 616
<b>Total expenses</b>		<u>14 121</u>	<u>13 938</u>
<b>Income:</b>			
Fees for audit services		13 778	13 616
Appropriation - Special Acts	A2.2	305	308
<b>Total income</b>		<u>14 083</u>	<u>13 924</u>
<b>Net result</b>		<u>(38)</u>	<u>(14)</u>
<b>Total comprehensive result</b>		<u>(38)</u>	<u>(14)</u>

**Statement of Administered Financial Position  
as at 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A4.1	1 365	871
Receivables	A2.1	2 020	4 015
<b>Total assets</b>		<u>3 385</u>	<u>4 886</u>
<b>Current liabilities:</b>			
Employee benefits	A3	152	137
Amounts payable to Consolidated Account		1 853	4 144
GST payable		1 355	565
<b>Total current liabilities</b>		<u>3 360</u>	<u>4 846</u>
<b>Non-current liabilities:</b>			
Employee benefits	A3	459	436
<b>Total non-current liabilities</b>		<u>459</u>	<u>436</u>
<b>Total liabilities</b>		<u>3 819</u>	<u>5 282</u>
<b>Net assets</b>		<u>(434)</u>	<u>(396)</u>
<b>Equity:</b>			
Opening balance - deficit		(396)	(382)
Increase (Decrease) in net assets		(38)	(14)
<b>Total equity</b>		<u>(434)</u>	<u>(396)</u>



### Statement of Administered Changes in Equity for the year ended 30 June 2014

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	(382)	(382)
Total comprehensive result for the year 2012-13	(14)	(14)
Balance at 30 June 2013	(396)	(396)
Total comprehensive result for the year 2013-14	(38)	(38)
<b>Balance at 30 June 2014</b>	<b>(434)</b>	<b>(434)</b>

### Statement of Administered Cash Flows for the year ended 30 June 2014

		2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee expenses		(306)	(298)
Amounts paid to Consolidated Account		(16 068)	(11 266)
GST paid to ATO		(588)	(1 583)
Cash inflows:			
Fees for audit services	A2.1	17 151	12 893
Cash flows from SA Government:			
Appropriations - Special Acts	A2.2	305	308
<b>Net cash provided by (used in) operating activities</b>	A4.2	<b>494</b>	<b>54</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>494</b>	<b>54</b>
<b>Cash and cash equivalents at 1 July</b>		<b>871</b>	<b>817</b>
<b>Cash and cash equivalents at 30 June</b>	A4.1	<b>1 365</b>	<b>871</b>

#### 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 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.

	2014 \$'000	2013 \$'000
Fees outstanding at 1 July	4 015	1 932
Billings (including GST)	15 156	14 976
Receipts (including GST)	19 171	16 908
Fees outstanding at 30 June	17 151	12 893
	2 020	4 015

At 30 June, the value of audit work in progress was \$6.13 million (\$6.101 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.

<b>A3. Employee benefits</b>	2014	2013
Current:	\$'000	\$'000
Salaries	1	-
Annual leave	151	137
Total current	<u>152</u>	<u>137</u>
Non-current:		
LSL	459	436
Total non-current	<u>459</u>	<u>436</u>
Total employee benefits	<u>611</u>	<u>573</u>

**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	1 365	871
Statement of Administered Cash Flows	<u>1 365</u>	<u>871</u>

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

Net result	(38)	(14)
Movements in assets/liabilities:		
Receivables	1 995	(2 083)
Employee benefits	38	24
Amounts payable to the Consolidated Account	(2 291)	2 349
GST payable	790	(222)
Net cash provided by (used in) operating activities	<u>494</u>	<u>54</u>

**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	12 194	12 145
Expenses	13 778	13 616
Financial assets	2 419	4 309
Financial liabilities	1 853	4 144

---

### 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 FCPA**  
28 August 2014



M Stint  
**Manager, Finance**  
28 August 2014



## 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 2014, 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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Edwards Marshall

## 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 2014, 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 2014 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

