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S O U T H   A U S T R A L I A

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2008

Tabled in the House of Assembly and ordered to be published, 14 October 2008

Third Session, Fifty-First Parliament

Part A: Audit Overview

By Authority: T. Goodes, Government Printer, South Australia

2008

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30 September 2008

The Hon R K Sneath, MLC
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Parliament House
ADELAIDE SA 5000

The Hon J J Snelling, MP
Speaker
House of Assembly
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Gentlemen

REPORT OF THE AUDITOR-GENERAL: ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Pursuant to the provisions of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my 2008 Annual Report. This Report includes the Honourable the Treasurer's Statements for the financial year ended 30 June 2008.

Content of the Report

This Report is in three parts – Part A, Part B and Part C.

Part A –The Audit Overview contains a summary of certain matters of importance regarding the audit program of work conducted at public sector agencies for 2007-08. More detailed comment on these matters is made in Part B Agency Audit Reports.

Part B – Agency Audit Reports (Volumes I, II, III, IV and V) contain comment on the operations of individual public authorities, the financial statements of those public authorities, and the Treasurer's Statements. A number of matters that, in my opinion, are of administrative significance or importance to the Government and the Parliament that are contained in Part B of this Report are listed separately under the heading 'References to Matters of Significance'. This list can be found immediately after the Table of Contents in the front of Volumes I, II, III, IV and V of Part B.

Part C –The State Finances and Related Matters contains a general review of, and report on the public finances of the State.

Auditor-General's Annual Report

In accordance with subsection 36(1)(a) of the *Public Finance and Audit Act 1987*, and subject to comments made within this Report, I state, that in my opinion:

(i) the Treasurer's Statements reflect the financial transactions of the Treasurer as shown in the accounts and records of the Treasurer for the financial year ended 30 June 2008;

(ii) the financial statements of each public authority reflect the financial transactions of the authority as shown in the accounts and records of the authority;

(iii) 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, are sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.

Whilst I have not seen fit to express a qualified opinion with respect to matters referred to in subsection 36(1)(a)(iii) above, there have been cases where in some agencies, systems of internal controls have not, in my opinion, been of an acceptable standard. Where this has occurred, I have, in accordance with the provisions of subsection 36(1) of the *Public Finance and Audit Act 1987*, drawn attention to this fact and included comment on my reason(s) in the report on the agency concerned in Part B of this Report.

Report and Opinion on Controls

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit included an assessment of 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 and also, where applicable, whether the controls in operation were consistent with the prescribed principles of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Framework'. The overall aim of that assessment was to establish whether those controls were sufficient to provide reasonable assurance that the financial transactions have been conducted properly and in accordance with the law.

It is not practical in any such assessment to review each and every control in respect of each and every transaction. Whilst every effort is made to test the sufficiency of controls across a representative range of transactions, it must be remembered that no system of control is 'fail-safe'.

The Parliament has recognised this in stating that the controls need only be sufficient to provide, at the time of audit, 'reasonable assurance' of the matters set out in subsection 36(1)(a)(iii).

The Audit assessment has been made by reviewing the adequacy of procedures and testing a number of control components against a range of financial transactions conducted at various levels of the organisation.

In assessing the sufficiency of these controls, particular regard has been had to the organisation's structure, risk and the inter-relation of policies, procedures, people, management's philosophy and operating style, demonstrated competence, and overall organisational ethics and culture. All of these matters serve as inter-related elements of control.

The standard by which Audit has judged the sufficiency of controls is whether and how well those controls provide reasonable assurance that financial transactions of the Treasurer and public authorities have been 'conducted properly and in accordance with law'. This concept requires the organisation to meet the standards of financial probity and propriety expected of a public authority and, at all times, discharge its responsibilities within the letter and spirit of the law, both in terms of its own charter and as an instrumentality of government discharging public functions.

Except for the matters detailed for each agency in Part B of my Report under the section 'Audit Findings and Comments', Audit formed the opinion that the controls exercised in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities were sufficient to provide reasonable assurance that the financial transactions were conducted properly and in accordance with the law. In respect of those matters where the controls exercised were not sufficient to provide that level of assurance, Audit has made recommendations as to where improvements are required.

Modified Independent Auditor's Reports

For the financial year ended 30 June 2008 modified opinions were expressed on the Financial Statements of the following agencies:

- Department for Environment and Heritage
- Local Government Finance Authority of South Australia
- South Australian Forestry Corporation
- South Australian Motor Sport Board
- University of South Australia

In all cases where a modified opinion is given, the Independent Auditor’s Report includes an explanatory paragraph clearly describing the reason for issuing a modified opinion. Further the reason for issuing a modified opinion is described in the commentary on each of those agencies to be found in Volumes I, II, III, IV and V of Part B of this Report.

Acknowledgments

I would again like to sincerely thank my staff for their dedicated efforts throughout the year. Their professionalism and dedication have been of the highest order and is reflected in the contents of this Report.

In addition I extend my thanks to the Under Treasurer, Government Publishing SA, and their staff, and the report printing coordinator, Mr D O’Keefe, for their efforts which have assisted materially in the production of this Report. The cooperation of all public authorities with my staff during the financial year is also acknowledged.

Yours sincerely,

S O’NEILL
AUDITOR-GENERAL

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AUDIT OVERVIEW

INTRODUCTION

This Report is being presented at a time of global financial difficulty. The deterioration in the financial markets has led to negative investment returns and reduced operating results for some of this State's public sector agencies. This was particularly so for the Motor Accident Commission and the Superannuation Funds Management Corporation of South Australia that have a proportion of their funds in equity type investments.

I have mentioned this at the outset because such events can result in uncertainty, tightening of the economy, and reduced or constrained financial resource availability, that may require governments to reassess budget priorities and strategies within these difficult times.

It also means for those public officers and public servants that have governance responsibility at government and public service administration levels and for significant public sector initiatives, to further commit their efforts and those of their management and staff to ensure limited public resources are diligently managed and controlled.

Each year presents challenges. In 2007-08 the implementation of the shared services efficiency initiative got underway towards the latter part of the year. Also the major infrastructure procurement processes for the Corrections and Schools projects under public private partnership (PPP) arrangements were initiated and progressed.

