



Government of South Australia

Auditor-General's Department

Auditor-General's Department 2016-17 Annual Report

For more information

Auditor-General's Department

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Presented to the:
Hon J W Weatherill LLB BEc GDLP MP,
Premier of South Australia on 29 September 2017

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Premier
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Dear Premier

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

Attached is the annual report on the operations of the Auditor-General's Department for the year ended 30 June 2017, forwarded in line with the requirements of the *Public Sector Act 2009*.

Our new corporate plan for the next three years was released to staff in November 2016. The plan represents a significant shift in our strategic priorities.

This annual report summarises our performance and achievements in 2016-17 and gives an overview of what we have achieved in the three strategic priority areas of our corporate plan.

I am proud of the significant achievements that we have accomplished, including:

- establishing performance auditing as a key output, and increasing our performance audit reporting to Parliament
- improvements in the clarity and readability of our reports to Parliament
- implementing a new online Performance and Learning Management System for all our staff
- establishing a small dedicated data analytics team and strategies to embed data analytics into the audit process.

We also surveyed our performance audit and financial audit clients for the first time this year to ask them about our service delivery, impact and the quality and relevance of our audits and reports. We appreciated the time participants gave their responses, and while it is always pleasing to receive good feedback, suggestions for improvements were also welcomed and were considered in our planning for 2017-18.

I would like to thank my professional and dedicated Executive and staff for their commitment and hard work in 2016-17. Their responsiveness to changes I have sought over a short period of time has been personally motivating and satisfying.

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

I would be grateful if you would table this report at your earliest convenience.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General

Content

At a glance:

2016-17 highlights	1
Reports presented to Parliament this year	2

Our mandate:

What we do	3
Our vision, purpose and values.....	4

Our performance:

Strategic priority 1	5
Strategic priority 2	6
Strategic priority 3	7
Measures of performance	10

Appendices:

Appendix A — Financial Statements	11
Appendix B — Our organisation structure	27
Appendix C — Our workforce profile	28
Appendix D — Specific disclosures	30
Appendix E — Public sector agencies audited at 30 June 2017	34

2016-17 highlights

Corporate plan

We released a new corporate plan that reflects a significant shift in our key strategic priorities.

Performance auditing

We refined our methodology, and built our staff capabilities to increase our performance audit reporting (see page 5).

Reports

The Annual Report of the Auditor-General for the year ended 30 June 2016 was presented to Parliament.

We presented two reports on the Adelaide Oval redevelopment project, three reports on local government, and seven supplementary reports to Parliament. (See page 2 for details of our reports).

For the first time we surveyed our performance audit and financial audit clients to obtain feedback on the impact, quality and relevance of our audits and reports (see page 6).

Audits

154 independent auditor's reports were issued, 19 of them qualified (see page 10).

Data analytics

We established a small dedicated data analytics team (see page 7).

Recruitment

We recruited 12 graduates (see page 9).

We are a Top 3 finalist in the 2017 Australian Association of Graduate Employers Recruitment Industry Awards in the *Best Internship Program* category.

Retention

Employee turnover remained low (see page 9).

Developing our people

We implemented a new online Performance and Learning Management System, (see Appendix D).

Our Executive participated in 360-degree reviews and we delivered a comprehensive professional development program to our staff, with an emphasis on leadership and management development (see page 8).

Work health and safety

We maintained a high standard of workplace safety (see Appendix D).

Reports presented to Parliament this year

Reports presented to Parliament this year

20 June 2017	Report of the Auditor-General – Examination of governance in local government: June 2017
20 June 2017	Report of the Auditor-General – Supplementary report: The Torrens Road to River Torrens South Road Upgrade Project: June 2017
20 June 2017	Report of the Auditor-General – Supplementary report: Enterprise Pathology Laboratory Information System: June 2017
11 April 2017	Report of the Auditor-General – Supplementary report: Consolidated Financial Report review: March 2017
28 February 2017	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 2016 to 31 December 2016: February 2017
28 February 2017	Report of the Auditor-General – Examination of governance arrangements in local government: February 2017
29 November 2016	Report of the Auditor-General – Examination of the Brown Hill and Keswick Creeks Stormwater Management project: November 2016
29 November 2016	Report of the Auditor-General - Supplementary report: Health information technology systems: November 2016
15 November 2016	Report of the Auditor-General – Supplementary report: Security management of information systems: November 2016
20 October 2016	Report of the Auditor-General – Supplementary report: RevenueSA Information Online system: October 2016
18 October 2016	Annual report on the operations of the Auditor-General's Department for the year ended 30 June 2016
18 October 2016	Report of the Auditor-General – Supplementary report: State finances and related matters: October 2016
18 October 2016	Report of the Auditor-General – Annual report for the year ended 30 June 2016 – Part A Executive Summary, Part B: Agency audit reports and Appendices: Treasurer's statements and public sector agencies audited financial reports
1 September 2016	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 2016 to 30 June 2016: August 2016

What we do

‘Providing the Parliament and people of South Australia with timely, relevant information on the performance and accountability of government and local government agencies’

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

- Part A: Executive Summary – the opinions the Auditor-General is required to give under the PFAA and commentary on the main financial management, accounting and control matters arising from audits.
- Part B: Agency audit reports – a summary of the outcomes of the audit of each agency, with a snapshot of key agency information covering financial statistics, significant events and transactions and whether the financial statement and controls opinions are unmodified or modified (qualified).
- Appendix to the Annual Report – scanned copies of the Treasurer’s statements and the final audited financial reports of public sector agencies that are, in the Auditor-General’s opinion, important enough to publish.

The agencies we audit

The Auditor-General is the prescribed auditor of 153 public sector agencies. They are listed in Appendix E.

Our vision, purpose and values

'We uphold the South Australian public sector values and our own values align with them

Our vision

The South Australian public sector operating to the highest levels of accountability and integrity

Our purpose

To provide timely, relevant information to Parliament on the performance and accountability of government agencies and local government from our audits, reviews and examinations

Our strategic priorities

Priority 1

Establish performance auditing as a core output

Priority 2

Improve the impact, quality and relevance of our audits and reports

Priority 3

Build our capability and capacity to meet the changing demands of public sector auditing and the changes across the public sector environment

What we value

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

Integrity

Honest, ethical and professional behaviour

Accountability

Transparent decision-making, and taking responsibility

Responsiveness

Listening and responding to our clients

Collaboration

Teamwork and cooperation

Courage and tenacity

Challenging, questioning, listening and persevering

Respect

Valuing diversity and respectful relationships with staff, clients and stakeholders

Innovation

Encouraging new ideas and thinking

Strategic priority 1

‘Establish performance auditing as a core output’

Key strategic actions

- Refine our performance audit methodology
- Develop forward plans for growth of the performance audit function
- Build staff capabilities
- Increase the number of performance audit reports to Parliament

Our performance in 2016-17

Refining our performance audit methodology

A performance audit evaluates whether an agency or government program/activity is performing effectively, economically and/or efficiently, and in compliance with relevant legislation.