1 September 2014

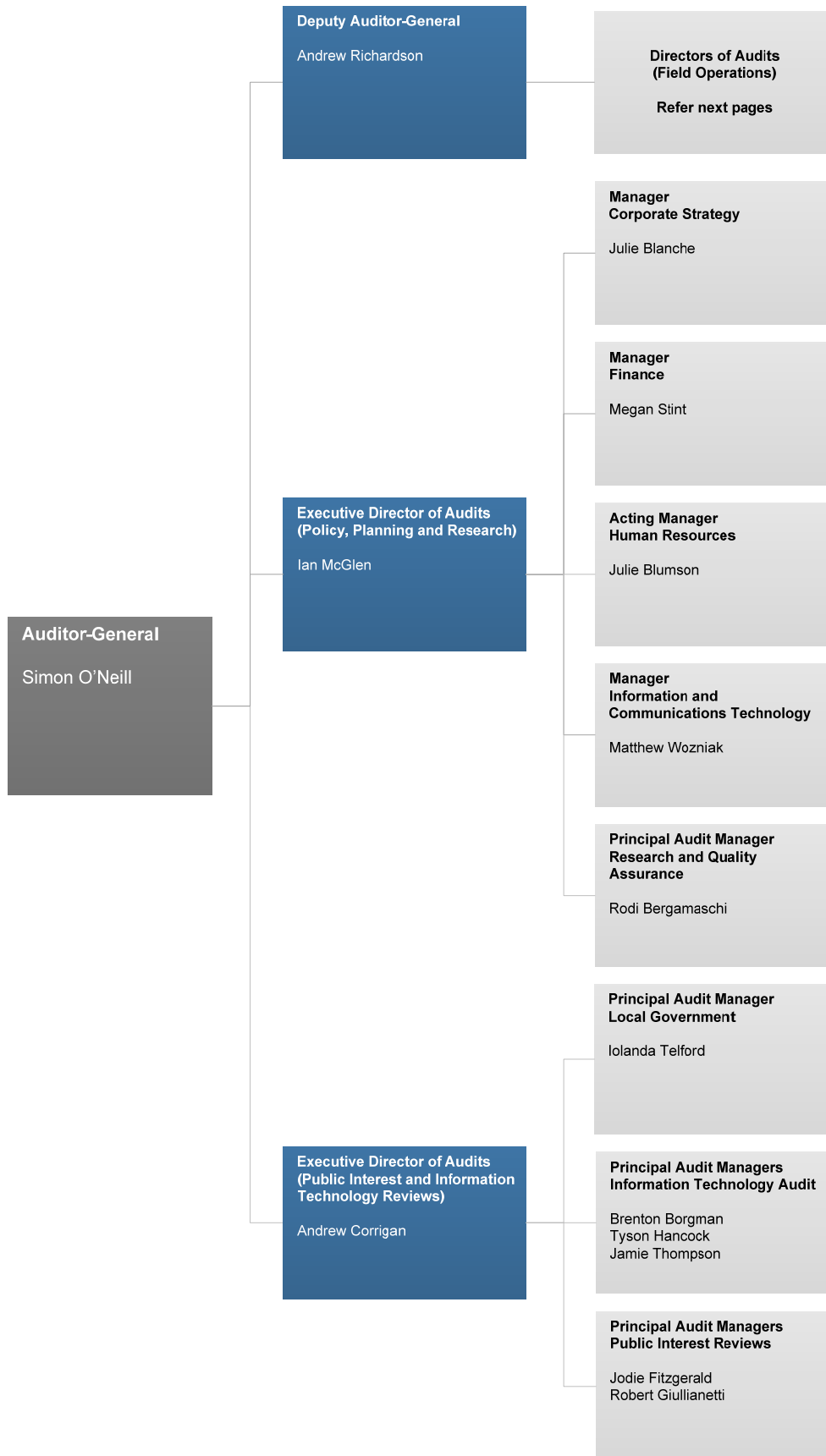


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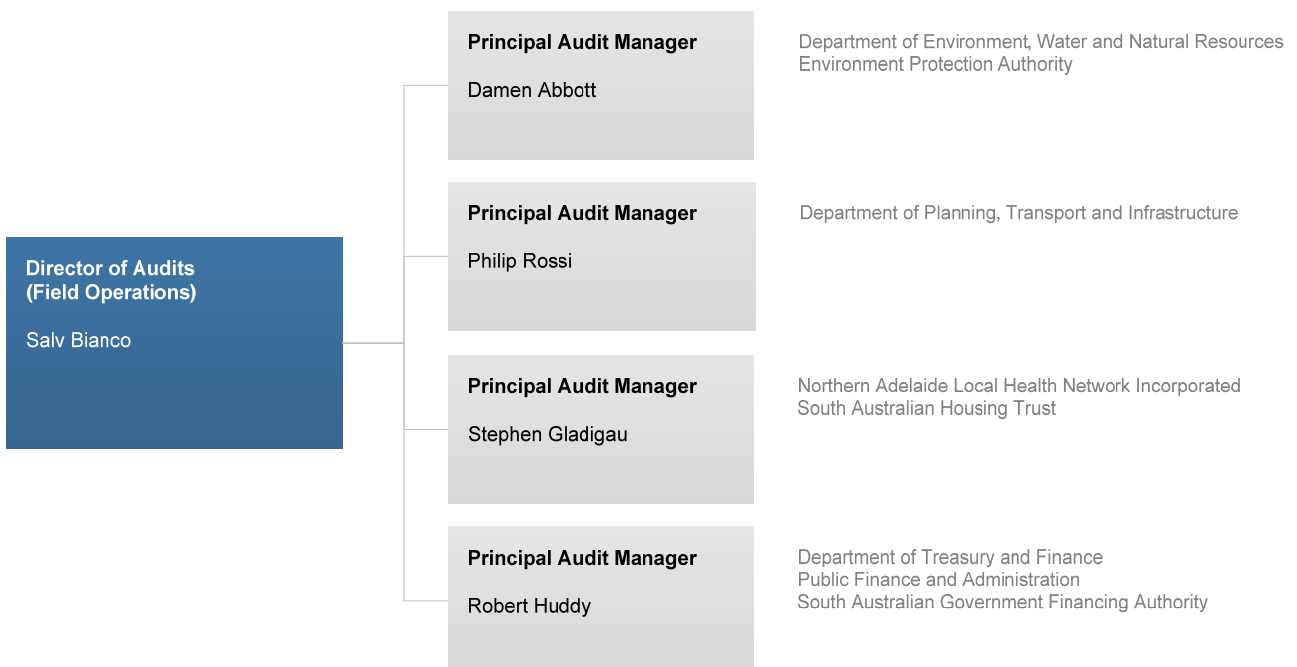