2008-09 will be even more challenging. For shared services, significant transitioning of the core financial services from agencies to the government's shared service provider will occur with impact for transitioned employees and the financial management and control responsibilities for both agencies and the service provider. At the same time as this is occurring agencies will be expected to revisit their financial and compliance regulatory regime to meet new requirements of the Treasurer's Instructions to evidence the operation of good financial management and control in the agencies. Also PPPs and other major infrastructure projects, such as the Adelaide Desalination Project, and significant information and communications technology (ICT) projects will be initiated or further progressed.

The audit programme will continually adapt to review and report on financial and compliance matters as well as significant public sector initiatives.

THIS AUDIT OVERVIEW

This overview provides some important observations and comments relevant to the discharge of the public sector audit mandate.

It opens with a specific comment on the matter of audit communications to public sector agencies. This is followed by a summary commentary on this State's public finances.

Certain important observations and comments that have resulted from the 2007-08 audits of the public accounts, including the financial accounts and operations of public sector agencies is then presented. Some of these matters are subject to more detailed comment in the agency reports contained in Part B of this Report.

THE AUDIT PROCESS: AUDIT COMMUNICATIONS TO AGENCIES

It is my intention going forward, to provide a brief comment in this Audit Overview section of each Annual Report to Parliament, on an important aspect of the audit process. I did so last year, indicating among other things, that the audit process needs to be conducted in an objective, independent and professional manner, and be also constructive in nature.

An important element of the audit process that I consider is constructive in purpose involves the issuance of audit management letters to public sector agencies.

In the course of undertaking an audit of a public sector agency matters can be noted which need to be brought to the attention of those officers charged with the governance responsibility of the agency (Board Chair, Chief Executive Officer, Senior Management Officers). It also may be the case that the audit may give rise to matters that require clarification from the agency.

Such matters generally raised with agencies are noted weaknesses covering financial management and control, legal compliance, accountability, probity and economic use of resources. In raising the matters with the agency recommendations are made for consideration of improvement in processes and practices.

In the first instance the matters are discussed with the appropriate level of agency management and then communicated in an audit management letter to the appropriate officer with governance responsibility who is requested to provide a written response. It is left to the agency to assess the relevance of the matters raised and to respond whichever way is considered appropriate.

In an overall sense I can report that there has not been any instance during 2007-08 where the audit management letter process has been frustrated by an unwillingness of an agency to respond to an audit management letter forwarded to it by the Auditor-General's Department.

Agency responses to audit management letters include an indication of actions to be taken to address the issues raised by Audit. It is my expectation that where an agency has advised in their response proposed actions or actions implemented to address various matters, that those actions are implemented and periodically reviewed for operating effectiveness.

Finally, commentary in this report on the results of agency audits, particularly in Part B of this Report, is prepared from agency audit management letters and the responses to those letters received from agencies.

THE PUBLIC FINANCES

Estimated Results for 2007-08

The 2008-09 Budget Papers show that the Government's financial operations for 2007-08 are on target for a higher than budgeted net operating balance surplus. The estimated result is a surplus of $373 million (budget $30 million). Revenues grew strongly and are expected to well exceed budget and to exceed unbudgeted growth in expenses. Net borrowing is estimated to be $15 million, much lower than the budget of $428 million.

While a strong actual operating result is expected, negative movements of investment markets resulted in the falls in the market value of investment assets. The Superannuation Funds Management Corporation of South Australia which manages the majority of the Government's financial assets, incurred a net loss for assets under management in 2007-08 of $1478 million. This result does need to be seen against the strong earnings made from consistent rises in investment markets for a number of years.

A further impact of the negative market returns was a deterioration in the Motor Accident Commission's statutory solvency level, which while still positive, was at a level where there is little margin for further negative investment performance without risking statutory solvency requirements. Negative market returns also reduced SAFA's insurance investments assets and contributed to SAFA incurring a net loss for 2007-08.

Budget Forecasts 2008-09 to 2011-12

The 2008-09 Budget projects net operating balance surpluses over the four years to 2011-12 and a strengthening balance sheet even though high levels of net lending are also forecast together with growing net debt. The State has a consistent record of net operating balance surpluses.

A possible risk attaching to that record is that the State may have developed a culture of expecting growing revenues to continue to support increasing expenses. This may prove to be the case, but the recent economic events in Australia and internationally, manifest in the global credit crunch, escalating inflation and the extraordinary volatility of financial markets, certainly give reason to pause and consider this likelihood.

I also note that the Budget includes significant Commonwealth specific purpose revenues for the AusLink program to improve the transport network. These revenues flow into the net operating balance but may only be applied to particular purposes.

The Budget is consistent with the past two years with a reliance on savings initiatives, increasing capital outlays and expanding projects under PPP arrangements. As mentioned in last year's Report, new and large scale initiatives commence with a higher inherent risk while experience is gathered.

To achieve the projections, many budget risks need to be monitored and managed. I believe that prevailing economic events and the nature of some aspects of recent budgets elevate some of the risks to the 2008-09 Budget and beyond. Accordingly, these risks warrant the highest attention for monitoring, reporting and management of budget spending and revenues.

Net Lending

The 2007-08 Budget estimated higher total net acquisition of non-financial assets (capital spending) than past years. The 2008-09 Budget elevates those estimates higher again. General government sector purchase of non-financial assets is budgeted to increase $389 million to $1.4 billion and for the total non-financial public sector is budgeted to increase by $686 million to $2.2 billion.

As a result, net debt is estimated to rise $40 million to $2 billion at 30 June 2008 and to $5.2 billion by 2011-12. The Government states that net debt remains at responsible levels over the forward estimate period. The general government sector net debt increased to $82 million at 30 June 2008.

A primary fiscal target is to achieve net lending outcomes that ensure the ratio of net financial liabilities to revenue continues to decline towards that of other triple-A rated States. The 2008-09 Budget settings continue the expectations of the previous Budget, with the ratio rising over the forward estimates. The Government has acknowledged this is not consistent with the fiscal target, stating that the increase in the ratio reflects the Government's major infrastructure program.

Budget Monitoring and Reporting

As occurred last year, Audit reviewed aspects of the Government's and the Department of Treasury and Finance (DTF) budget monitoring process for 2007-08. The Audit review indicated a continuing need for focus on the improvement of data quality in some areas and for most agencies. Factors that contribute to the quality of reported data should be reviewed with a view to achieving improvements where practical and beneficial. Audit has noted that improvements in information systems used in agencies would assist this aim. I note additional processes have been introduced to strengthen review and approval processes for spending decisions. These rely on centralised review of submission recommendations and costings by DTF.