This year we implemented new quality control practices for performance audits for the prompt, independent review of key decisions throughout the engagement. All performance audits are now evaluated by a performance audit review committee that meets at the four critical review stages during the process. The process objectively evaluates the:

- scope of the work performed,
- significant judgements made and audit evidence obtained
- conclusions reached
- quality and relevance of the report to Parliament.

Growth of the performance audit function and staff capabilities

We established the performance audit plan for 2017-18, along with a proposed plan for 2018-19.

Staff capabilities in the areas of report writing, procurement and project risk management were expanded during the year.

Increased performance audit reporting to Parliament

We sought feedback from an expert external panel on the impact, quality and relevance of several of our performance audit reports. They were judged to be comprehensive, logical, well-structured and well supported by diagrams, graphs and pictures. Our findings were supported by evidence and our recommendations were generally clear, specific and practical. Some suggestions for future improvements have since been adopted.

We achieved our aim of increased performance audit reporting. In 2016-17 our information technology audit, local government and performance audit teams all tabled reports to Parliament.

Performance audit reporting to Parliament

	2016-17	2015-16	2014-15
Number of reports issued	8	6	3

Strategic priority 2

‘Improve the impact, quality and relevance of our audits and reports’

Key strategic actions

- Introduce a new project management approach to the timing of our financial audit work and reporting
- Improve the impact, quality and relevance of our reports

Our performance in 2016-17

Project management approach to financial audit work and reporting

A new project management approach was introduced this year to bring forward the timing of our financial audit work and reporting, in part by establishing milestones and accountabilities. We applied lean thinking principles to our financial audit cycle to identify areas of inconsistency, duplication or uncertainty. Earlier engagement with clients on critical audit issues, bringing forward our audit planning and reporting deadlines and more regular communication with clients about the progress of the audit were some of the improvements we made this year.

Improve the impact, quality and relevance of our reports

We implemented a new structure and format for our reports to Parliament, for improved clarity and readability. We also introduced a new style of management reporting to agencies on audit findings that provides a risk rating for the issues raised and highlights repeat issues.

Staff were supported in making these changes through guidance and training.

We also surveyed our performance audit and financial audit clients for the first time this year, to identify where we could improve our impact, quality and relevance.

Performance audit respondents were generally satisfied with the quality of the audit process, audit findings, audit recommendations, the natural justice process and the report format and presentation. Some of the issues raised included auditors lacking a clear understanding of the client’s organisation and operating environment, and the presentation of key issues and risk levels in our reports.

The financial audit survey covered the audit process, management letter reporting and the value of the audit. The survey results were very positive overall, with more than four in five clients rating the audit process quality, reporting quality and audit value favorably. Areas where the results were lower included the continuity of audit staff and audit fees.

We have already made some changes in response to these survey results, and will continue to look for ways to address all of the suggested improvements.

Strategic priority 3

‘Build our capability and capacity to meet the changing demands of public sector auditing and the changes across the public sector environment’

Key strategic actions

- Review audit process and other Departmental operations to create efficiencies
- Build our data analytics capacity and capability
- Implement a new performance management system – refer *Appendix D*
- Develop leadership, people and strategic management skills

Our performance in 2016-17

Review of audit processes and other Departmental operations to create efficiencies

We strive to continually improve our existing processes and operations across all areas of the Department to create efficiencies. Our priority to increase our resource commitment to performance audit work within our existing resource base acknowledges the state’s budgetary environment and requires the identification and realisation of efficiencies within our current audit practices and operational support services.

A revised approach to the consideration of Information Communications and Technology (ICT) controls in financial audits has been developed. The testing at pilot sites and methodology procedures will be completed for implementation in 2017-18.

The Department receives a large volume of external information from a variety of sources. The Innovation and Lean Thinking (TILT) group took on the task of identifying all of the current sources of information, including access methods and data use. Their aim was to develop an approach to improve the way we organise and make information accessible across the department, and the way we analyse and summarise information. These recommendations will be implemented in 2017-18.

A new intranet site which uses SharePoint was implemented to improve collaboration within and across teams.

Build our data analytics capacity and capability

Data analytics is the process of inspecting, cleaning, transforming and modelling data with the goal of highlighting useful information, conclusions and supporting decision making. These processes allow us to improve the quality of our audits by better understanding our clients, their business processes and associated risks, resulting in information which can be used to better target our audit efforts.

The data analytics strategy provides a three year plan for using analytics to improve the impact, quality and relevance of our audits and reports. A fundamental part of the strategy was the establishment of a small dedicated data analytics team this year. Building staff capabilities in this area and our capacity to meet the changing demands of public sector auditing and changes across the public sector environment.

OUR PERFORMANCE

An integrated data analytics approach to embed analytics in the audit process through the development of planning information routines has been undertaken. In 2017-18 an audit planning analytics toolkit will be piloted in preparation for full implementation for all financial audit teams in 2018-19.

Developing leadership, people and strategic management skills

Supporting on-the-job development, we invest in the continuing professional development of our staff through the Department's annual Professional Development Program. The program aims to provide staff at all levels with technical, personal and management skills training that supports good performance and a demonstration of their core role competencies.

In 2016-17 our executives participated in a 360-degree review using the Life Styles Inventory tool to support executive development. Development continues to be made through access to personal coaching to support their roles in leading the department.

Constructive styles which encourage the attainment of organisational goals through people development, promotion of teamwork and synergy and the enhancement of individual, group and organisational adaptability and effectiveness are the aim for all senior positions within the organisation. The use of facilitated discussions at the senior management level, have resulted in the active involvement of managers in change processes.

Our workforce maintains a high level of skill through ongoing professional accreditation. CPA and CAANZ members receive support with their professional education fees, and study leave is provided to staff working towards qualifications related to their work. The Department has maintained its Recognised Employer status with the CPA by providing staff with opportunities to meet their obligations for continuing professional development (CPD) hours.