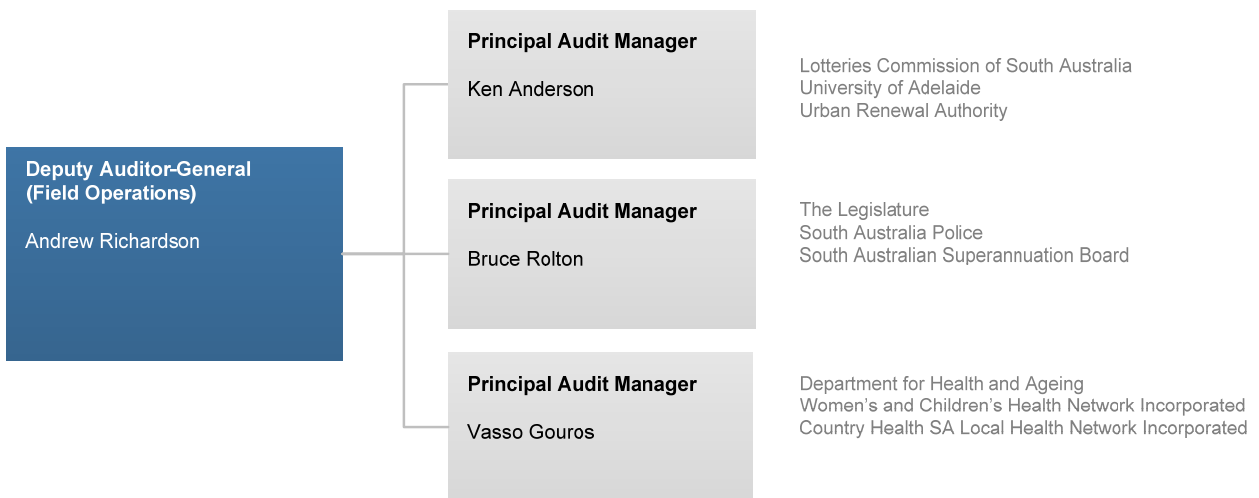


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# Our organisation structure