DTF is reporting that a high proportion of the value of targeted savings is being achieved. I note that after adjustments, the savings target for 2008-09 is in the order of $270 million, in excess of $100 million more than was sought in 2007-08.

The shared services initiative was projected to be a significant contributor to the total savings targets presented in the 2006-07 Budget reaching $45 million by 2008-09 and $60 million each year by 2009-10. I note that staff and service transfers to shared services commenced in early 2008-09, some months after the original target timeframe. This delay and costs for accommodation are putting pressure on the likelihood of the initiative meeting its savings targets, at least in the original timeframes.

Part C of this Report

Commentary and audit observations on aspects of the State's finances are included in Part C of this Report. That commentary includes observations on the Treasurer's Financial Statements, prepared pursuant to the *Public Finance and Audit Act 1987* to report on transactions and balances in the public accounts.

The main public accounts are the Consolidated Account and special deposit accounts and deposit accounts established pursuant to the Act.

PUBLIC SERVICE AGENCIES: GOVERNANCE AND ACCOUNTABILITY OBLIGATIONS

Introduction

Previous Reports have included comment on the importance of agencies having in place effective governance and accountability structures and processes, to ensure and evidence adequate management and control over public resources.

Important elements for effective governance and accountability include:

- sound organisational structures
- clearly stated responsibility and authority relationships
- policy and planning
- risk profiling and assessment and effective control strategies
- monitoring and reporting systems.

Agency Audits for 2007-08

The 2007-08 audits of agencies again identified matters for their consideration in strengthening governance and accountability processes. These were raised, along with any shortcomings noted in control environments or with specific financial controls, in audit communications to the relevant agencies.

As mentioned previously, the agency reports in Part B of this Report, where applicable, include comment on the main matters arising from the audits of those agencies and that, in Audit's opinion, required some form of remedial attention.

Review for Changing Circumstances

I mentioned in last year's Report that agencies will continually need to revisit their governance, risk and accountability processes in response to changing circumstances. This is highly relevant coming into the 2008-09 year.

The transitioning of core financial services from the majority of agencies to Shared Services SA during 2008-09 will significantly alter the financial management and control responsibilities and practices of agencies, requiring the revision of their processes and updating of their policies and procedures. This will need to be accomplished in tandem with the requirement for agencies to meet the requirements of a revised Treasurer's financial principles and compliance framework that comes into effect for 2008-09. The significance of the impact of the shared services reform initiative for financial risk and control is further discussed below in the section titled 'Shared Services: Audit Review and Performance Responsibility'.

Audit Comment

Agencies need to have strong governance and accountability structures and processes in operation for the effective management of public resources.

They need continual review to ensure they remain effective. The shared services initiative will significantly change the risk and control profiles and processes of agencies, necessitating the requirement for agencies in 2008-09 to revise their governance and accountability processes.

THE IMPORTANT MATTER OF DUE DILIGENCE

The taxpayer has the rightful expectation that every day tasks of government and of agencies within the public sector are undertaken with the requirement of due diligence.

The extent of its application will vary in consideration of certain factors, including the significance or materiality of the task, its importance to the achievement of an agency's public service delivery responsibility, and the risk and control attribute relationship of the task to the effective management and control of public assets and resources. Whatever the degree it needs to be applied.

The importance of this matter is raised in relation to the exercise of due diligence for the process of the disengagement of the Modbury Hospital from the contractual arrangements between the State and Healthscope Limited (Healthscope).

This year saw the return of the Modbury Hospital under public sector management. This was the result of a termination agreement between the State and Healthscope.

Audit reviewed aspects of the disengagement process resulting from the return of Modbury Hospital to the State. Certain issues were raised with the Department of Health concerning the settlement of financial matters between the parties. The review identified that due diligence was not applied to the important task of evidencing and verifying certain matters of the financial settlement to ensure the taxpayers' interests in public resources were protected. Specific commentary on the matters raised with the Department is provided in the section of Part B of this Report titled 'Department of Health'.

STATUTORY FINANCIAL REPORTING

In last year's report I made comment that a significant legislative responsibility of public sector agencies is to prepare, in a timely manner, a financial report (financial statements) on their financial operations. I also noted that this had not been able to be achieved for 2005-06 for a number of bodies under the *Natural Resources Management Act 2004* (NRM Act).

The NRM Act established a requirement for the Auditor-General to audit eight Natural Resource Management Boards (NRM Boards) and around 50 prescribed bodies[1] for the

1 The NRM Act captured three main types of prescribed bodies. They were Animal and Plant Control Boards, Soil Conservation Boards, and Catchment Water Management Boards.

first time in the 2005-06 financial year. The majority of the prescribed bodies were dissolved by 30 June 2006.

The considerable delays in finalising the preparation, and consequently the audit, of the 2005-06 financial statements of the NRM Boards and related prescribed bodies were due mainly to:

- some Boards have not been able to access the appropriate staff with the accounting skills to satisfactorily prepare the financial statements to the quality expected by public sector reporting standards
- difficulty has been experienced by Boards in locating supporting financial information for the prescribed bodies under their control (ie Soil Conservation Boards and Animal and Plant Control Boards) to enable preparation of financial statements of quality.

Progress during 2007-08

While there has been progress in 2007-08 there are still Boards who have not finalised both 2005-06 and 2006-07 financial statements for the reasons outlined above.

In addition many of the 2005-06 financial statements that have been finalised have been subject of a modified Independent Auditor's Report. The modified reports result from Audit's inability to verify/confirm some financial statement disclosures due to the absence of supporting financial documentation and/or the form of the financial statements do not conform to the requirements of the Australian Accounting Standards regarding their presentation and content.

Audit is working with the relevant Boards to finalise outstanding financial statements. Audit will also look to progress the audit of the 2007-08 financial statements in a timely manner.

Governance and Control

The audit of the NRM Boards in 2007-08 noted that there was scope to make significant improvements to governance and control arrangements. While these issues were not applicable to all Boards some of the main matters identified were:

- policies and procedures are in draft and do not cover all major activities
- lack of a formal instrument of delegations which outlines all the current and approved delegations
- lack of a framework which identifies all the relevant legislative requirements, how compliance is monitored, who is responsible for compliance and reporting
- absence of a risk management framework which outlines the policy, plan and procedures for identifying, evaluating and managing risks
- reporting on financial performance against budget can be improved
- an asset register had not been established to support the fixed asset values for general ledger and financial reporting purposes
- duties could be further segregated or additional controls implemented for major financial activities.