Our training and development expenditure for all employees is higher than last year at 4.2% of total employee expenses. This is in part due to the implementation of the new on-line performance management and development system and the training in both the use of the system and skills training for managers and staff to further engage staff in conversations and work efforts that improve the quality and effectiveness of everything we do. Training in leadership and management development continued to be a focus area for the department this year.

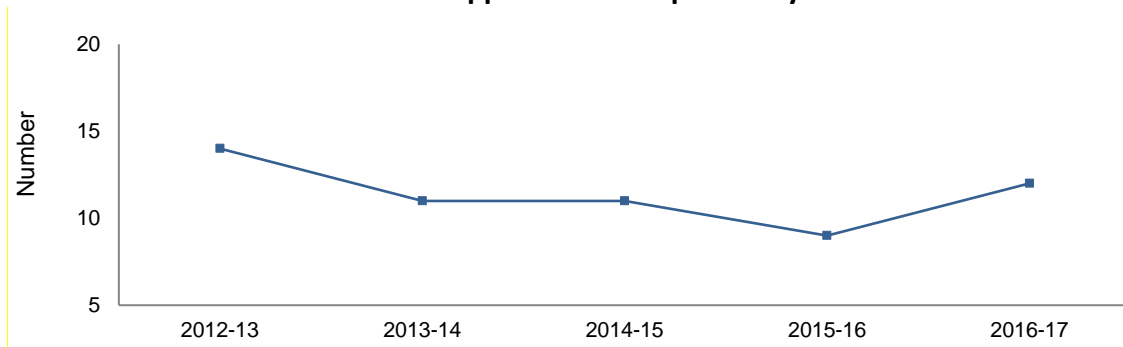
Training and development costs in 2016-17

	Total cost	% of total employee expenses
Total training and development expenditure	\$522,411	4.2%
Leadership and management development expenditure	\$ 92,707	0.7%

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 a strong market presence including close links with Universities and professional accounting organisations. We recruited 12 graduates this year, and will also use temporary and contract staff during periods of peak demand. We are a top three finalist in the 2017 Australian Association of Graduate Employers Recruitment Industry Awards in the *Best Internship Program* category. The award recognises outstanding examples of excellence in the graduate recruitment and development industry. The top intern programs list is created from a survey of undergraduate students who were part of an intern program during 2016 - 17. The final winner is expected to be announced in late October 2017.

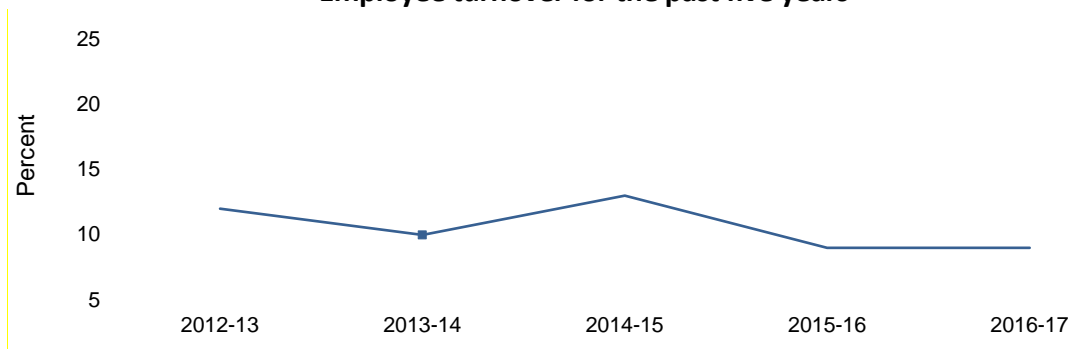
Graduates appointed in the past five years



Staff turnover

Staff turnover remained low at 9 percent in 2016-17.

Employee turnover for the past five years



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

Measures of performance

We issued 154 independent auditor's reports in 2016-17, 19 of them qualified. Most of the opinions were issued for agencies with financial years ending on 30 June 2016 or 31 December 2016.

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 average working days has historically been in the mid to high eighties. As per the table below this figure reduced by 11 working days from the previous year to 76.

Audit activity output measures (financial years)			
	2016-17	2015-16	2014-15
Number of independent auditor's reports issued	154	156	159
Number of qualified audit opinions issued	19	16	21
Average working days between an agency's end of financial year and issuing an Independent Auditor's Report	76	87	88

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 an agency financial report 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 2015-16 audits are slightly down on the previous year, but the average FTE's for the year were also lower. The use of subcontractors is regularly reviewed against changing audit strategies and work priorities.

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

	2015-16	2014-15	2013-14
Conduct of audits (hours)	95 500	99 200	101 100
Management of audits (hours)	10 700	9 000	8 900
Total hours charged	106 200	108 200	110 000
Subcontract audit fees (\$)	\$1 110 000	\$1 110 000	\$1 290 000

Our financial report

Auditor-General's Department

Statement of Comprehensive Income for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses:			
Employee expenses	2	12 174	12 747
Supplies and services:			
Contractors		1 359	1 300
Office accommodation and service costs		683	689
Consultancies		264	266
Other supplies and services	5	1 303	1 331
		3 609	3 586
Depreciation and amortisation		254	169
Total expenses		16 037	16 502
Income:			
Other income		1	1
Total income		1	1
Net cost of providing services		16 036	16 501
Revenues from (Payments to) SA Government:			
Appropriations and contingency provision grant	6	16 966	16 603
Return of surplus cash	6	-	(1 000)
Total revenues from (payments to) SA Government		16 966	15 603
Net result		930	(898)
Total comprehensive result		930	(898)

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

**Statement of Financial Position
as at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Current assets:			
Cash and cash equivalents	7	5 828	4 770
Receivables	8	135	172
Total current assets		<u>5 963</u>	<u>4 942</u>
Non-current assets:			
Computing and office facilities	9	311	334
Intangible assets	9	25	40
Total non-current assets		<u>336</u>	<u>374</u>
Total assets		<u>6 299</u>	<u>5 316</u>
Current liabilities:			
Payables	10	389	467
Employee benefits	3	1 611	1 415
Provision for workers compensation	4	33	18
Total current liabilities		<u>2 033</u>	<u>1 900</u>
Non-current liabilities:			
Payables	10	307	318
Employee benefits	3	3 009	3 116
Provision for workers compensation	4	73	35
Total non-current liabilities		<u>3 389</u>	<u>3 469</u>
Total liabilities		<u>5 422</u>	<u>5 369</u>
Net assets		<u>877</u>	<u>(53)</u>
Equity:			
Opening balance – surplus (deficit)		(53)	845
Increase (Decrease) in net assets		930	(898)
Total equity		<u>877</u>	<u>(53)</u>