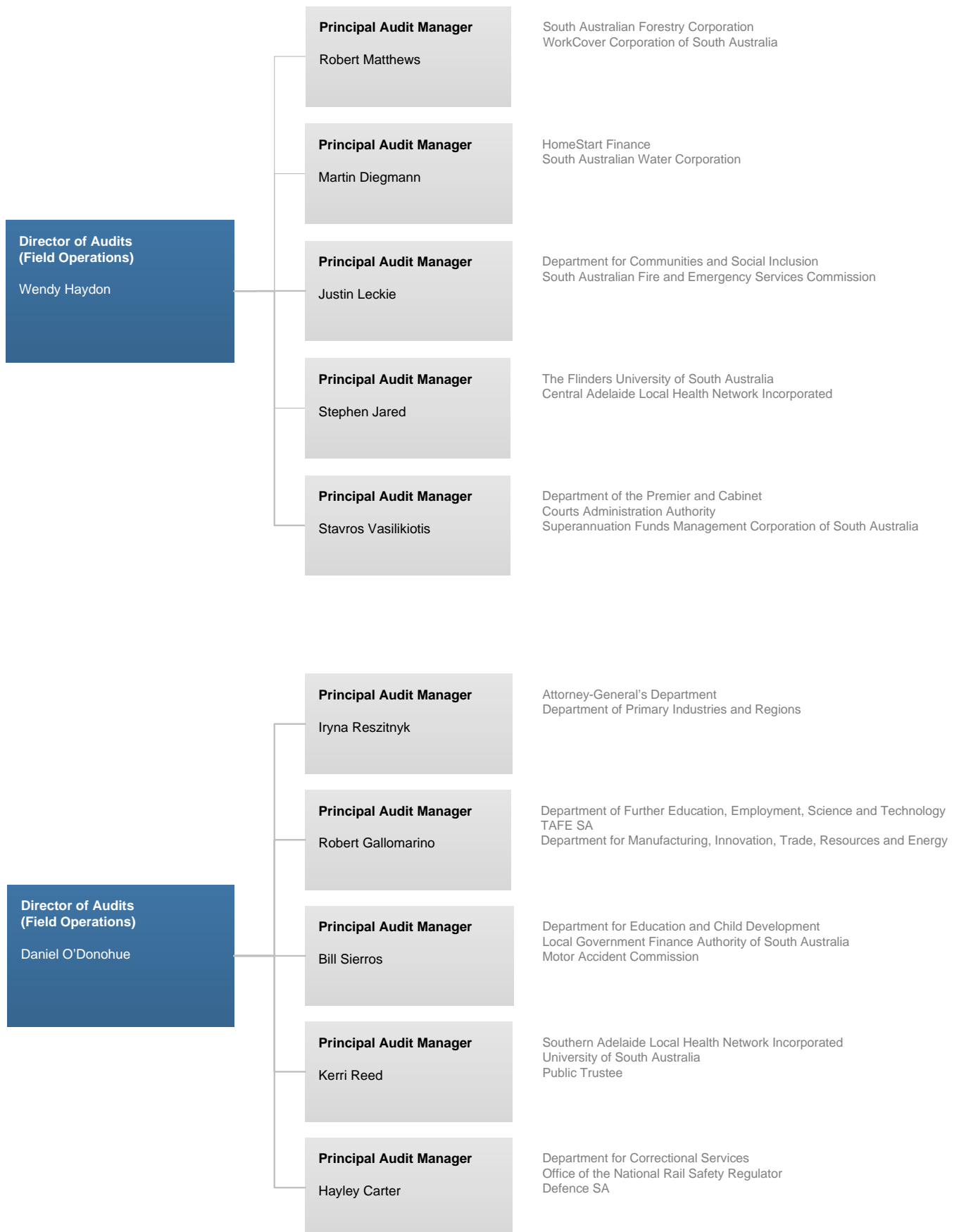


Major audit responsibilities:





Major audit responsibilities:



## Our workforce profile

Following a 9.2 FTE increase in 2013-14, the Department has an approved staffing establishment of 122.2 FTEs including the Auditor-General. On 30 June 2014 the Department employed 128 people, representing 122.1 FTEs (114.6 FTEs at 30 June 2013). The average employee FTE level for 2013-14 was 118.8, compared with 114.8 last year.

The following tables profile our workforce.

### Employee numbers, gender and status

#### Employees by gender (as at 30 June 2014)

	People	FTEs
Total employees	128	122.1
Female (%)	57	55.3
Male (%)	43	44.7

#### Number of employees by gender and salary bracket (as at 30 June 2014)

	Male	Female	Total
\$0 - \$54 799	5	15	20
\$54 800 - \$69 699	13	32	45
\$69 700 - \$89 199	11	16	27
\$89 200 - \$112 599	19	9	28
\$112 600 +	7	1	8
<b>Total</b>	<b>55</b>	<b>73</b>	<b>128</b>

#### FTE employees by gender and status (as at 30 June 2014)

	Ongoing	Short-term contract	Long-term contract	Casual	Total
Female	52.7	13.8	1	0	67.5
Male	41.8	6.8	6	0	54.6
<b>Total</b>	<b>94.5</b>	<b>20.6</b>	<b>7</b>	<b>0</b>	<b>122.1</b>