These matters will be subject to further review and follow up as part of the 2007-08 audit of the NRM Boards.

THE LEGISLATURE OF SOUTH AUSTRALIA: ACCOUNTABILITY AND FINANCIAL REPORTING

The 'Legislature' for the purpose of this Report comprises the House of Assembly, the Legislative Council and the Joint Parliamentary Service.

The Legislature is subject to an annual audit. In the 2004-05 Report to Parliament, my predecessor raised the matter of an accountability deficit with respect to the South Australian Legislature as compared to other Australian Legislatures and other South Australian State public sector agencies.

An important suggestion for consideration that was put forward at that time to enhance the accountability of the Legislature, was the production of a general purpose financial report (financial statements) that would enable the Parliament and the public to scrutinise the financial performance and the financial position of the Legislature.

2006-07 Audit

I am pleased to report that the Legislature produced general purpose financial reports for the House of Assembly, Legislative Council and the Joint Parliamentary Service for the 2006-07 financial year.

The general purpose financial reports were audited and unmodified Independent Auditor's Reports were issued for the House of Assembly and the Legislative Council.

In the case of the Joint Parliamentary Service, a modified Independent Auditor's Report was issued. This modification was the result of a limitation of scope of audit (granting of audit access to Service records, including catering records) and the limitation in the completeness of disclosures in the financial report relating to the dining and refreshment services of Parliament House.

The inability to perform a complete audit of the functions and financial activity of the Joint Parliamentary Service was fully discussed with the Joint Parliamentary Service Committee. The Committee deliberated on our discussion and resolved to retain its existing position of not providing Audit with complete review access to the records of the Joint Parliamentary Service.

2007-08 Audit

The audit of the 2007-08 financial statements provided by the Legislature will commence shortly. I intend to again relate on the matter of Audit access with the Joint Parliamentary Service Committee. I will also as a matter of practice going forward, include the audited financial reports of the Legislature in future Reports to Parliament. This practice is consistent with the inclusion in my Report of the general purpose financial reports of significant public sector agencies.

THE SHARED SERVICES INITIATIVE: AUDIT OBSERVATIONS

Introduction

The shared services initiative was announced in September 2006 in the 2006-07 Budget. The initiative essentially involves transferring high volume administrative functions such as payroll, accounts payable, accounts receivable and other services and the related staff to a single entity. The shared services entity becomes responsible for providing those services to all government agencies.

In 2007-08, the shared services initiative progressed through many of the tasks needed to allow transfer of staff and services (transition) to begin. Transfer of staff and services from agencies to shared services began in July 2008 about four months after the planned commencement.

The underlying principle for the initiative is to streamline and simplify administrative and technology services bringing significant increases in efficiency and savings across all government agencies.

The Shared Services Reform Office (SSRO) was established in October 2006 to develop a strategy and following approval, implement the initiative. SSRO was succeeded by Shared Service SA (SSSA) in October 2007. The project is overseen by the Chief Executive Shared Services Steering Committee (CESSSC) established in November 2006. The CESSSC comprises the Under Treasurer, Chair and the Chief Executives of certain major government departments together with the Executive Director SSSA.

Last year I recognised the complexity of the shared services initiative. Significant elements to its success are the governance arrangements established for implementation; identifying, assessing and managing implementation risks; planning, having or developing skilled resources and appropriate support systems; procurement management; communication processes; and implementing new or revised control environments while at the same time maintaining efficiency in service outcomes.

Scope and Challenges

The initiative involves some 1800 full time equivalent positions in more than 50 public sector agencies. This emphasises not only the complexity, but the size of the task underway. In the course of 2007-08 the initiative has experienced some delays from original timeline targets and identified risks to the initial implementation cost and savings targets.

The shared services initiative concerns fundamental aspects of administering public sector operations, encompassing payroll, creditor payments, revenue collection, procurement and various supporting arrangements such as ICT. All public sector agency chief executives have the responsibility to develop, implement, document and maintain policies, procedures, systems and internal controls to assist with their financial management responsibilities. The shared services initiative effectively outsources processing of transactions for most public sector agencies. There were such arrangements in the past, but never to this scale.

Transition for most agencies commenced in early 2008-09. Even the early transition involves hundreds of government agency employees from many working cultures and multiple differing business environments that must firstly, continue to perform effectively and secondly begin the change process. There are many elements that will influence meeting this challenge. Some include staff acceptance of their changed circumstances (a new employer, work location and being in a reform environment), and interpretation of new agreements and responsibilities.

Delays and Risks

As mentioned, some delays to timelines have occurred and risks to budget targets have been identified. Clearly there is an expectation that the initiative will achieve a level of savings. Transition delays, reduced in-scope employees, accommodation ‘dead rent’ and potential redeployment costs, have contributed to putting pressure on achieving announced savings and budgeted implementation costs.

At the time of the 2006-07 Budget, the implementation of shared services arrangements aimed to save $130 million (including savings from Future ICT and associated changes) over four years to 2009-10 offset by implementation costs of $60 million over the same period.

Based on revised data, Cabinet is now advised that it will be difficult to fund the transition activities to completion from the $60 million budget. Cabinet are also advised that various factors have meant that savings from shared services may be lower than currently factored into the Budget. DTF indicate that the precise impact on the ultimate level of shared services savings is very difficult to estimate. Currently, a significant shortfall compared to the $20 million budgeted for 2008-09 is probable. This reflects both the delay in implementation and the lower savings potential revealed by detailed information gathered during implementation. There is also expected to be a shortfall against the $35 million ongoing savings (after ICT savings of $25 million), in 2009-10. There are also some risks associated with the delivery of $35 million in savings in later years.

Transition Delay

For transition, in-scope services were divided into 3 tranches. Tranche 1 services relate specifically to accounts payable, accounts receivable and payroll services (and related ICT services). Tranche 1 services were in turn divided into 3 groups to effectively manage transferring infrastructure and approximately 900 government employees to SSSA and help to ensure service continuity to agencies. SSSA engaged with the first transition agencies in November 2007 to commence detailed transition planning.