Total equity is attributable to the SA Government as owner

Commitments 11

**Statement of Changes in Equity
for the year ended 30 June 2017**

	Retained earnings \$'000	Total \$'000
Balance at 1 July 2015	845	845
Total comprehensive result for the year 2015-16	(898)	(898)
Balance at 30 June 2016	(53)	(53)
Total comprehensive result for the year 2016-17	930	930
Balance at 30 June 2017	877	877

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

**Statement of Cash Flows
for the year ended 30 June 2017**

		2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee expenses		(11 921)	(11 826)
Supplies and services		(4 171)	(3 922)
Payments for Paid Parental Leave Scheme		(54)	(47)
Cash inflows:			
Other income		1	1
Goods and services tax refunds from Australian Taxation Office		396	334
Receipts for Paid Parental Leave Scheme		57	47
Cash flows from (to) SA Government:			
Appropriations and contingency provision grant	6	16 966	16 603
Return of surplus cash		-	(1 000)
Net cash provided by (used in) operating activities		1 274	190
Cash flows from investing activities:			
Cash outflows:			
Purchase of computing and office facilities		(213)	(186)
Purchase of intangible assets		(3)	(23)
Net cash (used in) investing activities		(216)	(209)
Net increase (decrease) in cash and cash equivalents		1 058	(19)
Cash and cash equivalents at 1 July		4 770	4 789
Cash and cash equivalents at 30 June	7	5 828	4 770

Notes to and forming part of the financial statements

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

The Department is an administrative unit of the public service established under the *Public Finance and Audit Act 1987* (PFAA). 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 as required by the PFAA.

Controlled

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. During the year the Department spent \$16.04 million (\$16.50 million) on this activity. The main component of work relates to the annual statutory audit of State public sector agencies.

Special investigations

Under the PFAA, the Parliament, Treasurer, a Minister or the Independent Commissioner Against Corruption can require the Auditor-General to undertake certain examinations and report these to Parliament. In 2015-16, there were no such requests that resulted in expenditure on this activity. A request was received in May 2017 which resulted in some expenditure being incurred in 2016-17. These costs were absorbed as part of our prescribed audits expenditure.

Administered

We also administer certain activities on behalf of the SA Government but do not control the related income, expenses, assets or liabilities. These comprise the following two activities:

Receiving and passing on auditing fees

We charge fees for our audits as permitted by section 39 of the PFAA, but do not retain these fees. We transfer audit fees, less the GST into the Government's Consolidated Account as they are received.

Administering special acts

Section 24(4) of the PFAA provides that the salary and allowances of the Auditor-General, as determined by the Governor, will be paid from the Government's Consolidated Account. The Auditor-General's remuneration, and recoveries from the Consolidated Account for it, are reported as administered items.

2. Employee expenses

	2017	2016
Employee benefits:	\$'000	\$'000
Salaries	9 356	9 419
Annual leave	864	848
Long service leave	168	590
Skills and experience retention leave	54	57
Total employee benefits	10 442	10 914
Employee on-costs:		
Superannuation	1 079	1 080
Payroll tax	592	616
Total employee on-costs	1 671	1 696
Workers compensation	61	137
Total employee expenses	12 174	12 747

Remuneration of employees

	Executive		Staff	
	2017	2016	2017	2016
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	Number	Number
\$147 001 - \$157 000	-	-	1	-
\$157 001 - \$167 000	-	1	-	-
\$177 001 - \$187 000	4	3	-	-
\$217 001 - \$227 000	1	1	-	-
\$237 001 - \$247 000	1	1	-	-
\$377 001 - \$387 000	1	1	-	-
Total	7	7	1	-

The table includes all employees whose normal remuneration is equal to or greater than the base executive remuneration level of \$147 196. Total remuneration received or receivable by these employees was \$1.73 million (\$1.55 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

3. Employee benefits	2017	2016
Current:	\$'000	\$'000
Salaries	195	154
Annual leave	1 008	958
Long service leave	334	235
Skills and experience retention leave	74	68
Total current	1 611	1 415
Non-current:		
Long service leave	3 009	3 116
Total non-current	3 009	3 116
Total employee benefits	4 620	4 531

Salaries

Liabilities for unpaid salaries for service prior to the reporting date are measured at current pay rates.

Annual leave and skills and experience retention leave

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. The salary inflation rate remained at 3% in 2017.

Sick leave

No liability is recognised, as all sick leave is non-vesting and the average sick leave taken is estimated to be less than the annual entitlement for sick leave.

Long service leave

AASB 119 'Employee Benefits' contains the calculation methodology for long service leave liability. An actuarial assessment of long service leave liability has been undertaken by the Department of Treasury and Finance. The estimated liability for long service leave 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 government bonds rates with durations that align with estimated future cash flows.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2% at 30 June 2016 to 2.50% at 30 June 2017. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of \$132 000 and employee benefit expense of \$132 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The long service leave expected to be taken in the 12 months to 30 June 2018 (current long service leave), has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

4. Provision for workers compensation	2017	2016
Current:	\$'000	\$'000
Provision for workers compensation	33	18
Total current	33	18
Non-current:		
Provision for workers compensation	73	35
Total non-current	73	35
Total provision	106	53
Carrying amount at 1 July	53	37
Increase (Decrease) in provision	53	16
Carrying amount at 30 June	106	53

The Department is responsible for the payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector.

5. Other supplies and services	2017	2016
	\$'000	\$'000
Computing and network processing costs	485	483
Staff recruitment, development and training	255	299
Other expenses	220	197
Motor vehicles	151	158
Shared Services SA charges	67	66
Fringe benefits tax	64	61
Staff travel, accommodation and allowances	61	67
Total other supplies and services	1 303	1 331

6. Revenues from (Payments to) government

Appropriations to the Department in 2016-17 amounted to \$16.966 million (\$16.598 million). There was not a contingency provision grant in 2016-17 (\$5000).

In 2015-16 the Department paid \$1 million to the Consolidated Account for the return of surplus cash in accordance with the principals of the cash alignment policy.

7. Cash and cash equivalents

Deposits with the Treasurer:		
Auditor-General's Department Operating Account	3 769	2 824
Accrual Appropriation Excess Funds	2 059	1 946
Total cash and cash equivalents	5 828	4 770

8. Receivables

Current:		
Goods and services tax	124	158
Other	11	14
Total current	135	172

Assets that are sold, consumed or realised as part of the normal operating cycle have been classified as current.