#### Number of employees by gender and status (as at 30 June 2014)

	Ongoing	Short-term contract	Long-term contract	Casual	Total
Female	57	15	1	0	73
Male	42	7	6	0	55
<b>Total</b>	<b>99</b>	<b>22</b>	<b>7</b>	<b>0</b>	<b>128</b>

## Executives

### Executives by gender, classification and status (as at 30 June 2014)

	Ongoing		Term*		Other		Total		Total
	F	M	F	M	F	M	F	M	
CEO	0	1	0	0	0	0	0	1	1
Exec B	0	0	0	2	0	0	0	2	2
SAES	0	0	1	4	0	0	1	4	5
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>7</b>	<b>8</b>

\* Untenured

## Experience

At 30 June 2014 the average working experience of employees in the Department was 10 years, the same as at 30 June 2013.

### Years employees have worked in the Department and the public sector (as at 30 June 2014)

	Years of service						Total
	0<3	3<6	6<11	11<16	16<21	21+	
Auditor-General's Department	47	21	20	9	8	23	128
Public sector	44	18	21	11	8	26	128

## Employee movements

### Number of people in 2013-14 who have:

Separated from the Department	13
Been recruited to the Department	16

## Leave management

### Average leave taken by employees during 2013-14

	Days per employee			
	2013-14	2012-13	2011-12	2010-11
Sick leave	*5.72	5.38	5.89	5.88
Family carer's leave	0.79	1.02	1.19	1.13
Miscellaneous special leave	1.67	1.33	1.27	1.77

\* Includes unpaid sick leave (previously not included in data)

One person was on leave without pay from the Department on 30 June 2014 compared to six people on leave without pay as at 30 June 2013.

## Workforce diversity

### Age profile of employees

At 30 June 2014 the average age of the Department's employees was 36.7 years (36.7 years as at 30 June 2013). More than half our staff (52%) are under 35 years of age, compared with the South Australian workforce statistics benchmark of 37%.

### Age profile (as at 30 June 2014)

Age:	Female	Male	Total	% of total	*2014 workforce benchmark
15-19	0	0	0	0	5.5
20-24	12	4	16	12.5	9.7
25-29	23	7	30	23.4	11.2
30-34	10	11	21	16.4	10.7
35-39	8	5	13	10.2	9.6
40-44	7	7	14	10.9	11.4
45-49	5	8	13	10.2	11.1
50-54	3	5	8	6.3	11.4
55-59	4	6	10	7.8	9.1
60-64	1	1	2	1.6	6.7
65+	0	1	1	0.8	3.6
<b>Total</b>	<b>73</b>	<b>55</b>	<b>128</b>	<b>100.0</b>	<b>100.0</b>

\* 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 November 2013

### Voluntary flexible working arrangements

#### Number of employees accessing voluntary flexible working arrangements

	Female	Male	Total
Purchased leave	2	1	3
Flexitime	48	72	120
Compressed weeks	0	0	0
Part-time	18	2	20
Job share	0	0	0
Working from home	0	0	0

## Aboriginal and Torres Strait Islander employees

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

<b>Aboriginal and Torres Strait Islander employees (as at 30 June 2014)</b>				
	Aboriginal staff	Total staff	% of total	Target
\$0 - \$54 799	2	20	10	2%
\$54 800 - \$69 699	0	45	0	2%
\$69 700 - \$89 199	0	27	0	2%
\$89 200 - \$112 599	0	28	0	2%
\$112 600 +	0	8	0	2%
<b>Total</b>	<b>2</b>	<b>128</b>	<b>1.6</b>	<b>2%</b>

<b>Cultural and linguistic diversity (as at 30 June 2014)</b>					
	Female	Male	Total	% of Department	% of SA community*
Number of employees born overseas	19	9	28	21.9	22.1
Number of employees who speak language(s) other than English at home	20	11	31	24.2	14.4

\* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2011 census

## Disability

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*'. The Department continues to act on its commitment against the Disability Action Plan through corporate and annual planning processes and review and implementation of HR recruitment advertising and employment practices.

As at 30 June 2014 one employee had declared a disability that meets the Commonwealth DDA definition. A number of employees have sought workplace adjustments for their physical impairment that have been supported by the Department.

## 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. These reviews can be requested by the Parliament, Treasurer, minister or the Independent Commissioner Against Corruption. 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.