The discovery process in relation to the data collection took longer than anticipated and, as a result, the date of transition for Group 1 agencies was changed from the planned commencement in February/March 2008. Only Group 1A agencies (internal to DTF) transitioned on 31 March 2008

In July 2008, Cabinet approved the transfer of some 200 employees, related assets and liabilities and budget allocations from Group 1 agencies to SSSA. Further approvals (for Group 2 and 3 agencies) were required to effect the full transition of Tranche 1.

There is a four-month delay to completion in December 2008 compared with the original completion date of August 2008. The longer timeframes for implementation have increased the length of time that the implementation budget needs to fund the costs associated with transition and is estimated to reduce savings by around $2 million each year for the three years to 2010-11 for Tranche 1.

Accommodation

As at July 2008 it was estimated that up to 1800 employees were in-scope for transfer to SSSA. This number will decrease as efficiency reforms occur. Accommodation arrangements have progressed over the year. I note that when initially planning accommodation needs, up to 2500 fulltime employees were estimated in-scope. This was reduced after the detailed discovery phase of transition planning.

In July 2007, Cabinet approved a five-year lease for space at 91 King William Street (Westpac House). This provides office accommodation for up to 680 SSSA employees (Accounts Payable and Accounts Receivable functions). At the time the Government Office Accommodation Committee (GOAC) noted that relocating employees was likely to result in significant vacant space in existing lease commitments. GOAC highlighted the need for effective backfill strategies for vacated premises to minimise the Government's exposure to 'dead rent' and to achieve anticipated cost savings.

In March 2008, Cabinet endorsed a submission for SSSA to occupy the whole of the government-owned Wakefield House to provide around 760 seats to meet estimated accommodation shortfalls. Wakefield House will provide Payroll and ICT functions for SSSA. This proposal required relocation of some tenants including the Department for Transport, Energy and Infrastructure (DTEI) staff, some transfers of funding between DTF and DTEI and additional costs.

In May 2008, Cabinet approved the lease arrangements for space at 77 Grenfell St and associated fit out works to accommodate an additional 1000 employees associated with Tranche 2 and 3 services. This building is expected to be progressively required by SSSA from 1 July 2009.

I note advice to Cabinet that at the time of the original budget allocation for shared services it was assumed that accommodation savings would be realised by agencies as soon as staff moved to shared services. It was also assumed that accommodation for shared services would be readily available when required and there was no allowance for fitout costs. These matters substantially underestimated the transition costs associated with accommodation. It was noted that many agencies will find it difficult to quickly realise accommodation savings. The realities of the accommodation market are that large areas of office accommodation only come on to the market occasionally.

SSSA needed to acquire and fit out a large amount of accommodation before any accommodation savings are realised by agencies. There would be periods where rent is paid on empty accommodation, as SSSA has to secure accommodation some time before it is to be occupied. As a result, there is a component of ‘dead rent’ of approximately $4.1 million that cannot be recovered from agencies.

Overall, accommodation arrangements result in an anticipated $32 million budget deterioration for the net operating result over the four years to 2011-12.

It is expected that budget impacts will be offset by service charges once SSSA commences service delivery from the accommodation and by agency accommodation savings. As the reform process nears completion it is expected that SSSA will consolidate and reduce its accommodation requirements.

Reporting Savings

These matters raise the issue of reporting savings. Clearly, accountability is expected for the outcome of the initiative and for budgeted savings targets. There is a risk that announced savings achievements could misinform readers about the level and manner in which savings are achieved.

As conveyed in the preceding commentary, Cabinet has been advised that various factors have meant that savings from shared services may be lower than currently factored into the Budget. DTF indicate that the precise impact on the ultimate level of shared services savings is very difficult to estimate. Currently, a significant shortfall against budgeted savings for 2008-09 is probable. This reflects both the delay in implementation and the lower savings potential revealed by detailed information gathered during implementation. There is also expected to be a shortfall against ongoing savings, particularly in 2009-10.

In response to my request to provide details of all savings amounts now included in the Budget for shared services initiative since its announcement, DTF provided the following information.

Shared Services Saving Task

	2007-08 Est Result $'000	2008-09 Budget $'000	2009-10 Budget $'000	2010-11 Budget $'000	2011-12 Budget $'000	**Total $'000**
Savings budgeted 2006-07	25 000	45 000	60 000	60 000	60 000	**250 000**
Less: Savings allocated:						
Future ICT savings	24 099	24 702	25 319	25 952	26 601	**126 673**
Supply SA warehouses	-	1 528	2 372	3 183	3 271	**10 354**
ICT - Mobile carriage services	515	2 109	2 162	2 216	2 272	**9 274**
FICT implementation cost offset	386	-	-	-	-	**386**
Balance of Savings	-	16 661	30 147	28 649	27 856	**103 313**

The balance of savings is the current target against which shortfalls are expected.

A major element of the total savings target is ICT. Agency expenditure budgets were reduced overall by $25 million each year in the 2007-08 Budget to achieve these savings.

The other major element of savings will come from reforming processes, a challenge that will arrive with transitioning staff and processes into SSSA. This is essentially about reducing staff numbers involved in administrative activities and consequently the related overheads. Most savings are expected to be reported through SSSA as staff numbers and on-costs reduce. Some savings will also occur in agencies but may arise from activities not directly linked to or predating the shared services initiative. There will also be offsetting costs incurred in agencies, including dead rent and redeployment costs for employees in redundant positions.

Given the already identified pressure on achieving savings and cost targets, it will be important that reported outcomes consolidate and reflect all significant costs associated with implementation and only savings that are reasonably attributable to the initiative. I understand it is intended that separate reporting will show gross savings from shared services reform while still showing mitigating costs such as redeployee costs. I am also advised that the budget includes a contingency to allow for the possibility that savings, including savings from other than shared services, are not achieved. This contingency would be an offset to any savings shortfall and would prevent, or at least limit, any adverse impact on the budget bottom line. I will be seeking supporting information to assess the reasonableness of announced savings achievements.

Audit Comment

Shared services transition is underway at the time of this Report. Implementation to date has shown the complexity and challenges of the initiative and highlighted the implications of changes from the original business case.

Ultimately, SSSA must now focus on its dual objectives that all transaction processes for which it is responsible:

- incorporate adequate control tasks/activities to mitigate material risks/exposures that accompany the transaction processes

- are performed efficiently, and in the long term more efficiently than previously was the case, to realise expected savings.