9. Non-current assets

9.1 Classes of assets

Computing and office equipment – at cost	733	684
Accumulated depreciation	(592)	(544)
	141	140
Laptop computer equipment – at cost	384	388
Accumulated depreciation	(232)	(273)
	152	115
Leasehold improvements – at cost	786	783
Accumulated depreciation	(768)	(704)
	18	79
Intangible assets – Computer software – at cost	552	549
Accumulated amortisation	(527)	(509)
	25	40
	336	374

9.2 Reconciliation of carrying amount

	Carrying amount 01.07.16 \$'000	Additions \$'000	Disposals \$'000	Depreciation/ Amortisation \$'000	Carrying amount 30.06.17 \$'000
Computing and office equipment	140	74	-	73	141
Laptop computer equipment	115	136	-	99	152
Leasehold improvements	79	3	-	64	18
Computer software	40	3	-	18	25
Total computing and office facilities	374	216	-	254	336

Computing and office facilities are held at fair value as required by the Accounting Policy Statements. We use cost less accumulated depreciation to determine fair value. Intangible assets are held at cost less accumulated amortisation. We only capitalise items greater than \$2000. There are no indications of impairment of our assets.

We depreciate/amortise all assets over three years except laptops which we depreciate over two years. Depreciation and amortisation is on a straight-line basis. All computing and office facilities are classified as level 3 as a key input is management's assessment of the useful life and condition.

10. Payables	2017	2016
Current:	\$'000	\$'000
Employee on-costs	291	262
Creditors	74	65
Accrued expenses	22	140
Paid Parental Leave Scheme payable	2	-
Total current	<u>389</u>	<u>467</u>
Non-current:		
Employee on-costs	307	318
Total non-current	<u>307</u>	<u>318</u>
Total payables	<u>696</u>	<u>778</u>

Employment on-costs

Include payroll tax and superannuation contributions. Superannuation contributions are paid to the South Australian Superannuation Board. The Department does not have any liability for payments to beneficiaries as these have been assumed by the respective superannuation schemes. The superannuation liabilities reported reflect amounts to be paid to the South Australian Superannuation Board.

Other payables

Payables are normally settled within 30 days from the date of the invoice or date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables approximates fair value.

11. Commitments

Operating lease commitments

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

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 2020. 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 SAFA 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):	2017	2016
	\$'000	\$'000
Not later than one year	723	700
Later than one year but not later than five years	1 364	1 927
Total operating lease commitments as lessee	<u>2 087</u>	<u>2 627</u>

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):

Not later than one year	1 316	974
Later than one year but not later than five years	1 079	1 315
Total contractual commitments as lessee	<u>2 395</u>	<u>2 289</u>

12. Significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, prepared in accordance with applicable Australian Accounting Standards – Reduced Disclosure Requirements, Treasurer’s Instructions (TIs) including Accounting Policy Statements (APSs) issued under the PFAA. The APSs require certain disclosures in addition to Australian Accounting Standards.

We have not early-adopted any Australian Accounting Standards or Australian interpretations issued by the Australian Accounting Standards Board.

The Department is a not-for-profit entity for financial reporting purposes.

The historical cost convention is used, unless otherwise stated. This means that assets are recorded at their initial cost and liabilities are valued at the amount initially received in exchange for the obligation.

The administered financial statements have been prepared applying the same accounting policies as for items controlled by the Auditor-General’s Department.

(b) Taxation

The Department is liable for payroll tax, fringe benefits tax and goods and services tax (GST) but not income tax. Income, expenses and assets are recognised net of the amount of goods and services tax except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office 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 goods and services tax included.

Operating cash flows in the Statement of Cash Flows include GST. The GST on investing and financing cash flows are included as operating cash flows.

(c) Revenues from (Payments to) SA Government

We are funded by Parliamentary appropriations, paid into a special deposit account titled ‘Auditor-General’s Department Operating Account’. We are also appropriated for some expenses which will not require a cash payment, such as depreciation. Some appropriations are deposited into a special deposit account at Department of Treasury and Finance titled ‘Accrual Appropriation Excess Funds’. Although we control this money, its use must be separately approved by the Treasurer. We do not earn interest on either of these special deposit accounts.

The appropriation for special acts reported in the administered financial statements relates to recoveries from the Government for the Auditor-General’s salary.

Other significant accounting policies are described under related notes.

13. Accounting standards issued not yet adopted which will have a material impact on our financial report

AASB 16 ‘Leases’ will apply for the first time to our 30 June 2020 financial report. The new standard introduces a single accounting model for leases, eliminating the distinction between operating and finance leases. This standard will require us to recognise all leased items with a term of more than 12 months, in the statement of financial position.

As at 30 June 2017, the Department has operating lease commitments of \$2.09 million, refer note 11. These are currently recorded as commitments and are not captured in the statement of financial position.

As most operating leases will meet the definition of leases under AASB 16 and therefore come on balance sheet, recognition of right-of-use lease assets and lease liabilities will have a significant impact on the statement of financial position and an increase in net debt.

It is also anticipated that there will be a marginal impact on our net result due to the changed timing of expenses throughout the lease terms.

Cash paid for the principal portion of the lease liability will be presented within operating activities in the cash flow statement.

The Department has not quantified the impact of applying AASB 16. The quantitative effect will depend on the transition method adopted, discount rates applied, the extent to which we use practical measures and recognition exemptions and any additional leases entered into.

14. Financial instruments	Carrying amount	
	2017	2016
Financial assets	\$'000	\$'000
Cash and cash equivalents	5 828	4 770
Receivables*	11	14
Financial liabilities		
Payables	96	205

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

15. Related party transactions

The Department is an administrative unit of the public sector. It is a wholly owned and controlled entity of the Crown. Accordingly, all government-related entities are related parties of the Department.

In addition, all key management personnel and their close family members are related parties of the Department.

Key management personnel

The key management personnel of the Department are the Auditor-General and the six Assistant Auditor-Generals.

Total compensation for the Department's key management personnel was \$1.58 million (\$1.55 million). This includes compensation recorded in both the Department's financial statements and in the administered financial statements of the Department.

16. Budgetary reporting and explanations of major variances

The following provides details of the 2016-17 original budget, actual amounts and the associated variances.