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## Public sector agencies audited at 30 June 2014

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 Oval SMA Limited  
Agents Indemnity Fund  
Alinytjara Wilurara Natural Resources Management Board  
ANZAC Day Commemoration Fund  
Art Gallery Board  
Attorney-General's Department  
Australian Children's Performing Arts Company  
Australian Energy Market Commission  
Bio Innovation SA  
Board of the Botanic Gardens and State Herbarium  
Caring for our Country Program (South Australia)  
Carrick Hill Trust  
Central Adelaide Local Health Network Incorporated  
Coast Protection Board  
Communities and Social Inclusion - Department for  
Construction Industry Training Board  
Correctional Services - Department for  
Country Health SA Local Health Network Incorporated  
Courts Administration Authority  
Dairy Authority of South Australia  
Defence SA  
Distribution Lessor Corporation  
Dog and Cat Management Board  
Dog Fence Board

**Public sector agencies audited at 30 June 2014**

Economic Development Board (Project Coordination Board)  
Education Adelaide  
Education and Child Development - Department for  
Electoral Commission of South Australia  
Electricity Industry Superannuation Scheme  
Environment Protection Authority  
Environment, Water and Natural Resources - Department of  
Essential Services Commission of South Australia  
Eyre Peninsula Natural Resources Management Board  
Further Education, Employment, Science and Technology - Department of  
General Reserves Trust  
Generation Lessor Corporation  
Governors' Pensions Scheme  
Health and Ageing - Department for  
Health Services Charitable Gifts Board  
Health, Ageing, Community and Disability Services Ministerial Council  
History Trust of South Australia  
HomeStart Finance  
Independent Commissioner Against Corruption  
Independent Gambling Authority  
Independent Gaming Corporation Ltd  
Judges' Pensions Scheme  
Kangaroo Island Natural Resources Management Board  
Legal Services Commission  
Legislature - The - House of Assembly  
Legislature - The - Joint Parliamentary Services  
Legislature - The - Legislative Council  
Libraries Board of South Australia  
Lifetime Support Authority of South Australia  
Local Government Finance Authority of South Australia  
Lotteries Commission of South Australia  
Manufacturing, Innovation, Trade, Resources and Energy - Department for  
Maralinga Lands Unnamed Conservation Park Board  
Medvet Science Pty Ltd  
Minister for Agriculture, Food and Fisheries - Adelaide Hills Wine Industry Fund

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**Public sector agencies audited at 30 June 2014**

Minister for Agriculture, Food and Fisheries - Barossa Wine Industry Fund  
Minister for Agriculture, Food and Fisheries - Citrus Growers Fund  
Minister for Agriculture, Food and Fisheries - Clare Valley Wine Industry Fund  
Minister for Agriculture, Food and Fisheries - Eyre Peninsula Grain Growers Rail Fund  
Minister for Agriculture, Food and Fisheries - Grain Industry Fund  
Minister for Agriculture, Food and Fisheries - Grain Industry Research and Development Fund  
Minister for Agriculture, Food and Fisheries - Langhorne Creek Wine Industry Fund  
Minister for Agriculture, Food and Fisheries - McLaren Vale Wine Industry Fund  
Minister for Agriculture, Food and Fisheries - Olive Industry Fund  
Minister for Agriculture, Food and Fisheries - Riverland Wine Industry Fund  
Minister for Agriculture, Food and Fisheries - Rock Lobster Fishing Industry Fund  
Minister for Agriculture, Food and Fisheries - South Australian Apiary Industry Fund  
Minister for Agriculture, Food and Fisheries - South Australian Cattle Industry Fund  
Minister for Agriculture, Food and Fisheries - South Australian Deer Industry Fund  
Minister for Agriculture, Food and Fisheries - South Australian Grape Growers Industry Fund  
Minister for Agriculture, Food and Fisheries - South Australian Pig Industry Fund  
Minister for Agriculture, Food and Fisheries - South Australian Sheep Industry Fund  
Motor Accident Commission  
Museum Board  
National Health Funding Pool – South Australian State Pool Account  
Native Vegetation Fund  
Northern Adelaide Local Health Network Incorporated  
Northern and Yorke Natural Resources Management Board  
Office of the National Rail Safety Regulator  
Outback Communities Authority  
Parliamentary Superannuation Scheme  
PC IIFF Trust  
Planning and Development Fund  
Planning, Transport and Infrastructure - Department of  
Playford Capital Pty Ltd  
Police Superannuation Scheme  
Premier and Cabinet - Department of the  
Primary Industries and Regions - Department of  
Professional Standards Council  
Public Trustee