SSSA's immediate task is to manage and settle a multitude of 'as is' business environments and personnel from differing work place cultures into a new and changing environment, a challenge in its own right. Agencies are also required to adapt to the new environment, particularly those that may not have operated in a shared services environment previously. Agencies equally must ensure they clearly understand their control responsibilities and meet them. To support overall government savings aims, this needs to occur without duplicating or allowing shadow services or processes to develop in agencies receiving shared services or at SSSA.

The pressures on original cost and savings targets, mean there is a likelihood of other savings opportunities being pursued and brought into the counting of shared service savings. There is naturally a tension between DTF and agencies about funding, agencies to retain as much as possible and DTF to claw back as much as possible. I note that SSSA believes that, with support, shared services reform can be successfully implemented in South Australia and produce significant ongoing savings.

SHARED SERVICES: AUDIT REVIEW AND PERFORMANCE RESPONSIBILITY

Introduction

The shared services initiative is intended to deliver corporate and business services to all departments of the South Australian public sector. The initiative includes separating and allocating administrative responsibilities and practices between the service provider

(SSSA) and the service receiver (departments and other agencies). It is a major initiative and involves fundamental change to public sector administrative arrangements.

Given the early stage of the project in 2007-08, I am not in a position to comment on detailed procedural and control tasks/activities as it affects SSSA and agencies during the present transitioning process. These were being negotiated with agencies. Audit involvement was limited to commenting on aspects of the procedure and control arrangements being put in place.

Some Principles for Shared Services Controls

In February 2008 I wrote to the Executive Director SSSA to clarify some principles I saw as important in the early stage of transitioning of agencies to SSSA. Those principles were that:

- negotiated arrangements must enable chief executives to demonstrate how they meet their responsibilities for agency control systems as required by the Treasurer's Instructions

- a clearly defined set of practices and procedures should exist to direct and control the whole transaction process for each service function (ie Payroll/HRMS; Accounts Receivable; Accounts Payable). These should be consistent with the respective control responsibilities of agencies and SSSA while also facilitating effective and efficient administration

- resource allocation between agencies and SSSA should support their respective responsibilities

- adequate controls must be maintained over the transition period.

I was aware that negotiations were underway with agencies to transition to the new shared services arrangements. A generic Initial Service Design document formed the basis for negotiating allocated responsibilities for procedural and control tasks/activities between the relevant agency and SSSA for the three service functions. Furthermore, the negotiation process would result in a finalised (most probably an adjusted) Service Design document reflecting agreed allocated responsibilities between the relevant agency and SSSA. I also understood that, at least to some degree, the transition may involve the transfer of whole functions and staff 'as is' from agencies to SSSA. Essentially this meant simply relocating existing staff and functions to SSSA locations. Reform would occur later.

I informed the Executive Director SSSA that, in my opinion, the finalised Services Design document should reflect a negotiated product of allocated responsibilities that ensures for each transitioned service function that:

- the whole transaction process, involving the agency and SSSA, is efficient

- the whole transaction process, operating across the agency and SSSA, incorporates adequate control tasks/activities to mitigate material risks/exposures that accompany the transaction process.

I emphasised that to mitigate transition and implementation risk, negotiated arrangements should be consistent with the abovementioned principles and comments. I also noted that effective implementation and operation of control requires both the relevant agency and SSSA to clearly understand and fulfil their respective roles and control tasks/activities.

Shared Services SA Response

The Executive Director SSSA responded to me in February 2008 indicating action being taken in relation to the matters raised.

The Executive Director advised that the combination of the Service Level Determination and the generic Service Design formed the basis for the allocation of responsibilities for various tasks between each agency and SSSA. The result of this process will be agreed exceptions to the standard Service Design. This will be further supported through the formal documenting of roles and responsibilities within operating level responsibility documents. This will provide a detailed outline of each parties tasks and responsibilities and will form the basis of the understanding of allocation of tasks and responsibilities going forward.

SSSA supported the principles I outlined. A number of initiatives were advised aimed at ensuring clarity of responsibilities, resource allocation and establishment of adequate controls and practices and procedures. They were:

- the development of a clearly defined Service Level Determination and supporting Service Catalogue which outlines responsibilities for each party
- the formal documenting of roles and responsibilities within operating level responsibility documents
- survey of transitioning agencies to gain an understanding of the current control environment in relation to the relevant Treasurer's Instructions and Financial Management Toolkit
- development of an Internal Control Framework for SSSA and an Internal Control Checklist for each of the services which will result in an Internal Control Register for each agency service
- working closely with each agency to ensure that resource allocations support each respective responsibility and assisting agencies in the consideration of redesign of processes to ensure that adequate control is maintained
- collection and review of existing agency policies, procedures and other relevant documentation for each of the transitioning services to ensure an adequate control environment on transition
- development of a detailed transition readiness plan to ensure that SSSA, agencies and individuals are prepared for transition
- a detailed communication strategy has been put in place, ensuring adequate involvement and consultation of all key stakeholders.

The Executive Director also confirmed the transition of services to SSSA is based on an ‘as is’ model in the first instance. As such, SSSA may inherit existing control gaps within agencies and potential inefficiencies in processes. Where possible, SSSA intended to rectify any known control gaps from commencement of operations, while reform of potential inefficiencies will be addressed at a later stage.

The Executive Director stated he understood implicitly that implementation of effective controls was critical to success and as such was working closely with each agency to develop a control environment that would allow both SSSA and each agency to operate effectively post transition.

Financial Management Compliance Checklist

I note that consistent with his advice, SSSA circulated a financial management compliance checklist to transitioning agencies in July 2008. This required a self-assessment of compliance with relevant Treasurer’s controls guidance prior to services moving to SSSA.

Shared Services SA Internal Audit Strategy

SSSA have also developed an internal audit strategy outlining an approach to evaluating the effectiveness of the SSSA control environment. The strategy anticipates taking a SSSA approach to internal audit work rather than an agency based approach. This involves sampling across agency services rather than for individual agencies. SSSA also plans to provide client agency chief executives with an annual assurance on the effectiveness of the control environment.

I believe that a strong internal audit program and the type of agency assurances proposed in the strategy are vital elements to monitoring the maintenance of effective internal control. In my view, while the strategy is sound, in the early stages of implementation it is likely to be a reasonably difficult task, given the large number of different business environments, people and past working cultures that are transitioning 'as is' to SSSA.