Statement of Comprehensive Income	Original budget	Actual	Variance
	\$'000	\$'000	\$'000
Expenses:			
Employee expenses	13 016	12 174	(842)
Supplies and services:			
Contractors	1 658	1 359	(299)
Office accommodation and service costs	731	683	(48)
Consultancies	140	264	124
Other supplies and services	1 203	1 303	100
Depreciation and amortisation	217	254	37
Total expenses	<u>16 965</u>	<u>16 037</u>	<u>(928)</u>
Income:			
Other income	1	1	-
Total income	<u>1</u>	<u>1</u>	<u>-</u>
Net cost of providing services	<u>16 964</u>	<u>16 036</u>	<u>(928)</u>
Revenues from SA Government:			
Appropriations and contingency provision grant	16 966	16 966	-
Total Revenues from SA Government	<u>16 966</u>	<u>16 966</u>	<u>-</u>
Net result and total comprehensive result	<u>2</u>	<u>930</u>	<u>(1)(928)</u>
Investing expenditure summary:			
Minor capital works and equipment	216	216	-
Total annual programs	<u>216</u>	<u>216</u>	<u>-</u>

The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4) and the amounts have not been adjusted to reflect revised budgets. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

⁽¹⁾ The variance in the net result and total comprehensive result is primarily due to the Department being under budget for employee expenses. This was due to staffing levels being below established FTE caps and the impact of the reduction in the actuarial valuation of long service leave.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Expenses:			
Employee expenses		324	345
Audit fees paid/payable to Consolidated Account		14 718	14 575
Total expenses		<u>15 042</u>	<u>14 920</u>
Income:			
Fees for audit services		14 718	14 575
Appropriation – Special Acts		317	316
Total income		<u>15 035</u>	<u>14 891</u>
Net result		<u>(7)</u>	<u>(29)</u>
Total comprehensive result		<u>(7)</u>	<u>(29)</u>

**Statement of Administered Financial Position
as at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Current assets:			
Cash and cash equivalents		249	586
Receivables	A1	584	766
Total assets		<u>833</u>	<u>1 352</u>
Current liabilities:			
Employee benefits		55	40
Audit fees payable to Consolidated Account		532	731
Goods and services tax payable		126	445
Total current liabilities		<u>713</u>	<u>1 216</u>
Non-current liabilities:			
Employee benefits – long service leave		325	334
Total non-current liabilities		<u>325</u>	<u>334</u>
Total liabilities		<u>1 038</u>	<u>1 550</u>
Net assets		<u>(205)</u>	<u>(198)</u>
Equity:			
Opening balance – deficit		(198)	(169)
Decrease in net assets		(7)	(29)
Total equity		<u>(205)</u>	<u>(198)</u>

**Statement of Administered Changes in Equity
for the year ended 30 June 2017**

	Retained earnings \$'000	Total \$'000
Balance at 1 July 2015	(169)	(169)
Total comprehensive result for the year 2015-16	(29)	(29)
Balance at 30 June 2016	(198)	(198)
Total comprehensive result for the year 2016-17	(7)	(7)
Balance at 30 June 2017	(205)	(205)

**Statement of Administered Cash Flows
for the year ended 30 June 2017**

		2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:	Note		
Cash outflows:			
Employee expenses		(317)	(317)
Amounts paid to Consolidated Account		(14 917)	(14 829)
Goods and services tax paid to Australian Taxation Office		(1 791)	(1 661)
Cash inflows:			
Fees for audit services	A1	16 371	16 346
Cash flows from SA Government:			
Appropriations – Special Acts		317	316
Net cash (used in) operating activities		(337)	(145)
Net (decrease) in cash and cash equivalents		(337)	(145)
Cash and cash equivalents at 1 July		586	731
Cash and cash equivalents at 30 June		249	586

Notes to and forming part of the administered financial statements

A1. Receivables	2017 \$'000	2016 \$'000
Fees outstanding at 1 July	766	1 079
Billings	16 189	16 033
	<u>16 955</u>	<u>17 112</u>
Receipts	16 371	16 346
Fees outstanding at 30 June	<u>584</u>	<u>766</u>

In addition, at 30 June, the value of audit work in progress was \$7.08 million (\$6.97 million). We are of the opinion that this amount is recoverable.

A2. Budgetary reporting and explanations of major variances

The following provides details of the 2016-17 original budget, actual amounts and the associated variances. No explanations are provided as the variances do not exceed the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

Statement of Comprehensive Income	Original Budget \$'000	Actual \$'000	Variance \$'000
Expenses:			
Employee expenses	332	324	(8)
Amounts paid/payable to Consolidated Account	14 701	14 718	17
Total expenses	<u>15 033</u>	<u>15 042</u>	<u>9</u>
Income:			
Fees for audit services	14 701	14 718	17
Appropriation – Special Acts	320	317	(3)
Total income	<u>15 021</u>	<u>15 035</u>	<u>14</u>
Net result and total comprehensive result	<u>(12)</u>	<u>(7)</u>	<u>(5)</u>

The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4) and the amounts have not been adjusted to reflect revised budgets. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

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.



Andrew Richardson
Auditor-General

11 September 2017



Megan Stint
Manager, Finance

11 September 2017



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

Report on the Audit of the Financial Report

Opinion

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 2017, 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.

In our opinion, the accompanying financial report of the Department is in accordance with the *Public Finance and Audit Act 1987*; including:

- i) the financial report presents fairly, in all material respects, the financial position of the Department, as at 30 June 2017, 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
- ii) the financial report also complies with accounts and records of the Department; and
- iii) the internal controls employed by the Department for the financial year ended 30 June 2017 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.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Department in accordance with the ethical requirements of the *Public Finance and Audit Act 1987* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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**AUDITOR-GENERAL'S DEPARTMENT
INDEPENDENT AUDITOR'S REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT (CONT)**

Other information

The Auditor-General is responsible for the other information. The other information comprises the information in the Department's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Auditor-General's responsibility for the financial report

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

In preparing the financial report, the Auditor-General is responsible for assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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**AUDITOR-GENERAL'S DEPARTMENT
INDEPENDENT AUDITOR'S REPORT TO THE TREASURER OF THE SOUTH AUSTRALIAN GOVERNMENT (CONT)**

Auditor's responsibility for the audit of the financial report (cont)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of control relevant to the audit 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nexia Edwards Marshall
Chartered Accountants