**Public sector agencies audited at 30 June 2014**

Rail Commissioner  
Residential Tenancies Fund  
Retail Shop Leases Fund  
Rural Industry Adjustment and Development Fund  
SA Ambulance Service Inc  
SA Metropolitan Fire Service Superannuation Scheme  
SACE Board of South Australia  
Second-hand Vehicles Compensation Fund  
Small Business Commissioner  
South Australia Police  
South Australian Ambulance Service Superannuation Scheme  
South Australian Arid Lands Natural Resources Management Board  
South Australian Country Arts Trust  
South Australian Country Fire Service  
South Australian Film Corporation  
South Australian Fire and Emergency Services Commission  
South Australian Forestry Corporation  
South Australian Government Financing Authority  
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 State Emergency Service  
South Australian Superannuation Board  
South Australian Superannuation Scheme  
South Australian Tourism Commission  
South Australian Water Corporation  
South Australian Water Corporation - Regulatory accounts  
South East Natural Resources Management Board  
South Eastern Water Conservation and Drainage Board  
Southern Adelaide Local Health Network Incorporated  
Southern State Superannuation Scheme  
State Opera of South Australia  
State Procurement Board

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**Public sector agencies audited at 30 June 2014**

State Theatre Company of South Australia  
Stormwater Management Authority  
Super SA Retirement Investment Fund  
Super SA Select Fund  
Superannuation Funds Management Corporation of South Australia  
TAFE SA  
Teachers Registration Board of South Australia  
The Flinders University of South Australia  
Transmission Lessor Corporation  
Treasury and Finance - Department of  
University of Adelaide  
University of South Australia  
Urban Renewal Authority  
West Beach Trust  
Women's and Children's Health Network Incorporated  
WorkCover Corporation of South Australia  
Zero Waste SA

Total number of agencies audited at 30 June 2014: 155

## Courses attended by our staff

Internal training course title	Hours
Building effective team and workplace relationships	172.50
Career planning – Get that job	202.50
Cash flow statements – Preparation and presentation	33.00
Communicating complex matters with impact	202.50
Graduate module – Auditing controls	120.00
Graduate module – Careers and professional development	28.00
Graduate module – Clients	52.50
Graduate module – Communication	56.00
Graduate module – Ethics	60.00
Graduate module – Foundations of ACL - Concepts and practices	247.50
Graduate module – How government works	30.00
Graduate module – Induction	121.00
Graduate module – Induction follow-up	55.00
Graduate module – IPSAM methodology	165.00
Graduate module – IPSAM software training	132.00
Graduate module – Payroll cycle	56.00
Graduate module – Property plant and equipment cycle	56.00
Graduate module – Revenue cycle	56.00
Graduate module – Teams	52.50
Graduate module – Work practices	52.50
Handling difficult situations effectively	217.50
Health and safety – Ergonomics and manual handling	90.00
Health and safety – Manager and supervisor information	28.50
Health and safety – Staff information session	52.50
iGrafix (self-learning module)	33.00
Introduction to project management	202.50
Leading ethical and fair practice	187.50
Leading innovation and continuous improvement	225.00
Leading teams in a complex environment	172.50
Quality management and process improvement	247.50
Report writing	210.00
Trial balance (self-learning module)	7.50
Trim training	13.25
<b>Total hours of attendance – internal:</b>	<b>3 637.75</b>

<b>External training course title</b>	<b>Hours</b>
Administering System Centre 2012 Configuration Manager	37.50
Apply First Aid	420.00
CPA Congress 2013	76.00
Cyber Security Incident Management course	7.00
Fortigate Multi-Threat Security Systems II	30.00
Fringe Benefits Tax Seminar	7.00
GAAPinars – AASB IB	10.50
Government Accounting Information Forum	57.50
Government Taxation	11.00
HR in Focus conference	22.50
ICAA Business Forum 2014	22.00
Information Awareness Month Breakfast – First Steps Towards Digital Preservation	2.00
Law Society of SA - Auditor Approval Course	6.00
Management and Leadership Development Series: A Pathway to SAES	84.00
Management of alleged or suspected misconduct workshop	5.25
Oceania CACS 2013	74.50
Office of the CIO Cyber Security Incident Management course	37.50
Premier Weatherill's Key Themes of Government	8.00
Records and Information Management Seminar (SA branch)	15.00
<b>Total hours of attendance – external:</b>	<b>933.25</b>

Total hours training attendance: 4 571 hours

## Providing an environmentally friendly workplace

### Greening of Government operations (GoGO)

#### Energy management (GoGO priority area 1)

The SA Government's Energy Action Plan targets a milestone reduction in energy efficiency in government buildings of 25% from 2000-01 levels by 2014 (overall reduction of 30% by 2020). Energy used by our Department is limited to lighting and power in our leased office premises in the State Administration Centre. As a tenant there are not as many opportunities to make the infrastructure changes that can significantly impact energy usage. As an independent agency of Government we also maintain our own ICT environment and servers, unlike many SA Government agencies that access whole-of-government ICT infrastructure and systems.