Audit in 2008-09

As previously mentioned, transition of staff and services from agencies to SSSA commenced from July 2008. The 2008-09 audit will be directed to the transitioned procedural and control tasks/activities functions and ongoing implementation of the initiative, including the framework used to monitor and report on savings.

INFRASTRUCTURE PROJECTS: QUALITY GOVERNANCE, MANAGEMENT AND ACCOUNTABILITY STANDARDS TO APPLY

The Government, through various governance structures and agencies, is progressing on a significant number of major infrastructure projects.

The project developments are also being implemented using different types of procurement methods, for example, the Public Practice Partnership (PPP) model is being utilised for the construction of some new schools and new prisons. The Adelaide Desalination Plant is to be delivered in the main using the Design, Build, Operate and Maintain procurement method.

Specific comment relating to these mentioned project developments is contained in the agency report sections in Part B of this Report for the Department of Education and Children's Services, Department for Correctional Services and the South Australian Water Corporation.

These types of projects involve material expenditure outlays or commitments. In some instances they will also involve contracted arrangements with private organisations over many years in regard to financing and service elements of the arrangements. The last matter is particularly relevant for PPP arrangements.

It is critically important that high standards of governance and management control are applied to the initiation and implementation stages of these project developments, to ensure value for money and accountability obligations for the effective delivery of the projects and contractual arrangements are achieved.

Effective outcomes will necessarily be reliant on many matters, including strong governance structures; adequate policy and process frameworks; attention to approval processes; business case development and reiteration (including where relevant public sector comparator analysis); risk analysis and management; procurement probity; high standards of project management and reporting throughout the development and implementation process; and the preparation and maintenance of quality documentation (including contractual documentation).

At the time of preparation of this Report, taking into account where certain projects are at in their procurement cycle, some of the abovementioned matters are receiving Audit attention.

With specific reference to PPP projects, the nature of these procurement transactions is that they involve private sector financing and risk allocation between the public sector and private proponent.

The credit market crunch experienced in 2007-08 and continuing at the time of finalising this Report, raise the credit and financing risk of the PPPs. In such extraordinary circumstances, progress of these transactions should be done with high degree of caution and may indeed need review of assumptions and information used to date. This may be a significant risk to the fundamental premise of whether a PPP provides a net benefit to the public compared to conventional public sector procurement.

MAJOR ICT PROJECT RISKS: DELAYS, COSTS, LOSS OF BENEFITS

Introduction

For some years Audit has been reviewing and reporting on matters of concern relating to the project management and implementation of major Information and Communications Technology (ICT) initiatives and systems within this State. Governance and management matters for ICT have been the subject of focus and comment in 2007-08 in the Australian and Victorian government jurisdictions.[2]

My Reports have included specific comment on a range of common deficiencies for major ICT developments, including:

- project delays
- inadequacies in agencies' risk and project management arrangements
- inadequate recording/monitoring of project costs and benefits
- risk management arrangements not revisited on a regular basis
- lack of advice of changes in projects or the provision of periodic status reports to the Minister/Cabinet.

Last year's Report mentioned that the Office of the Chief Information Officer (OCIO) had commissioned an independent review of four major ICT projects. Cabinet was informed in May 2007 of the outcome of the OCIO commissioned independent review. The submission included reference to a recommendation from the independent review that Cabinet should be kept informed of the progress of major ICT projects by exception reports, coordinated by the OCIO through the ICT Board.

This reinforces the recommendations made in past Audit Reports that the Minister/Cabinet should receive status reports on major ICT developments.

I again consider it important to re-emphasise the significance of the effective implementation of a monitoring and reporting system to government. In this regard I make the following Audit observations and comments.

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[2] The Victorian Auditor-General's Office issued a comprehensive guide 'Investing Smarter in Public Sector ICT'. In the guide the Auditor-General notes that recent ICT focused audits carried out by his Office clearly indicate that agencies within the Victorian public sector sometimes begin large, expensive ICT projects without a clear understanding of goals, required resources, or risks.

Also, media reports during the year have referred to the Australian Government's appointment of an overseas expert to review that Government's management of its $6 billion spend on new ICT projects.

Audit Review of Major ICT System Projects

As in past years Audit continues to review aspects of major ICT projects, particularly those projects characterised by their significant dollar outlay, extended timeframe for completion and achievement of benefits, and those with implications for inter-agency or government-wide operations.

A brief profile of projects that have or are receiving some form of Audit attention is provided as follows. The reviews have generally been high level in nature.[3]

RevenueSA Taxation Revenue Management System

The RevenueSA Taxation Revenue Management System (RISTEC) project of DTF is to develop a replacement integrated taxation system for the existing legacy taxation systems. In July 2002 Cabinet approved the allocation of $22.6 million over four years for the completion of the RISTEC project.

In May 2008 Cabinet approved an increased cost of $45.5 million with anticipated implementation from 2010 to 2011.

Land Services Business Reform Program

The Land Services Business Reform Program of the Department for Transport, Energy and Infrastructure (DTEI) involves the replacement of core legacy systems, implementation of electronic services, and the planning for business process changes for land administration in the State.

The Government has provided $17.1 million for the Land Services Business Reform Program over a four year period to mid 2011.

Transport Regulation User Management Processing System (TRUMPS)

The TRUMPS system of DTEI provides for the recording and processing of drivers licences and motor vehicle registrations.

The system was to have been implemented in June 2006 at a cost of $9.5 million. Additional funding approvals were obtained to provide for changes to legislation and to complete the registration and finance components of the system. The TRUMPS system was fully implemented in September 2007. At 30 June 2008, the project cost was recorded at $17.4 million.

Connected Client and Case Management System

This project is for the development of a Connected Client and Case Management System (CCCMS) which is considered essential for better integrated and effective case management and care for clients of the Department for Families and Communities.

The approved cost for the project is $10.6 million over five years to 2010-11 with implementation envisaged by June 2009.