Jamie Dreckow
Partner

Adelaide
South Australia

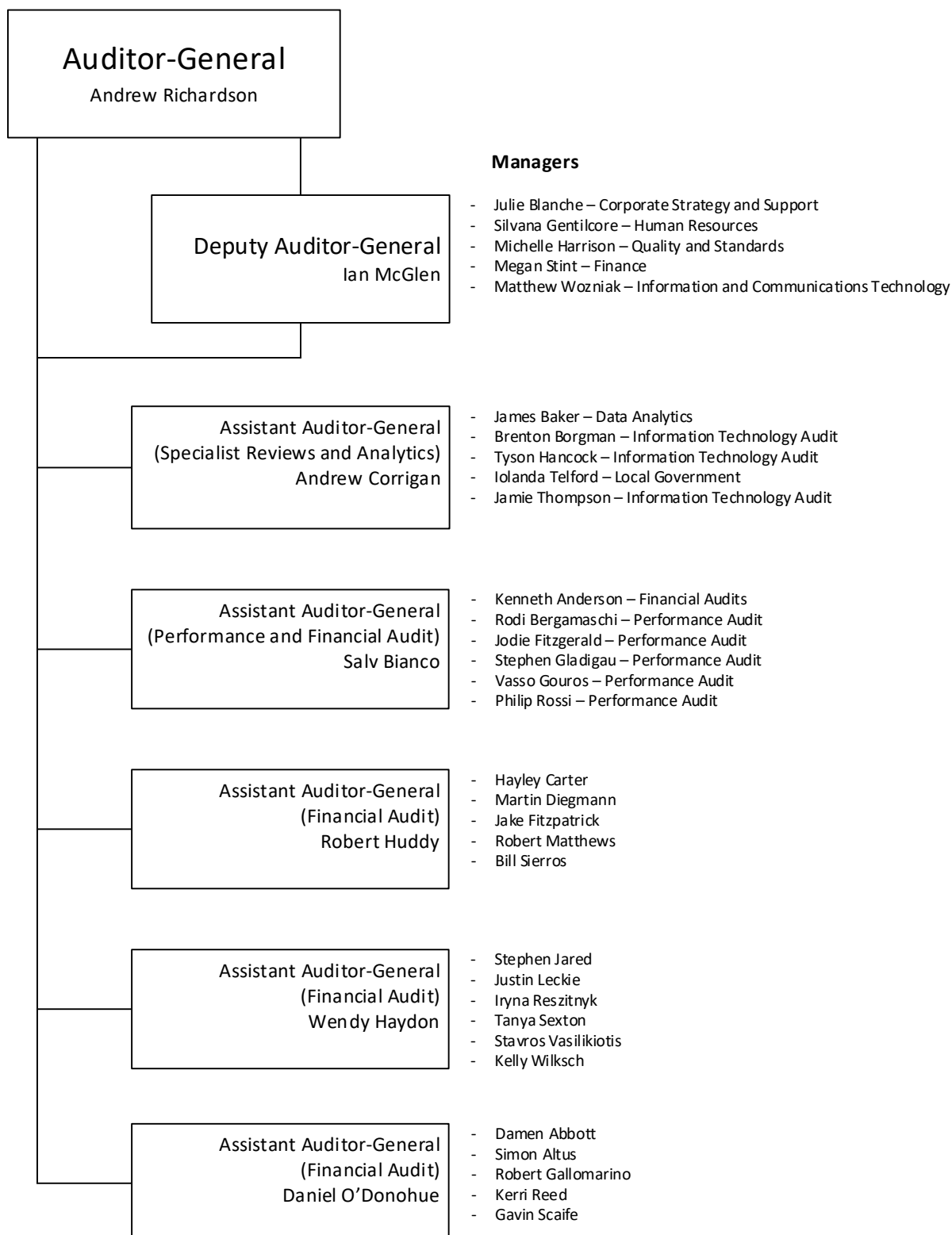
15 September 2017

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Our organisation structure



Our workforce profile

The Department has an approved staffing establishment of 122.2 full time equivalents (FTEs) including the Auditor-General. On 30 June 2017 the Department employed 129 people, representing 121.9 FTEs (123.3 FTEs at 30 June 2016). The average employee FTE level for 2016-17 was 119.9, compared with 122 last year.

The following tables profile our workforce. Further workforce information is available from the Office for the Public Sector at the following link:

<https://publicsector.sa.gov.au/about/office-for-the-public-sector/workforce-information/>

Employees

Employees by gender, number of people and FTEs (as at 30 June 2017)

	People	FTEs
Total employees	129	121.9
Female (%)	59.7	57.7
Male (%)	40.3	42.3

Leave management

Average leave taken by employees over the past five years

	Days per employee				
	2016-17	2015-16	2014-15	2013-14	2012-13
Sick leave	*10.81	*6.27	*6.86	*5.72	5.38
Family carer's leave	1.04	1.18	1.22	0.79	1.02
Miscellaneous special leave	1.02	1.05	1.06	1.67	1.33

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

The significant increase in sick leave taken in 2016-17 is the result of three employees taking large amounts of unpaid sick leave.

Employee movements

Number of people in 2016-17 who have:

Separated from the Department	12
Been recruited to the Department	16

Workforce diversity

Age profile of employees

At 30 June 2017 the average age of the Department's employees was 37.6 years (37.2 years as at 30 June 2016), and 60 percent of our staff are under 40 years of age (65.2% as at 30 June 2016).

Age profile (as at 30 June 2017)

Age:	Female	Male	Total	% of total
15-19	0	0	0	0
20-24	6	6	12	9.3
25-29	19	6	25	19.4
30-34	14	5	19	14.7
35-39	13	9	22	17
40-44	6	4	10	7.8
45-49	7	8	15	11.6
50-54	8	10	18	14
55-59	3	3	6	4.7
60-64	1	1	2	1.5
65+	0	0	0	0
Total	77	52	129	100.0

Specific disclosures

Performance management and development system

An on-line Performance system was implemented in February 2017 for use with all our staff.

The newly designed performance management approach simplifies documentation, aligns work effort to strategic priorities, more frequent conversations with two-way feedback, and enhanced workplace engagement.

The system includes a Learning Management System (LMS) to strengthen professional and organisation development across the Department. The LMS is being implemented during 2017-18.

Reports generated on-line at the finalisation of each formal stage of the performance management process, (i.e. work plan, formal checkpoints, and finalisation of the work plan) provide the number of staff who have completed these stages.

Assessment of effectiveness and efficiency

Annual work plan objectives are developed and include agreed work and development objectives, and supervisor and self-assessment against competencies and organisational values.

Ongoing conversation and review are key to the process, with formal checkpoints being recorded every four months.