#### *Energy saving measures*

We encourage our staff to be energy efficient. Energy ratings are considered when purchasing appliances. Office equipment such as 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 energy efficient printers, and all non-essential computers are shut down at the close of business each day. Our office layout maximises natural light in most offices and workstation areas. All 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, other than those mentioned above. Despite our efforts to save energy whenever possible, this year there was another marginal increase in our energy use. Our overall energy use is now just above the 2000-01 baseline, meaning that we have not met the Government's aspirational 25% reduction target. Although we attribute this to the fact that we run an independent ICT environment and fully functioning server room, we are not satisfied with this result and we are investigating the possible causes. One possible factor is the use of power tools in the construction of our new workspaces.

### Energy consumption and greenhouse emissions

	Energy use (GJ) p.a.	Energy efficiency (MJ/m <sup>2</sup> )*	Greenhouse gas (CO <sub>2</sub> ) emissions (tonnes)
2000-01 [base year]	450	290	148
2008-09	433	279	93
2009-10**	430	278	86
2010-11	429	277	81
2011-12	441	284	78
2012-13	446	287	80
<b>2013-14</b>	<b>452</b>	<b>292</b>	<b>76</b>

\* We have used the floor space we occupy (1550 m<sup>2</sup>) as the business measure for our light and power energy use.

\*\* 2009-10 data was 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.



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## 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. Next year we should realise the benefits of digitising our previously manual supporting audit working papers (see page 9). We continue 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 and our electronic document and records management system to reduce the need to print agendas, minutes, reports and general office communications. We have also introduced cloud technology for the sharing of some information.

## 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 2013-14.

Printer cartridges, office furniture, ICT equipment and decommissioned mobile phones and accessories are routinely donated or recycled. 38 kilograms of waste was diverted from landfill in 2013-14 just through recycling of printer cartridges alone. We also purchase products made from recycled materials when it is feasible and cost effective.

## Providing a safe workplace

### OHSW Statistics

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

### Agency gross worker's compensation expenditure for 2013-14 compared with 2012-13

	2013-14	2012-13	Variations
Income maintenance	0	0	0
Lump sum settlements - redemptions (sec 42)	0	0	0
Lump sum settlements - permanent disability (sec 42)	0	0	0
Medical/Hospital costs combined	0	0	0
Other	0	0	0
<b>Total claims expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Meeting safety performance targets

	Base:	Performance:			Final
	2009-10	12 months to 30 June 2014*			target
	Numbers or %	Actual	Notional quarterly target**	Variation	Numbers or %
1. Workplace fatalities	0	0	n/a	n/a	n/a
2. New workplace injury	0	0	n/a	n/a	n/a
3. New workplace injury claims frequency rate	0	0	n/a	n/a	n/a
4. Lost time injury frequency rate***	0	0	n/a	n/a	n/a
5. New psychological injury claims	0	0	n/a	n/a	n/a
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. LTI have 10 business days or less lost time	n/a	n/a	n/a	n/a	60%

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**Meeting safety performance targets (cont'd)**


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	Base:	Performance:			Final
	2009-10	12 months to 30 June 2014*			target
	Numbers		Notional		Numbers
	or %	Actual	quarterly	Variation	or %
			target**		
<b>7. Claim determination:</b>					
7a. New claims not yet determined, assessed for provisional liability in 7 days	0	0	n/a	n/a	100%
7b. Claims determined in 10 business days	0	0	n/a	n/a	75%
7c. Claims still to be determined after 3 months	0	0	n/a	n/a	3%
<b>8. Income maintenance payments for recent injuries:</b>					
2012-13 injuries (at 24 months development)	0	0	n/a	n/a	Below previous 2
2013-14 injuries (at 12 months development)	0	0	n/a	n/a	Below previous 2

\* 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.

### 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.

### Subcontract auditors

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

The Auditor-General remains responsible for all subcontracted 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 subcontracted each year, in the context of how best to achieve our annual statutory audit work program.