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3 A comprehensive review would involve a detailed examination of such matters as governance, approval and planning arrangements, project/risk management practices, financial analysis, procurement processes, quality assurance, project monitoring, and reporting processes. A high level review involves only a limited or general review of these matters, or some of these matters, or some aspects of these matters. Also, the nature of the review is mindful of the progress of the project. The Audit review should not compromise the policy, conduct and decision making processes of the system development and implementation. For example, any review that may be undertaken of the procurement aspect of the project development would be undertaken on its completion so as not to influence the decision making process of the Government agency and to maintain the independence of the Audit process.

Student Management System

The Student Management System (SMS) project involves the replacement of an ageing legacy system in operation in the Department of Further Education, Employment, Science and Technology.

Cabinet approved in June 2008 system purchase and implementation at a cost of $20.4 million over three years.

Maintenance Works System

The Maintenance Works System (MWS) project was commenced in 2003 as a replacement for an ageing South Australian Housing Trust (SAHT) legacy Maintenance System.

In July 2004, an amount of $1.8 million was approved for the development of the initial phase of the MWS. Variations to the budget of the project were approved in October 2005, June 2006, and in February 2007, bringing the total overall budget to $4.8 million with implementation envisaged by July 2007.

In June 2008, the South Australian Housing Trust Board recommended cancellation of the MWS project with the resultant write off of capitalised costs of $4.7 million.

Need for Ongoing Review

The project profiles clearly indicate they are materially and operationally significant to warrant ongoing Audit attention and, as a critical control element within government, regular monitoring and reporting of their status or health to the responsible Minister/Cabinet.

Further support for this is evidenced through last year's reported finding relating to the CCCMS project and the abandonment of the MWS project that occurred during this year.

Last year's Report indicated that the Department for Families and Communities progressed the CCCMS system replacement project without finalisation of an assessment by the OCIO, and without the presentation to the responsible Minister/Cabinet of a comprehensive submission regarding the project, supported by a detailed business case, for formal approval.

This year, in the section of Part B of this Report titled 'South Australian Housing Trust', I report on the failures that resulted in the abandonment of the MWS development and certain consequences that have resulted from that abandonment.

The consistency with which Audit reviews identify problems with ICT projects has confirmed my view of the need for Audit to continue to review these significant projects.

It has prompted the early commencement of a review of some aspects of the recently approved SMS project for the Department of Further Education, Employment, Science and Technology.

It also prompted the commencement during the year of a comprehensive review of the TRUMPS system which moved from a development project to full operation in September 2007. I discuss this further in the following section of this Audit Overview.

I will continue where appropriate to raise matters arising from ICT project reviews being undertaken by Audit in my Reports to Parliament.

Office of the Chief Information Officer

In 2007-08, there were a number of changes relating to the governance, organisation structure and staffing arrangements for the OCIO. Also, a new Chief Information Officer was appointed by the Government.

During the year, there has been no independent review of major ICT projects for reporting to the ICT Board, and to the Minister/Cabinet, similar to that commissioned by the OCIO last year.

At the time of preparation of this Report, the OCIO has advised that it is developing a strategic program reporting capability to receive status reports, highlight reports and other information from major ICT projects. At the time of preparation of this Report, the reporting capability was not yet operational.

Cabinet Implementation Unit

In February 2008, Cabinet approved the monitoring and reporting role of the Cabinet Implementation Unit (CIU) established as part of the restructure of Cabinet Office. As part of its approved role, the CIU will analyse submissions of agencies' implementation initiatives and recommend to Cabinet (for approval) submissions for detailed monitoring, excluding those that are subject to central monitoring by other bodies.

The OCIO is one such body which is required to monitor and report to the ICT Board, and where appropriate, reporting by the ICT Board to the Minister/Cabinet, on the delivery of projects with a material ICT component.

Under its mandate, the CIU is required to undertake quarterly monitoring for reporting to Cabinet of the progress of the implementation of agencies' initiatives generally. That reporting is to include information obtained from the OCIO in relation to major ICT projects that are subject to monitoring by the OCIO.

The CIU commenced a trial of its monitoring processes for Cabinet implementation decisions made in the April to June 2008 quarter and is currently evaluating the processes for incorporation into its Electronic Cabinet Online system.

Audit Comment

Past Audit Reports have strongly recommended the need for regularly reviewing, monitoring and reporting on ICT projects to the responsible Minister/Cabinet. This recommendation arises from deficiencies in project governance and control for major ICT projects that have frequently been identified and raised in the previous Reports to Parliament.

This year, a major project development of the South Australian Housing Trust was abandoned at a significant cost to the taxpayer.

The OCIO has advised that it is developing a major ICT project reporting capability. The CIU as part of its mandated monitoring and reporting responsibilities to Cabinet, is required to engage with the OCIO to obtain relevant information for quarterly overview reporting to Cabinet. The CIU is trialling its reporting functionality for full implementation in 2008-09.

As the OCIO is the central monitoring and reporting body for material ICT projects to the ICT Board (and if applicable, Minister/Cabinet), the development of its reporting capability should be progressed to implementation with urgency. I consider the effectiveness of the quarterly reporting role of the CIU with respect to ICT matters is reliant on the effective implementation and operation of this reporting capability.

TRUMPS TRANSITION FROM DEVELOPMENT TO OPERATION

TRUMPS is a major computer system of government that provides for the recording and processing of revenue transactions of approximately $1 billion per annum for DTEI and on behalf of other agencies. The system became fully operational in September 2007 with the implementation of the principal components, registration and finance.

The system has numerous interfaces with other parties including South Australia Police, RevenueSA and the Courts Administration Authority. Maintenance and operations of the infrastructure, operating environments and communication network management have been outsourced to EDS Australia and Dimension Data.

As mentioned earlier, Audit initiated a comprehensive review of TRUMPS as a major operational system.

Audit wanted to test the adequacy of a number of important matters of a newly operational system of this magnitude and significance to government. Those matters included that the system:

- would be satisfactorily documented in all respects
- was implemented fit for purpose with an appropriate defect management process
- operation and associated processes and procedures would fully comply with government-mandated information security requirements and other control measures of better ICT practice
- operation would be in compliance with major contracted arrangements with external ICT service providers
- would operate in line with the Department's ICT policy procedural frameworks, and
- would incorporate adequate provision for the continuity of the key business functions at all times.

At the time of preparation of this Report, Audit was finalising a number of review areas, including communicating on those areas with DTEI and the contracted external ICT service providers.

The findings and implications of the review outcome for DTEI as the responsible agency and as a lessons learned outcome for other government agencies will be the subject of a future Report to Parliament.