Staff with a work plan for 2016-17

Employees who have had:	% of workforce
An initial work plan completed	99%
Checkpoints completed as at 30 June 2017	97%

Executive employment over the past five years

Classification level	2016-17	2015-16	2014-15	2013-14	2012-13
CEO	1	1	1	1	1
SAES Level 1	5	5	4	5	0
Exec B	1	1	1	2	5
Total	7	7	6	8	6

For further information the [Office for the Public Sector has a data dashboard for further information on the breakdown of executive gender, salary and tenure by agency.](#)

Occupational health, safety and rehabilitation programs

The Department's Work Health Safety (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. These programs are preventative in nature. If an employee is injured at, or arising from work, injury management rehabilitation services provided through the Department of Premier and Cabinet will assist the employee to return to work.

Last year a consultant was engaged to review our workplace health and safety legislative compliance and safety management systems. Opportunities to improve our practices were identified and the department has engaged a consultant to assist us in the implementation of the recommendations. This work will be undertaken in 2017-18.

Agency gross¹ worker's compensation expenditure for 2016-17 compared with 2015-16

	2016-17	2015-16	Variation (\$)+ (-)	% Change + (-)
Hospital	0	0	0	0
Income Maintenance	846	0	846	100
Investigations	0	0	0	0
Legal expenses	10,661	525	10,136	1,931
Lump sum	15,185	0	15,185	100
Other	911	0	911	100
Registered Medical	2,387	7,851	(5,464)	(69.6)
Rehabilitation	0	0	0	0
Travel	0	225	(225)	(100)
Redemptions (s53,54)	80,500		80,500	100
Total claims expenditure	110,490	8,601	101,889	1,184.6

¹ Before 3rd party recovery

An employee resignation/redemption agreement was effective 30 June 2016. This was treated as an accrued expense in the Department's 2015-16 financial statements. The payment occurred in 2016-17 as shown in the above totals.

Financial 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 2017

	Budget	Actual		
	2016-17 \$'000	2016-17 \$'000	2015-16 \$'000	2014-15 \$'000
Net cost of providing services	16 964	16 036	16 501	15 124
Total audit fees raised	14 701	14 718	14 575	14 055
Total assets	4 523	6 299	5 316	5 264
Total liabilities	4 674	5 422	5 369	4 419

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. The following is a summary of external consultants that have been engaged, the nature of work undertaken and the total cost. Consultancy expenses were \$264 000 in 2016-17 (\$266 000 in 2015-16).

Consultancies in 2016-17	Number	\$'000
Under \$10 000	5	16
\$10 000 - \$50 000	1	33
Above \$50 000:	2	215
<i>KPMG actuarial services for the audit of Return to Work Corporation SA</i>		
<i>OZ-Train Corporate Plan implementation support</i>		
Total	8	264

See also the Consolidated Financial Report of the Department of Treasury and Finance <http://treasury.sa.gov.au/> for total value of consultancy contracts across the SA Public Sector.

Fraud management

We aim for a workplace that is free of fraud, and internal controls are in place to either prevent or detect it. 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 our fraud management policy was reviewed in 2016-17 to ensure it continues to align with the South Australian public sector fraud and corruption control policy.

After becoming aware of a breach in traveller information at a large travel industry reservation service the department cancelled its corporate credit cards to prevent the possibility of any fraudulent activity occurring. We are not aware of any other actual, suspected or alleged fraudulent activity affecting the Department in 2016-17.

Whistleblowers Protection Act 1993

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

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

Public sector agencies audited at 30 June 2017

Aboriginal Lands Trust
Adelaide and Mount Lofty Ranges Natural Resources Management Board
Adelaide Cemeteries Authority
Adelaide Dolphin Sanctuary Fund
Adelaide Festival Centre Trust
Adelaide Festival Corporation
Adelaide Film Festival
Adelaide Oval SMA Limited
Adelaide Venue Management Corporation
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
Board of the Botanic Gardens and State Herbarium
Caring for our Country Program (South Australia)
Carrick Hill Trust
Central Adelaide Local Health Network Incorporated
Child Protection - Department for
COAG Health Council
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
CTP Regulator
Dairy Authority of South Australia
Defence SA
Distribution Lessor Corporation
Dog and Cat Management Board
Dog Fence Board
Education and Child Development - Department for

Public sector agencies audited at 30 June 2017

Electoral Commission of South Australia
Electoral Districts Boundaries Commission
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
General Reserves Fund
Generation Lessor Corporation
Governors' Pensions Scheme
Grain Industry Research and Development Fund
Health and Ageing - Department for
Health Services Charitable Gifts Board
History Trust of South Australia
HomeStart Finance
Independent Commissioner Against Corruption
Independent Gambling Authority
Independent Gaming Corporation Ltd
Investment Attraction South Australia
Judges' Pensions Scheme
Judicial Conduct Commissioner
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
Maralinga Lands Unnamed Conservation Park Board
Medvet Science Pty Ltd
Minister for Agriculture, Food and Fisheries - Adelaide Hills Wine Industry Fund
Minister for Agriculture, Food and Fisheries - Barossa Wine Industry Fund
Minister for Agriculture, Food and Fisheries - Citrus Growers Fund

Public sector agencies audited at 30 June 2017

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 - Langhorne Creek Wine Industry Fund
Minister for Agriculture, Food and Fisheries - McLaren Vale Wine Industry Fund
Minister for Agriculture, Food and Fisheries - Riverland Wine 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 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 Green Industries SA
Office of the National Rail Safety Regulator
Outback Communities Authority
Parliamentary Superannuation Scheme
Planning and Development Fund
Planning, Transport and Infrastructure - Department of
Police Superannuation Scheme
Premier and Cabinet - Department of the
Primary Industries and Regions - Department of
Professional Standards Council
Public Trustee
Rail Commissioner
Residential Tenancies Fund
Retail Shop Leases Fund
Return to Work Corporation of South Australia
Riverbank Authority
Rural Industry Adjustment and Development Fund

Public sector agencies audited at 30 June 2017

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 Mental Health Commission
South Australian Metropolitan Fire Service
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 – Hydro Joint Venture
South East Natural Resources Management Board
South Eastern Water Conservation and Drainage Board
Southern Adelaide Local Health Network Incorporated
Southern State Superannuation Scheme
State Development – Department of
State Opera of South Australia
State Procurement Board
State Theatre Company of South Australia
Stormwater Management Authority

Public sector agencies audited at 30 June 2017

StudyAdelaide
Super SA Retirement Investment Fund
Super SA Select Fund
Superannuation Funds Management Corporation of South Australia
TAFE SA
Teachers Registration Board of South Australia
TechInSA
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

Total number of agencies audited at 30 June 2017: 153